

PUBLIC ACCOUNTS COMMITTEE
(1965-66)

FIFTY-THIRD REPORT

(THIRD LOK SABHA)

[Appropriation Accounts (Railways), 1963-64
and
Audit Report (Railways), 1965]



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LOK SABHA SECRETARIAT
NEW DELHI

April, 1966/Vaisakha, 1888 (Saka)

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58th sitting held on 27-11-1965 (AN)

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63rd sitting held on 10-12-1965 (AN)

94th sitting held on 27-4-1966 (AN)

Part III*

Statements/Notes/Memo showing action taken on the recommendations of Public Accounts Committee contained in their earlier Reports on Railway Accounts.

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

PUBLIC ACCOUNTS COMMITTEE

(1965-66)

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21. Shri Niranjan Singh
22. Shri Atal Bihari Vajpayee

SECRETARIAT

Shri H. N. Trivedi—Deputy Secretary

Shri R. M. Bhargava—Under Secretary

INTRODUCTION

1. I, the Chairman of the Public Accounts Committee, as authorised by the Committee do present on their behalf this Fifty-third Report on the Appropriation Accounts (Railways), 1963-64 and Audit Report (Railways), 1965.

2. The Appropriation Accounts (Railways), 1963-64 together with the Audit Report thereon were laid on the Table of the House on the 23rd February, 1965. The Committee examined them at their sittings held on the 27th November, and 3rd, 4th, 8th, 9th and 10th December, 1965. A brief record of the proceedings of each sitting of the Committee has been maintained and forms Part II* of the Report.

3. The Public Accounts Committee at their sitting held on the 13th January, 1966 decided to appoint a Sub-Committee to review the action taken by Government on the recommendations made by the Committee from time to time.

4. The Committee considered and finalised this Report along with the Report of the Sub-Committee which is appended hereto (*vide* Chapter IV) at their sitting held on the 27th April, 1966 and should be treated as the Report of the Committee.

5. A statement showing the summary of the principal conclusions/recommendations of the Committee is appended to the Report (Appendix XIX). For facility of reference these have been printed in thick type in the body of the Report.

6. The Committee place on record their appreciation of the assistance rendered to them in the examination of these Accounts by the Comptroller and Auditor General of India.

They would also like to express their thanks to the Chairman and Members of the Railway Board and representatives of the Ministries of Supply and Technical Development, Iron and Steel and Depart-

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

ment of Communications (P. & T. Board) for the Co-operation in giving detailed information asked for by the Committee during the course of their evidence.

NEW DELHI;

28th April, 1966.

8th Vaisakha, 1888 (S)

R. R. MORARKA,

Chairman,

Public Accounts Committee.

General Review of the Financial Working of Railways during 1963-64

Receipts

1.1. The gross traffic receipts during the year 1963-64, viz. Rs. 632.21 crores were Rs. 32.52 crores better than the original budget of Rs. 599.69 crores. Among others, the increase including Rs. 12.65 crores in passenger earnings and Rs. 16.30 crores in goods earnings.

Working Expenses

1.2. The working expenses including appropriation to Depreciation Reserve Fund and payments to worked lines, amounted to Rs. 472.27 crores, and were Rs. 13.09 crores higher than the budget of Rs. 459.18 crores. The increase in expenditure was stated to have resulted mainly from (a) higher rates of dearness allowance granted to Central Government employees and higher payments of house rent and compensatory allowances both sanctioned after the budget, (b) the rise in the price of coal and of diesel oil and (c) higher cost of material used for repairs and maintenance of the various railway assets than was anticipated in the budget.

Depreciation Reserve Fund

1.3. The appropriation to the Depreciation Reserve Fund during the year remained at Rs. 80 crores as provided in the budget from the revenue.

Development Fund

1.4. The surplus anticipated in the budget was Rs. 31.00 crores and as in the previous year it was to be wholly appropriated to the Development Fund. The actual surplus credited to the Fund at the close of the year, however, stood at Rs. 49.24 crores.

Operating Ratio

1.5. The percentage of working expenditure to earnings for 1963-64 for the Railways as a whole was 74.85 as compared to 75.71 during the previous year.

1.6. The Committee are glad to note the improvement in the figure of 'Operating Ratio' for the year 1963-64.

Estimation of Traffic Receipts—page 2, para 2 of Audit Report (Railways), 1965

1.7. According to the Audit Report the Traffic receipts exceeded the budget estimated by 32.52 crores mainly because goods traffic of high rated general merchandise was above anticipations and a substantial increase occurred in passenger traffic. The Committee further learnt from Audit that the variation between budgeted figure and actuals under traffic receipts was the highest for 1963-64 during the last ten years ending 1963-64 as shown below:

Year	Budget Estimates	Actuals	(Amount in crores)
			Variations
1954-55	273.25	286.78	(+) 13.53
1955-56	292.50	316.29	(+) 23.79
1956-57	345.00	347.57	(+) 2.57
1957-58	377.90	379.78	(+) 1.88
1958-59	407.48	390.21	(+) 17.27
1959-60	422.03	422.34	(+) 0.31
1960-61	464.50	456.80	(+) 7.70
1961-62	499.02	500.50	(+) 1.48
1962-63	545.36	566.79	(+) 21.43
1963-64	599.69	632.21	(+) 32.52

1.8. The Financial Commissioner, Railways explained in the course of evidence that both the years 1962-63 and 1963-64 were exceptional years. During 1960-61 and 1961-62 the capacity for goods traffic was very tight but later it was substantially improved from October, 1962. He added that the estimates for 1963-64 were based on the available data. There was an over-all surcharge of five per cent on all goods traffic and there was no difficulty in estimating. What really varied from expectation was that the actuals of 1962-63 were substantially above the revised estimates, a factor which the Railway

Board did not know at the time of presenting the Budget in February when figures were available only upto November, 1962. The witness further added that the actuals of 1962-63 were higher by Rs. 12 crores. The revised estimates for goods earnings for the following year, 1963-64 were accordingly increased to Rs. 391·6 crores from Rs. 379 crores.

1.9. The Chairman, Railway Board further explained that they had expected to move 4·2 million tonnes of general goods but the actual materialisation was 8·59 million tonnes, which was more than double. These were high-rated goods. There was, however, heavy fall in the actual traffic in respect of coal and iron ore almost all of which were low-rated commodities. As regards passenger traffic, the Financial Commissioner stated that at the time when the budget for 1963-64 was prepared, passenger fares were pushed up by 10 per cent on 1st July, 1962 and the passenger traffic trend had abruptly changed. With the increase in passenger rates from July, 1962 the receipts in the revised estimates for 1962-63 also went up in November, 1962. The break-up of figures from July to November for the year 1962-63 was compared with the corresponding months of the previous year and the increase was ·79 per cent. The revised estimate for 1962-63, however, went wrong because in the following four months there was a 4·3 per cent increase as against ·79 per cent increase in the earlier months of the year and that made a tremendous difference. He added that during the last four months of 1963-64 there was 8 per cent increase over the previous year. It was not known whether this 8 per cent trend would continue in the subsequent years also. This sort of uncertain factors, the witness urged, were to be faced year after year.

1.10. At the instance of the Committee the Ministry of Railways furnished detailed notes indicating the anticipated pattern of traffic and revenue at the time of the budget for 1963-64 and the position which existed at the time of revised estimates and the actual receipts. They have also explained the method followed in estimating the traffic receipts. It has been stated *Inter alia*.

“It is very difficult to translate those variations in originating traffic in precise financial terms since the assumptions of the anticipated load are based only on data for the penultimate year; and the loads undergo changes—just as the composition of traffic does—the nature and extent of which it is difficult to forecast accurately.”

• • • • •

"It will be self-evident that one has to study the long term trend over, say, a few years, as well as the short-term trend of the particular year, perhaps the most recent months in a particular year, to avoid undue errors. In order that one may not over-estimate or under-estimate the likely revenue any indication available from short term trends must be corrected somewhat in the light of long term trends."

1.11. It has been added in the note that the budget forecast of 1962-63 and 1963-64 for goods were improved upon by actuals and on the budget figures of 1964-65 for goods traffic there was a substantial shortfall. Similarly, in the year 1965-66 passenger earnings were expected to turn out lower than the budget forecast. There was, therefore, no definite pattern and actuals had turned out to be sometimes higher than the budget forecast and sometimes lower.

1.12. While the Committee appreciate the problems involved in assessing trends of traffic both goods and passengers and estimating the income therefrom, they nevertheless feel that the difference between the budget estimates and the actual receipts during the year 1963-64 was quite substantial. The Ministry of Railways (Railway Board) would be well advised to review the system of framing the estimates of revenue in the light of experience gained and evolve some suitable methods to minimise this gap.

Railways owned by Companies or District Boards worked by the Indian Government Railways—para 6, page 3.

1.13. Six Railway lines with a route length of 422.97 Kms. owned by companies, District Boards and Port authorities etc., were worked by the Indian Railways under agreements entered into separately with the owners of these lines. An amount of Rs. 14,27,854 was paid during the year as net earnings and rebate to the owners. Besides, there were four branch lines with a route kilometrage of 244.09 owned and worked by private companies under a guarantee of minimum return of 3½ per cent on the paid up share capital. The Government Railways had to pay, during the year 1963-64, a total sum of Rs. 16,74,179 to them to fulfil the guarantee, the cumulative payment on this account being Rs. 1.28 crores for the period from 1st April 1950, to 31st March, 1964.

1.14. The Committee desired to know which were these six Railways owned by Companies, District Boards or Port Authorities and worked by the Indian Government Railways and what were the

terms of agreement. The Financial Commissioner, Railways stated that those were:

1. Central Provinces Railway,
2. Chaparmukh-Silghat Railway,
3. Katakhal-Lalabazar Railway,
4. Tenali-Repalle Railway.
5. Nanjangud-Chamrajanagar Railway, and
6. Cochin Harbour Railway,

and they had the option to take them over and it had been decided that Tenali-Repalle and Nanjangud-Chamrajanagar Railways would be taken over. As regards Cochin Harbour Railway, there was no question of taking it over as it belonged to the Central Government—the Cochin Port. This Railway being a small one, was actually worked by the Southern Railway as it was not worthwhile for the Port Authorities to engage their own staff to run it.

1.15. The Committee desired to know whether it was not the policy of the Indian Railways to acquire all these Railways in due course. The Chairman, Railway Board stated that at a suitable time before the date of option, the Board would consider the case of the line which was to be taken over. The traffic that had been there and also the future prospects were taken into consideration. The value that had to be paid to the Company was taken into account and on the basis of those financial implications, a decision would have to be taken whether to purchase that line or not. In certain cases it was impossible to negotiate a price lower than the agreement price.

1.16. In answer to a question, the witness informed the Committee that in the case of the Railway which was making a profit, they were also sharing their profit and Rs. 1427 lakhs was the share of the gross earnings. It was not a profit sharing arrangement. Actually the contracts with the companies were that the gross earnings would be retained by the Government to cover the working of the lines upto a certain percentage and whatever was left over after that was payable to the companies as their share of the earnings.

1.17. The Committee desired to be furnished with a statement giving details including particulars of terms of working, the guarantees given by the Government, date of next option etc. of all the Railways owned by Companies or District Boards and at present worked by the Indian Government Railways as part of the Zonal

Railway Administration. The statement furnished by the **Railway Board** is at Appendix I.

1.18. The witness further explained that Minister of Railways had stated in Parliament that in view of the fact that there was need for putting up more new railway lines in the country, it would be better to spend whatever capital resources they got on the construction of new lines rather than on purchasing of old lines which would not add to the revenues at all. In view of this policy decision the witness added that as and when cases of purchasing the railway lines came up, they had instructions that for the convenience of the users as well as the financial implications involved, they might go in for new lines rather than for purchase of the old lines. They had however taken over two to three of these railways where the financial implications and other considerations justified such taking over.

1.19. The Committee desired to know if the intention was not to purchase the Central Provinces Railway and inquired why the Railway Board were incurring an annual loss of Rs. 11.06 lakhs. (because the working expenses came to Rs. 19,53,000 and the total receipts came to Rs. 8.47 lakhs). The Additional Member (Finance), Railway Board stated in evidence that according to the contract which was entered into when this line was built originally, the Railways were entitled to retain a certain amount for working the line and the balance had got to be paid to the Central Provinces Railway Company, and the expenses which the Railways would incur were therefore, unaffected and whether they would purchase or not the expenses were there in any case. As regards the annual loss, he added that it should be reduced by the share of the surplus profit amounting to Rs. 2.68 lakhs from this line. Therefore, the total loss in running this railway line today would be about Rs. 8 lakhs.

1.20. Asked as to whether it would be beneficial to take over this line, the Financial Commissioner, Railways stated that the Ministry of Railways would have to go to the Government and ask them to advance capital on the basis of their programme which would include taking over of lines. It was not ruled out only by the fact that the price payable under the agreement was Rs. 115 lakhs. because it was open to the Government to negotiate for the purchase. Acquisition of the line was different from the working of that line. Under the agreement working of the line was ensured, but the question of acquisition would have to be examined on financial considerations. The witness added that it would be very partial to take the railways' financial position alone into consideration, as the money for the purpose was to be provided by the General Revenues

under the financial convention. Moreover, if the line was purchased, it was not going to provide a new or better facility to the public. So the Railway Board could not say that as part of their obligation of rendering service to the Public they had to make this investment. They had to consider it from the point of view of an investment which could save money to the Government. Such an investment would save money to the Railways but would cause loss to the general revenues which would not get income tax as it was getting from the company. Under the existing arrangement, they were no doubt making a loss but they were avoiding further investment as it would not be beneficial. The Committee pointed out that if Government raised a loan of 115 lakhs and gave it to the Railways for the purchase of this railway, there would only be a loss of Rs. 4 to 5 lakhs per annum after giving due credit to the Government for the money advanced. Even if the amount of the interest paid by Railways to General Revenues was disbursed by Government to public, the general revenues would benefit as majority of persons lending money to Government paid income-tax on receipts from interest. The Financial Commissioner, Railways stated "I do accept that in a large majority of cases, there would be tax realisation on the borrowings."

1.21. The Committee desired to know why the figures of actual working expenses of the other railways were not available. The representative of the Railway Board stated that they did not have separate working expenses of branch lines, because normally that could serve no useful purpose. In any case they were bound to run the lines under the contract. The Financial Commissioner, Railways added that it would make no difference, whoever was the owner, as running expenses would remain the same. In this particular case in so far as transactions with the company were concerned, they were dependent on the earnings which were completely independent of expenses. He added that they maintained accounts of new lines/sections wherever they wanted to study their operations specifically, otherwise accounts were maintained on a Zonal Railway basis normally.

1.22. In answer to a question whether these railway lines were working at a profit or loss, the witness stated that the working details of these railways were known to them but they had not the exact picture of their losses. The Railways did have the operating ratio of these lines. The witness added that the exact loss can be ascertained for a future period by keeping special accounts. For the past period, however, it would all be mixed up. The Committee

were also informed that these contracts for working these branch-lines were in perpetuity and those contracts could not be terminated by giving notice except in the event of purchase. As a matter of fact there were no means of terminating these contracts. They were, however, considering at what price the Central Provinces Railway might be worth taking over.

1.23. In the case of the Nanjangud Chamrajnagar Railway, the Chairman, Railway Board stated that the Mysore Government wanted the Railway Ministry to take over this railway and it was not the Railway Ministry that wanted to take it over. The price was negotiated by the Railway Ministry which came to Rs. 4.88 lakhs as against capital book value of Rs. 12.22 lakhs.

1.24. Asked as to what return was considered remunerative for taking over a railway the witness stated that it should cover the amount that they were to pay as interest. If the amount of interest which they would have to pay on the purchase price was covered then it was worth taking over. Actually the contract provided that the fixation of price should be done on a particular basis but there was nothing to prevent the owners from being ready to negotiate the lower price. After all the investor who had got the shares of the company was interested in the return he was getting on that investment. In respect of C.P. Railway, the shareholders were getting Rs. 3 to 3½ lakhs on an investment of Rs. 95 lakhs.

1.25. The Committee desired to know what return the Railway Board were getting on those railways owned by companies, District Boards etc. by working them under the present arrangement. The Financial Commissioner, Railways stated that they were running the railway as a service and the money had been provided by the private investor. The question was whether they should buy out the private investor or not. The running itself would no doubt cause them a certain loss. There was a certain loss on lines which were owned by the Government in certain parts of India; in certain other parts it was profitable and it was still more profitable in some other parts. But this was an additional investment in addition to the service. They were short of capital although they might raise it at a certain rate and they had to consider that. That was why the Railways' normal test of remunerativeness was one per cent above the dividend rate. So purely to buy it to make a profit would not do as they knew that those lines were not remunerative. The witness also stated that it would not be correct to say that none of these

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railways had ever worked on any profit. As the traffic had greatly increased the general remunerativeness had also increased. As wages had gone up higher and general costs were higher, it would require a larger amount of traffic to justify an investment. At one time narrow gauge was profitable, at another time metre gauge was profitable and now broad gauge with a certain minimum traffic was required in order to be profitable.

1.26. The Committee desired to be furnished with a statement of all those railways which were worked by the Government from 1947 onwards though belonging to the private companies showing when they were running at a loss/profit and also a list of companies in respect of which no separate accounts were kept. The information furnished by the Railway Board is at Appendix II.

1.27. The Committee enquired if apart from the unremunerativeness, there was any other difficulty in taking them over. The Financial Commissioner, Railways stated that there was none, except the need to find capital. The Committee desired to know whether the Sahu-Jain-Dehri-Rohtas Railway could be utilised for serving the public also. The Chairman, Railway Board stated in evidence that these were private sidings, maintained for certain purposes for bringing the raw material to the factories. These were there for the purpose of their own private traffic. It had not come up before the Railway Board that these sidings could be utilised for public uses, firstly, because there had not been any demand and secondly, to make them fit for public service would mean strengthening the track and bridges and also putting in extra rolling stock and it would mean negotiations with the owners about what remuneration they would like to be paid because they would not like their own traffic to be interfered with.

1.28. The Committee desired to be furnished with a statement indicating the railways already taken over from the private companies, year in which and the basis on which they were taken over and whether the same standard of remunerativeness was applied or not. (On what basis the Tenali-Repalle line was being taken over and how it compared with the standard of remuneration might also be given). The information furnished by the Ministry is at Appendix III.

1.29. From the facts placed before them, the Committee note that out of the six railway lines referred to in the Audit Para (owned by Companies/District Boards and Port authorities etc.) Nanjangud-Chamrajnagar Railway has since been purchased by the Railways

and Tenali-Bepalle Railway was to be taken over from 1st April, 1966. The ownership of three Railways viz. Central Provinces Railway, Katakhal Lalabazar Railway and Chaparmukh-Sidghat Railway is still in private hands. The Cochin Harbour Railway is owned by the Ministry of Transport. Besides there are four branch lines owned and worked by private companies under a guarantee of minimum return of 3½ per cent on the paid share capital. While the Committee appreciate that the remunerativeness of these privately owned railways is an important factor which weighs with the Ministry in deciding to purchase them, they would reiterate the recommendation made in their earlier reports (para 15 of the First Report and para 10 of Thirteenth Report—Third Lok Sabha) that besides purely commercial considerations, factors like efficient management and better public services should also be taken into account in reaching a final decision on this question. The Railway Board should also take into consideration the future growth of traffic on the railways in the context of all round development under the five years plans. The Committee desire that serious efforts should be made to purchase the privately owned railways after negotiations with the owners taking into consideration the depreciated value of the assets instead of their book value. The Committee are glad to note that the Nanjangud-Chamrajanagar railway was purchased in 1964 at a negotiated price of Rs. 4.88 lakhs (based on the depreciated value of the assets) against the book value of Rs. 12.22 lakhs.

The Committee also desire that pending taking over of the privately owned railways, accounts of their working expenses should be maintained by the Railways separately in order to have a correct picture of their financial working.

II

Budgeting and Control over expenditure

General Results of Appropriation Audit—page 3, paras 7-8.

2.1. The number of demands voted during 1963-64 was 17 against 19 in 1962-63 and the number of appropriations was 11 against 12 in the previous year. The following statement compares the total grants and appropriations obtained and disbursement made against them during the year with those of the previous year:

(In crores of rupees)

Particulars	Voted Grants		Charged Appropriations		TOTAL	
	1963-64	1962-63	1963-64	1962-63	1963-64	1962-63
1. Original	1,178.29	1,142.53	2.02	1.28	1,180.31	1,143.81
2. Supplementary	57.64	26.73	0.02	0.48	57.66	27.21
3. Final (Original plus Supplementary)	1,245.93	1,169.27*	2.04	1.76	1,237.97	1,171.02
4. Total Disbursements	1,253.21	1,184.81	1.23	1.45	1,254.43	1,186.26
5. Net Saving (—) or excess (+) as compared to final Grants/Appropriations	(+)17.28	(+)15.55	(—)0.81	(—)0.31	(+)16.47	(+)15.24
6. Percentage of 5 to 3	(+)1.40	(+)1.33	(—)39.71	(—)17.61	(+)1.33	(+)1.30
7. Percentage of 5 to 3 excluding Grant No. 18—Appropriation to Development Fund	(+)0.48	(—)0.29	(—)39.71	(—)17.61	(+)0.41	(—)0.31

*Difference in total is due to rounding off.

E

2.2. The Committee desired to know as to why there was a saving of 39.71 per cent during the year 1963-64 as against a saving of 17.61 per cent during the previous year, 1962-63 in regard to the charged appropriations. The representative of the Railway Board stated in evidence that the charged appropriations were monthly for payments which they had to make on the basis of court decrees. Normally it was expected that certain court decrees would come through and mature for payment before the 31st March. A provision was made in budget on that basis. But when there were delays in the finalisation of court decrees and no payments were made there was a saving.

2.3. The Committee referred to the reply received from the Ministry of Railways (Railway Board) in regard to their earlier recommendation made in para 5 of their 32nd Report (1964-65) and pointed out that the position had been explained about the variations on the Eastern and Northern Railways, but it was also stated that no action was considered necessary for preparing accurate budget estimates. The witness stated that the dates on which court's awards would be made were unpredictable. An improvement could certainly be effected in respect of 'charged appropriation' by not asking for supplementary grant at all unless the position about payments was fairly definite, towards the end of the year. The witness added that according to a recent decision taken by the Ministry of Finance they were required to put under 'charged appropriation' in future only those amounts which were decreed by bodies having all the "trappings" of a judicial Court. Arbitration awards under this definition would come out of 'charged appropriations' and to that extent it was expected that their task in budgeting would be simple. At the instance of the Committee the Ministry of Railways (Railway Board) have furnished a statement indicating the number of court cases which were anticipated and those actually materialised on all the Railways during 1963-64. The Committee observe therefrom that out of 6,991 cases anticipated on all Railways during 1963-64 only 4,832 had been finalised and that under appropriation No. 8 the Northern Railway could actually settle only 2,725 cases out of 4,725 cases anticipated during the year.

2.4. The Committee would, therefore, reiterate their recommendations contained in para 5 of 32nd Report (Third Lok Sabha) and suggest that the reasons for such inaccurate assessment particularly on the Northern Railway, year after year, should be looked into and suitable steps taken to improve the position.

*Excessive and unnecessary supplementary Grants Appropriations—
para 9—page 4.*

2.5. (a) During the year under report, 17 supplementary grants aggregating Rs. 5,764 lakhs were voted by Parliament as against 12 supplementary grants totalling Rs. 2,673 lakhs in the previous year. There was a considerable reduction in the number and amount of supplementary appropriation obtained during the year (1 for Rs. 1.5 lakhs against 5 for Rs. 48 lakhs in 1962-63).

2.6. (b) The 2 supplementary grants for a total of Rs. 11.50 lakhs relating to Grant No. 2—Revenue—Miscellaneous Expenditure, proved wholly unnecessary as the actual expenditure did not even come up to the original grant. The following table would indicate that the supplementary provisions obtained under this grant proved entirely unnecessary during the last five years except in 1961-62 when it was largely in excess of requirements.

Year	(In lakhs of rupees)				
	Amount of Supplementary Grant	Amount of Final Grant (Original plus Supplementary)	Final Savings	Percentage of Supplementary Grant to Final Grant	Percentage of savings to Final Grant
1959-60	13.64	192.09	17.75	7.1	9.2
1960-61	3.98	191.46	14.42	2.1	7.5
1961-62	28.61	240.52	26.18	11.9	10.9
1962-63	12.00	292.73	21.66	4.1	7.4
1963-64	11.50	301.62	26.60	3.8	8.8

2.7. (c) 5 Supplementary grants, covering 4 demands proved excessive. While additional funds provided in these cases totalled Rs. 706.98 lakhs (of which Rs. 706.97 lakhs was voted in March, 1964) the amount utilised was Rs. 396.19 lakhs, i.e., only 56 per cent of the supplementary grants taken. It may be mentioned that out of Rs. 706.98 lakhs, an amount of Rs. 184.12 lakhs was surrendered.

in the very month in which supplementary grants had been voted. In the case of Grant No. 9 the surrender in the same month was Rs. 98.70 lakhs or 39.7 per cent of the Supplementary provision of Rs. 248.55 lakhs.

2.8. (d) The only supplementary appropriation of Rs. 1.51 lakhs obtained during the year relating to Appropriation No. "8—Revenue—Working Expenses—Operation other than Staff and Fuel" also proved entirely unnecessary as the final saving was Rs. 24.95 lakhs. An amount of Rs. 15.77 lakhs was surrendered in the very month in which the supplementary appropriation was obtained.

2.9. In evidence the Committee desired to know the reasons for obtaining additional funds by 2 supplementary grants under grant No. 2—Revenue—Miscellaneous Expenditure which ultimately proved to be entirely unnecessary. The representative of the Railway Board, while admitting that there was a large percentage of saving in the final grant, stated that the main reason for his was that the grant catered for a large number of miscellaneous items like surveys, miscellaneous establishments like SPE, Railway Rates Tribunal, Statutory Audit etc. and other miscellaneous charges not related to a particular Railway. He added that every effort was made at each stage of the review of the budget to estimate these items of expenditure as accurately as possible and in most cases the final modification was fairly close. Out of the two supplementary grants, one was for Rs. 10 lakhs taken in April, 1963 right at the beginning of the year in order to provide money for the preliminary engineering and final location survey in connection with the construction of the Siliguri-Jogighopa line which was decided upon soon after the Budget. The Committee pointed out that out of this supplementary grants of Rs. 10 lakhs, only Rs. 7.15 lakhs had been spent.

2.10. The Financial Commissioner Railways stated that this was a major broad gauge line costing over Rs. 20 crores the construction of which was decided after the Emergency and in that context the estimate of Rs. 10 lakhs was not unreasonable. The entire line had been surveyed and built within 2 years. He added that the urgency of work led to inaccuracy in estimation. The reason for supplementary provisions obtained under the Grant proving largely excessive or unnecessary during the past five years were stated to be different in each year. In one year the expectation of the Research and Designs Organisation had not come off. The witness stated that they would learn lessons from such savings. It had already been decided not to go in for supplementary demands without careful

thinking towards the end of the year. But in this case the supplementary demand for the broad gauge line was taken earlier in the year and it was unavoidable. He further added that in future when going in for supplementary funds they would try whether by asking for a little less the position could be improved.

2.11. The Committee feel that in such cases where supplementary provisions were to be obtained early in the year and trend of the expenditure could not be known precisely the Ministry of Railways should have sought the approval of Parliament for commencing the work by taking a 'token' grant. Later on they could ask for a supplementary grant, if necessary, on the basis of the trend of expenditure.

2.12. With regard to other cases mentioned in Sub-para (c) the Committee desired to know why an amount of Rs. 184.12 lakhs out of Rs. 706.98 lakhs was surrendered in the very month in which supplementary grants had been voted. The Financial Commissioner (Railways) stated in evidence that under the normal procedure the revised estimate was prepared early in January. The Supplementary demands were made in February although voted in the month of March. He added that in the light of the observations of the Committee, they had now made it a point to finalise the estimates as late as possible in the year in order to reduce the supplementary grants as much as possible.

2.13. In a note submitted to the Committee the Ministry of Railways have urged:

"The accuracy of estimates and efficiency of budgetary control has to be judged with reference to the variation under each grant as a whole and not with reference to the marginal increases asked for in Supplementary grants as has been done in the Audit Para. The ultimate savings are less than 0.5 per cent of the total grant except in one case where it was 2.20 per cent under grant No. 9."

2.14. The Committee do not agree with the view expressed by the Ministry of Railways that efficiency of the budgetary control has to be judged with reference to the variation under each grant as a whole and not with reference to the supplementary grants. While the overall percentage of savings compared to the total grants may not be significant, the Committee feel that the fact that supplementary funds were obtained inspite of clear savings goes to indicate that the progress of expenditure was not being properly watched. The Committee trust that the Ministry of Railways will take suitable steps to further improve the position.

*Excess over voted grants and charged Appropriation—para 12—
pages 6—8.*

2.15. Excess occurred under 9 voted Grants during 1963-64 as against 5 voted Grants and 2 Charged Appropriations in 1962-63. The total excess during the year amounted to Rs. 21.86 crores as against Rs. 25.59 crores in 1962-63 and Rs. 7.20 crores in 1961-62. The details of excesses which require to be regularised under Article 115 of the Constitution are as under:—

(Figures in units of rupees)

Sl. No.	No. and Name of Grant.	Original Grant	Supplementary Grant	Final Grant	Expenditure	Excess	Real Excess after taking into account misclassifications.	%age of excess (col. 6 to col. 4).	%age of real excess (col. 7 to col. 4).
1	2	3	4	5	6	7	8	9	
1	3—Revenue—Payments to worked lines and others.	31,01,000	..	3,01,000	31,02,033	1,033	1,033	0.03	0.03
2	5—Revenue—Working Expenses—Repairs & Maintenance.	1,37,81,81,000	1,73,54,000	1,42,60,35,000	1,42,93,22,516	32,87,516	30,00,285	0.23	0.21
3	7—Revenue—Working Expenses—Operation (Fuel)	92,10,38,000	5,97,88,000	98,08,26,000	98,39,10,805	30,84,805	30,84,805	0.31	0.31
4	3—Revenue—Working Expenses—Operation other than Staff & Fuel.	28,87,95,000	45,73,000	29,33,68,000	29,93,18,281	59,50,281	60,17,172	2.03	2.05
5	12—Payments to General Revenue.	93,10,86,000	1,91,79,000	95,02,65,000	95,94,55,396	91,90,396	91,90,396	0.97	0.97
6	14—Construction of New Lines.	65,63,44,000	20,00,000	65,83,44,000	66,62,57,556	79,13,556	78,86,806	1.20	1.19
7	15—Open Line Works Additions & Replacements.	4,33,12,94,000	26,59,71,000	4,59,72,65,000	4,66,80,01,918	7,07,36,918	7,26,36,901	1.54	1.58
8	16—Open Line Works Development Fund	25,98,00,000	3,76,82,000	29,74,82,000	29,94,83,494	20,01,494	19,50,965	0.67	0.66
9	18—Appropriation to Development Fund.	31,00,42,000	6,75,00,000	37,75,42,000	49,23,96,317	11,48,54,317	11,48,54,317	30.42	30.42

2.16. The detailed reasons for the excesses under each grants have been set forth in the notes (Appendix IV) of Railways (Railway Board). It has been stated that in the total excess of about Rs. 21.86 crores, about 11.49 crores related to Grant No. 18 for appropriation of the surplus to the Development Fund, which is not expenditure in the ordinary sense, but only the allocation of the surplus, the excess occurring due to the actual surplus being higher than the figure anticipated at the time of the Revised Estimates. Another important excess was under Grant No. 15—Open Line Works—Additions and Replacements. The excess occurred chiefly under 'Works' (Rs. 3.27 crores of which Rs. 2.27 crores occurred on Southern Railway) and 'Stores suspense' (Rs. 2.71 crores).

2.17. Audit was informed by the Ministry of Railways in February, 1965 that "the extent of additional funds which can be made available to individual Zonal Railways Projects has necessarily to be determined with reference to the total available funds fixed in consultation with the Ministry of Finance who regulate the priority of Railways and non-Railway needs within the frame work of the ways and means position." The Ministry of Railways also added that it was the responsibility of the individual Railway Administrations to regulate their spending suitably so as to be within the limits set for them under each grant.

2.18. The Committee desired to know whether any of the Railway Administrations had informed the Railway Board of their inability to limit the expenditure set for them under Grant No. 15—in view of the commitments already made by them and whether the Railway Board had taken steps to cover the unavoidable expenditure either by taking a supplementary grant or an advance from the contingency Fund. The representative of the Railway Board that the estimates which were received under this grant from the Railways in December amounted to Rs. 480 crores as against the Budget grant of about Rs. 433 crores. These estimates were examined and after making the best adjustment which could be made the gross estimate for this demand came to about Rs. 460 crores. A supplementary grant to the extent of Rs. 26.5 crores was, therefore, taken. Then at various stages the Railways started giving modifications of the figures which they had asked for inspite of the fact that they were informed of the maximum which could be given to them. In reply to a question the witness stated that excess under this grant was not due to any failure on their part to recognise that expenditure should be limited to the sanctioned amount, but it was due to the error in estimating the progress of expenditure during the year. He added that soon after the revised estimates, on the 17th January, 1964, a special letter

was written to all the General Managers of the Railways emphasising the need to regulate the expenditure to the amounts sanctioned. Rate of spending was sought to be curbed and it was curbed after the revised estimate but it was not checked sufficiently due to error in estimating. As regards the Southern Railway the financial Commissioner stated that although the revised estimate was communicated to the Southern Railway, it seemed that they had not been able to curb the expenditure inspite of their best efforts. They would investigate whether it was due to any order or contract given after the communication from the Railway Board on 17th January, 1964 of revised estimate. The witness further added that the commitment already made by the Railway was there and that had to be met. The Chairman, Railway Board stated that orders were absolutely clear that no expenditure could be incurred unless it had been sanctioned and that there should be no excess over the amount sanctioned. This expenditure was no doubt distributed over a larger number of works but it was entirely wrong on the part of the Southern Railway to go ahead with the expenditure knowing fully well that the expenditure was in excess. It was probable that this Railway had already incurred the expenditure and then it came for sanction.

2.19. At the instance of the Committee the Ministry of Railways have furnished further notes explaining how the Southern Railway had incurred expenditure in excess of the allotment that had been given, which are at Appendices V & VI. The Committee observe from these notes that on the 7th February, 1964 the Southern Railway had asked for additional allotment of funds saying that "as a result of review of the progress of the works already made and commitments entered into, it will not be possible to remain within the cut allotments." The Railway therefore, requested the Railway Board to reconsider the matter and allot additional funds. They had also mentioned that if the cuts were not restored it would adversely affect the progress of construction works and open line works and would result in excess over allotment as commitments had already been entered into. No reply was issued by the Railway Board to this communication from the Southern Railway but it was decided to give special consideration to the request at the time of review of modifications towards the end of March, 1964. Following this review additional funds to the extent of Rs. 1.15 crores were made available to the Railway but a sum of Rs. 45 lakhs out of the Railways revised estimate was not allowed even in the final stage.

2.20. The Committee are not happy to note that the communication from the Southern Railway was not promptly examined in the

Railway Board. Instead of taking a final decision in the matter and giving a firm reply to the Railway, the Railway Board allowed the matter to remain in suspense. The Southern Railway in the meanwhile went on with its commitments and works programmes. It is, therefore, obvious that expenditure in excess of the funds voted by Parliament was incurred in this case not because of any error of estimation as it was said in evidence, but due to the omission on the part of the Railway Board to pay due and prompt attention to clear warning from the concerned Railway that expenditure was going to exceed the budget allotment. The Committee would like the Railway Board to exercise greater caution to avoid such 'excesses'.

Subject to the above observation the Committee recommend that the excesses referred to above be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.

Inefficient Balances under Suspense Accounts—para 15, pages 10-11.

2.21. The balances outstanding under the suspense heads 'Purchases', 'Miscellaneous Advances—Capital' and 'Sales' on 31st March, 1964 were as under:—

(Figures in lakhs of Rupees)

Purchase	Net Debit	738	This account is credited with the value of stores received and charged with the payments made for stores purchased indigenously or by import, including coal.
Miscellaneous Advances—Capital.	Net Debit	1,738	This head is debited with such payments or adjustments as cannot immediately be carried to any final head and subsequently cleared.
Sales	"	59	This account is debited with the value of stores sold and cleared by recoveries.

2.22. Heavy outstandings and consequent *ad hoc* adjustments of the suspense balances remaining uncleared for more than two years upto the year 1952-53 were commented upon in para 14 of the Audit Report, Railways, 1961. In para 14 of the 40th Report (Second Lok Sabha), the Public Accounts Committee pointed out that large sums lying under suspense without being charged-off to the respective final heads of account, vitiate Parliamentary control over expendi-

ture and were, therefore, highly objectionable. In para 10 of the Audit Report, Railways, 1962, the position subsequent to 1952-53 was also pointed out.

2.23. The latest review of the items outstanding for over one year under these suspense heads has shown that large amounts of unlinked debits and credits have accumulated in all Railways, which may ultimately have to be cleared by *ad hoc* write off. The year-wise break up is indicated below:—

(In lakhs of rupees)

Year	Purchases (as on 29-2-64) ₹		Misc. Advances Capital (as on 30-11-1963)		Sales (as on 30-11-1963)	
	Debit	Credit	Debit	Credit	Debit	Credit
Upto 1951-52	7	3	3	1
1952-53	25	41	2	1	1	..
1953-54	1,16	72	6	1	1	..
1954-55	81	88	2	3	1	1
1955-56	88	91	2	1	2	1
1956-57	2,05	57	4	1	2	1
1957-58	75	59	20	1	2	1
1958-59	1,02	85	30	2	3	2
1959-60	1,16	1,09	44	28	3	1
1960-61	1,35	2,27	73	20	3	7
1961-62	2,59	3,29	1,85	2,54	6	5
1962-63	4,51	4,56	1,38	78	5	5
Total :	16,53	16,14	5,13	3,93	32	25

2.24. According to Audit, apart from the delay in bringing the expenditure to account under the final heads, existence of such old debit and credit balances lying uncleared in the suspense accounts, also effects calculation of the dividend payable to the general revenues by the Railways on the total capital-at-charge which includes the debits and credits under suspense accounts.

2.25. The Committee desired to know how the Railway Board proposed to speed up the progress of clearance of old items particularly on the Railways where the outstandings were unduly large. The representative of the Railway Board stated that there had been

a substantial improvement in the matter of clearance of suspense balances since the paragraph appeared in the Audit Report. The Pending balances, under purchases suspense were Rs. 16.5 crores debits and Rs. 16.4 crores credits on 29-2-1964. The position as on 30th September, 1965 was that this balance had already been reduced from Rs. 16.5 crores to Rs. 9.16 crores on the debit side and from Rs. 16.14 crores to Rs. 8.40 crores on the credit side. In answer to a question the witness stated that so far as the North-East-Frontier Railway was concerned, the figures were Rs. 3.01 crores debit and Rs. 2.55 crores credit; on 31-5-1965 they had come down to Rs. 2.74 crores and Rs. 2.33 crores, and on 30-9-1965 they had further come down to Rs. 2.98 crores debit and Rs. 2.03 crores credit respectively. So they were hoping to clear as much as they could in the normal way. As regards the North-East-Frontier Railway a certain amount of arrears had been created on account of transfer of the records from Calcutta to Pandu and it was supposed to be debit amounting practically to Rs. one crore and credit amounting to nearly the same amount. While the two figures were more or less balancing the individual link-up of these figures was proving difficult. They might have to make some *ad hoc* adjustment in case of N.F.R. after making some more efforts to clear outstandings. In respect of other railways the position was very much better.

2.26. The Committee pointed out that in 1962 they had recommended the appointment of a departmental Committee similar to that appointed by the P & T. Board to tackle this problem and desired to know what action had been taken on their recommendation. The witness stated that they would certainly consider the recommendation made by the Committee but they were hoping to clear the balances under suspense accounts by normal means. There were two particular transactions which accounted for a great deal of the balances. In the miscellaneous advance suspense, the amounts that were likely to be cleared on the debit and credit sides were Rs. 1.8 crores out of Rs. 6.25 crores and Rs. 3.33 crores out of Rs. 5.74 crores respectively as on 31-5-1965. They were hoping to clear these amounts by the credit which they had got from the Steel Equalisation Fund for certain amounts which were outstanding for some transactions that took place as far back as 1958. This adjustment was withheld from 1958 until 2 or 3 months ago and there would be a very substantial reduction in the outstandings by this amount.

2.27. Asked as to whether it would affect the contribution of the railways to the general revenues, the Financial Commissioner,

Railways stated that it would affect only in a technical sense to the extent of the difference between the rate at which Government would pay on their deposits. It was a small balance between the Government and the Railways.

2.28. The question of heavy outstandings under suspense account and consequent risk of losses occurring through overpayments to suppliers and losses of stores has been engaging the attention of the Committee for quite some years. In paras 18-19 of their First Report (1962-63), the Committee stressed the necessity of firmly tackling the chronic problem of suspense balances and suggested the feasibility of constituting a departmental committee for the purpose. Pursuant to this recommendation the Railway Board issued necessary instructions in April, 1963. The Board however left to the individual railway administrations to consider whether they desired to have standing committees for the purpose, consisting of senior Deputy Manager, F.A. & C.A.O. and Controller of Stores or C.P.O. or other heads of deptt. as the case may be. The Committee however feel concerned to find that there has been no perceptible improvement in the position in that large amounts of unlinked debits and credits which are several years old are still outstanding. The Committee desire that the Railway Board should review the effectiveness of the measures already taken by the various railway administrations with a view to finding out what further steps should be taken to liquidate the old outstandings and prevent heavy accumulation in future. The Railway Board should also consider the feasibility of setting up a departmental Committee on each Railway to keep a constant watch over the progress made by the various railways and resolve the difficulties in this regard.

Missing and unconnected coal wagons—para 16—pages 11—13

2.29. Payments for coal supplied by various collieries to the Railways are made in advance of its receipt, on the basis of despatch intimation received from the colliery base stations. Subsequently, with reference to the coal actually received at the various distribution and consumption centres, a reconciliation is effected and any missing or unconnected wagons are investigated. In this process reconciliation, cases of wagons not received by the consignee Railways, and wagons received but for which payments have not been made or could not be linked for want of advises from the despatching stations are brought out. Further investigations are thereafter made to locate the missing wagons and find out the proper consignees of the unconnected wagons by reference to the other Railways.

2.30. The Accounting procedure has been so designed as to secure a constant watch on linking the receipt of coal with the payments made in advance. All coal transactions are in the first instance placed in a suspense account 'Purchases—Coal' and after reconciliation with the coal received, the unliked items are to be transferred periodically to two other suspense accounts, viz., "Miscellaneous Advances—Revenue—Coal" in respect of cases where payments have been made but wagons have not been traced and "Stock Adjustment Account—Coal" for cases where wagons have been received, but payments have not been made or linked. These balances are also to be cleared after further investigation by the Railway Administrations as early as possible.

2.31. A review of the above Suspense Registers indicates the following position in respect of each Railway as on the 31st March, 1964, a good portion of which relates to periods prior to 31st March, 1963.

(In thousands of rupees)

Names of Railway	Purchases Coal Account		Miscellaneous Advances Revenue Coal	Stock Adjustment Account Coal
	Dr.	Cr.		
Central	79,24	1,06,76	54,55	1,09,02
Eastern	13,18	1,08,19	95	71
Northern	75,83	80,82	28,98	..
North Eastern	1,15,77	1,10,49	9,94	15,03
North East Frontier	*1,08,75	*70,95	10,36	..
Southern	1,03,80	1,71,74	93,35	40,18
South Eastern	3,10,33	3,14,75	2,13	*22,29
Western	33,99	51,58	18,52	11,52
Total	8,40,89	10,15,28	2,18,78	1,98,75
Amounts of items over one Year old.	4,43,32	4,04,76	68,38	1,73,91

*Provisional.

2.32. The Railway Board had issued instructions in December, 1959 that intensive efforts should be made to clear these balances and lists of outstanding wagons should be intimated to adjoining Railways from time to time. The Railway Board's orders were not implemented by the Central and Northeast Frontier Railways, while South Eastern Railway did it only partially (September, 1964). The other Railway Administrations acted on it from various dates between December, 1959, and February, 1963.

2.33. The Committee enquired whether the Railway Board had decided about special steps they would take in avoidable delay in linking, in cases (i) where payments had been made for coal but the connected wagons had not been received and (ii) where coal wagons had been received but which could not be linked with payments. The Additional Member (Finance) stated that they had made considerable improvement upon the balances by the normal process of inspection. He added that henceforth linking would be much more effective as the new procedure for machine-linking was about to be started.

2.34. Asked to explain the process of machine-linking, the witness stated that they got details of the wagon numbers in which coal was booked and where they had been actually loaded. A punched card was prepared for each of these wagons numbers and these quantities were collated with other cards punched. Railways would thus match the cards for wagons for which they had paid, with the cards for the wagons which had been actually received. Anything that was left unvetted after this initial linking by machine, was tried to be linked up again next month with fresh cards of received wagons in case the wagons had not been accounted for in the second month after they were booked.

2.35. The witness added that the trouble in respect of linking up of missing wagons was at its worst in 1962-63. At that time 7½ per cent of the total number of wagons booked, accounted for as missing. The two reasons for this were that the stock of coal in the sheds on some of the Railways was extremely low and wagons had to be frequently diverted to carry on Railway Services from day to day. Secondly, Moghulsarai yard through which most of the coal wagons had to pass from east to west was under remodelling. These causes had now been removed and in 1964-65 the figure of 7½ per cent of missing wagons had come down to 2½ per cent.

2.36. Asked whether any special study had been made about the missing wagons and whether they belonged to any particular

colliery, the witness stated that no such investigation had been made and there was no *prima facie* reasons to suspect any particular colliery.

2.37. In reply to a question as to the time lag in the reconciliation of missing or unconnected wagons, the witness stated that it was one to two months. Explaining further the Chairman, Railway Board stated that the missing wagons meant that those particular wagons had not been received at the sheds to which they had been consigned, but might have been received at other sheds. The contents thereof were not lost or misappropriated. He also stated that the number of missing wagons which were not traced ultimately was not so large and the loss on account of them was very small.

2.38. The Financial Commissioner, Railways explaining further stated that in the year 1963-64 against a normal write off of Rs. 60 lakhs on account of cost of coal in missing wagons, there was a credit of Rs. 63 lakhs from unconnected wagons i.e. those which could not be linked with the wagons despatched. The Chairman, Railway Board stated that the amount almost balanced each other.

2.39. In reply to a question as to the year to which the oldest case of missing wagons belonged, the Additional Member (Finance) stated that it was not possible to give the information regarding individual wagons, as the Railways used about 75,000 wagons of coal every year and the accounts were a little complicated. He added that it could not be stated to which year a particular figure related.

2.40. In reply to another question, the witness stated that the linking going on at present was better than in 1962-63 and that they hoped to make substantial improvement in the position. The Chairman, Railway Board informed the Committee that census of wagons was taken once in 3 years and every wagon was accounted for. The number of wagons missing was very small. He added that there might be no account of wagons which had been condemned.

2.41. The Committee enquired what action was taken on the complaints that labels of wagons were replaced. The Chairman, Railway Board stated that at present a number of clerks were put on the job to take down the number and other particulars of each wagon received at every junction station, but they were studying the method followed in certain foreign countries where modern tele-communication equipment was used in sending messages regarding the number and other particulars of the wagons. The witness stated that the increase in traffic was so large that the staff

for recording the numbers and particulars of booking of the wagons had to be increased. He added that to tackle this problem in a more modernised way, the Railway hoped to start a pilot project soon.

2.42. The Committee desired to know whether it had been investigated at any time as to how many wagons for which the Railways had paid the compensation payments, had been accounted for. The witness stated that figures for compensation payments made were available and a statement showing the compensation amount paid to various parties for the missing wagons could be supplied. The Committee desired to be furnished with a statement showing the amount of compensation paid to the private parties on account of missing coal wagons during the years 1962-63, 1963-64 and 1964-65. The note received from the Ministry is at Appendix VII.

2.43. The Committee are glad to note that some improvement has been effected in locating the missing coal wagons and linking the unconnected ones and that the percentage of missing wagons to the total number of wagons booked has come down from 7½ per cent in 1962-63 to 2½ per cent in 1964-65. They also note from evidence that machine-linking is going to be introduced shortly. The Committee would like to be informed whether there has been any further improvement as a result of the introduction of machine-linking and if so, to what extent. In regard to the location of missing wagons, the Committee would suggest that a special study be made to ascertain whether there is disproportionately high incidence of missing wagons in relation to those booked from a particular group or groups of collieries. They note that a pilot project using modern tele-communication equipment is proposed to be started for sending messages regarding the number and other particulars of wagons booked. The Committee would like to be informed whether this project has been started and if so, whether it has resulted in any appreciable reduction in the number of cases of missing or unconnected wagons.

2.44. From the note furnished at Appendix VII the Committee note that the amount of compensation paid to private parties on account of missing coal wagons has been rising from year to year since 1962-63. They hope that with the introduction of machine linking and the Pilot Project using modern tele-communication equipment, the payment of compensation for missing coal wagons will be reduced.

III

Losses, Nugatory Expenditure, Financial Irregularities and other Topics of Interest

Northeast Frontier Railway—Extra expenditure due to delay in the finalisation of tender—para 18—pages 14-15.

3.1. The lowest tender of Rs. 8,10,955 received in June, 1962 for the construction of 100 Type I and 50 Type II quarters was open for acceptance till 25th September, 1962. Even though the building cost indices with reference to which the ceiling limits for expenditure on residential buildings are arrived at for the various localities of the Railway, were under reviews at that time for upward revision in the Engineering Department, the Tender Committee which met on 17th August, 1962 recommended negotiations with all the contractors to bring down the rates as the Committee found that the quotation was above the unrevised ceiling rates for one of the two types of quarters. In fact, the revised indices were fixed by the Chief Engineer and sent to the Financial Adviser and Chief Accounts Officer on 18th August, 1962 for acceptance.

3.2. The negotiations held on 7th September, 1962 did not produce any fruitful effect. Soon after, the Tender Committee recommended to the Chief Engineer that fresh tenders may be called for. On 5th October, 1962, the Tender Committee again informed the Chief Engineer that the lowest quotation received in June, 1962 was within the revised ceiling limits, and, therefore, the acceptance of the same should be considered before calling for fresh tenders. A letter was sent to the contractor only on 30th November, 1962 accepting his quotation. The contractor had, however, withdrawn his tender on 16th November, 1962.

3.3. Subsequently, on 21st January, 1963, the same contractor offered to undertake the work on certain additional conditions which were evaluated by the Administration as involving an extra expenditure of Rs. 29,107. As no reply was received from the Railway Administration, even this revised offer was withdrawn by the contractor in his letter dated the 5th April, 1963. Ultimately, the contract was awarded to another contractor on single-tender basis at 9,11,550, thereby incurring an extra expenditure of Rs. 1,00,595.

3.4. The Committee enquired why there was delay in deciding this tender and why before not accepting the lowest tender within the prescribed period it was not taken into consideration that at the

material time an upward revision of the rate was under consideration. The Member (Engg.) stated that these tenders were first invited in June, 1962 and were open for acceptance upto 25th September, 1962. 7 tenders were received in all. A Tender Committee consisting of 3 junior Administrative Officers, the Deputy Chief Engineer, the Deputy Chief Mechanical Engineer and the Deputy Chief Accounts Officer was appointed. Summaries of the tenders were then prepared and checked first in the Chief Engineer's office and again in the Drawing office to ensure that the quantities had been correctly calculated. All those statements prepared in these offices were considered by this Committee. Having examined the tenders they found that for one of the types of quarters the tender figures were higher than the ceiling laid down. In this particular case the work had started in June, 1961 in the different districts. The last occasion when such a revision in ceiling was done was in 1960. Then between 1960 and 1961, cost had risen fairly rapidly and therefore it was considered necessary in 1961 to revise the building cost indices and all the District Engineers were requested to go into the matter. Enquiries were also made from other sister Departments like the C.P.W.D. to ascertain whether there had been a general increase and taking all this into consideration the building cost indices were arrived at. In this case, although the matter was under consideration, it was very difficult for this Tender Committee to anticipate as to when he revised building cost indices and ceiling costs for quarters would be ready for them to compare with those tenders and to what extent these building cost indices were likely to go up. He added that the District Engineer, Dibrugarh to whose office this tender pertained had himself recommended an enhancement of the ceiling costs from 157 which it was in 1960 to 193 and he had in support of his recommendation given all relevant figures. But eventually after those were examined in H.Q. Office, the figure of 193 was found to be too high and the figure accepted was 173. At that time it would not have, therefore, been right on the part of the Tender Committee to have anticipated the extent of the new revision of ceiling costs.

3.5. The Committee enquired why the matter was not decided within the time-limit of those tenders and why 5 months were taken to decide whether the tenders were acceptable or not. The Member (Engg.) stated that after the 25th September, the question of delay was not really material, because after 25th September, which was the last date upto which tenders were open, there was no contractor and the Tender Committee tried to get the lowest tenderer who had previously quoted. A telegram to that effect was sent on the 16th November. The Financial Commissioner, Railways stated that even

before that, on the 7th September, negotiations were held with the lowest tenderer and as he refused to reduce his rates, which were above the ceiling limit, it was decided to call fresh tenders.

3.6. The Committee pointed out that 1½ months after the receipt of the tenders in June, 1962, it was known that they were above the ceiling. They desired to know why action was not taken either to revise the ceiling or to re-invite tenders within those 1½ months and why another 3½ months were lost. The Member (Engg.) stated that when the tenders were received, it was not immediately known which was the lowest tender and what the difference was, because there was a total of 7 tenders with 329 items in all. All these were sent to the Tender, Drawing and Accounts Sections which took some time for tabulation, preparation of briefs and calculations of ceiling costs. He added that although a certain period of time was taken for these different processes, actually the delay was not such as would have affected the exchequer. Thereupon, the Committee pointed out that the delay in finalising the tender had cost the public exchequer Rs. 1 lakh and the Ministry had given no convincing explanation for that. The Member (Engg.) stated that 13 days' time was taken in the Drawing Office after the papers came to it from the Accounts Officer on 31st July. The Committee enquired why the tender was not considered in the light of the recommendation made by the Chief Engineer on 18th August that the rates should be revised. The Financial Commissioner, Railways stated that the decision of the Tender Committee was that the tenderer should be called for negotiations. He added that the fact that a revision of rates was under consideration did not affect an attempt being made to settle the rates by negotiation. The Member (Engg.) added that all possible efforts were made to reduce the rates and bring them within the ceiling and save money for the Railways. Negotiations were carried out on the 7th of September, which was within the last day of the acceptance of the tender.

3.7. The Committee pointed out that the Chief Engineer made the recommendation in August and the Financial Adviser accepted it on 20th September before the expiry of the tender date, even then the tender was not accepted although it was known that the cost would go up. The Member (Engg.) stated that within a fortnight i.e. on the 5th October, the Tender Committee made the recommendation that the tender be accepted within the new ceiling, but the Chief Engineer was away on tour from the 2nd to 23rd October. Thereafter the matter was delayed due to Emergency.

3.8. The Committee pointed out that on 21st January, 1963 well after Chinese aggression, the same contractor offered to undertake that work on certain additional conditions which were evaluated by the Administration as involving an extra expenditure of Rs. 29,107. As no reply was received from the Railway Administration even this revised offer was withdrawn by the contractor in his letter dated 5th April, 1963 and ultimately the contract was awarded to another contractor on single-tender basis at Rs. 9,11,550 thereby incurring an extra expenditure of Rs. 1,00,595. The Member (Engg.) stated that the difference in cost was calculated by the Railway to be Rs. 29,107 and to that extent it was over and above his previous tendered rate. Then the contractors were called for negotiation, not once but twice. On both occasions the negotiations failed. The first occasion was on 27th February, 1963 and the second on 21st March, 1963. None of the tenderers who were invited appeared on either occasion. Therefore the contract was offered to this man at the rate which he had quoted. But he withdrew the offer on 5th April, 1963. The witness added that the work was put to tenderers again and the second lot of tenders numbering three were received on 20th June, 1963. As these quotations were considered very high, negotiations were called for on 13th September. The lowest tenderer submitted his credentials on 19th October, 1963. All of them refused to lower the rates. In the meantime another contractor gave an offer on 1st October, 1963 of Rs. 9,11,550 as compared to earlier lowest tender of Rs. 9,84,067. This subsequent offer of Rs. 9,11,550 was accepted.

3.9. In reply to a question whether the work was completed in time, the witness stated that detail could be given later. The Committee enquired whether before finally giving the contract to the party who tendered while the credentials of the lowest tenderer were being awaited, any chance was given to the latter. The witness stated that there was nothing to indicate that he was specially called. The Committee desired to be furnished with a comprehensive statement explaining *inter alia* (i) the delay at different stages (ii) the rates quoted by different parties and (iii) how many times ceilings for construction cost were revised in connection with this transaction. The note furnished by the Ministry is at Appendix VIII.

3.10. The Committee are not convinced by the explanation given by the Ministry regarding the delay in finalising the tender, which has cost the exchequer an extra amount of Rs. 1 lakh and odd. In their opinion, this extra expenditure was avoidable.

A careful perusal of the facts of the case shows that the tender could have been finalised within the last date for its acceptances i.e. 25th September, 1962. The Committee observe that 1½ months after the receipt of tenders, i.e. in June, 1962 it became clear that all the tenders received including the lowest were above the ceiling limit. The Committee believe that in that case there was still sufficient time to finalise the deal by the prescribed date after completing various checks, comparison etc. before the contractor withdrew his tender on 16th November, 1962.

3.11. They are surprised to note that though on 5th October, 1962, the Tender Committee informed the Chief Engineer that the lowest quotation received in June, 1962 should be reconsidered in view of the revised ceiling limit, intimation regarding acceptance of his quotation was sent to the contractor on 30th November, 1962, after he had withdrawn his tender on 16th November, 1962. They also regret to note that because of the absence of any response from the Railway Administration to the second offer made by the same contractor on 21st January, 1963 to undertake the work at an extra expenditure of Rs. 29,107, the contractor withdrew his offer on 5th April, 1963. The Committee would like to be informed whether this contractor was called or informed before the contract was awarded to another contractor on single tender basis and whether the letter completed the work in time.

3.12. The Committee are perturbed to note that there was unusual delay at every stage in this case. They feel that if the matter had been dealt with with a greater sense of urgency, the delays could have been avoided or at least minimised. They cannot accept the assumption made in the Note furnished by the Ministry (Appendix VIII) that if the work had been allotted to the lowest tenderer in the initial stage, he would not have been able to complete the job at the rates quoted by him in view of the emergency. The Committee would urge that while observing all procedural requirements, the processing and consideration of tenders should be stream-lined in such a systematic manner that no undue delay occurs at any stage.

Western Railway—Extra Expenditure due to incorrect application of rates—para 20, pages 15-16.

3.13. According to a tender for the supply of stone ballast, the material was to be supplied in stacks at Sikandara siding, and, therefore, this item should have figured in the Schedule of approximate quantities appended to the tender as "supply of stone ballast 1½"

gauze at quarry in stacks" for which the rate in the Schedule of Rates was Rs. 14 per 100 cft. In fact, however, in the Schedule to the tender, the item "supply at railway workshop, yards, colonies and building premises in stacks" was shown, the rate for this in the Schedule of Rates being Rs. 25 per 100 cft. The contract was finally awarded at 28 per cent above the Schedule of Rates.

3.14. The ballast was actually supplied only at the Sikandara siding and not at any railway workshop, yard, colony or building premises, but the payment was made at Rs. 25 per 100 cft. plus 28 per cent extra. The extra expenditure on this account was Rs. 1,40,800 for the 10 lakhs cft. of ballast ordered. The Committee enquired why the payment was made at the rate for supplies at Railway workshops, yards, colonies etc. when the supplies were taken in stacks at Sikandara siding and whether any responsibility has been fixed for not indicating the correct item and description of work in the tender document as well as in the contract agreement. The Member (Engg.) stated that the description was very clear i.e. supply was required to be made alongside the Sikandara Siding at Bayana which was at a distance of a furlong or so from the quarry. He added that negotiations were carried out with the contractors and any misunderstanding due to incorrect item given would in any case have been cleared at the time of negotiations. He further added that the schedule of rates given in this tender would have made no difference and the conclusion drawn, that it resulted in extra expenditure was not correct. The Committee pointed out that if a quotation was given with reference to the rate of Rs. 25 per 100 cft. that meant the delivery would be at the yard or colony. The Additional Member (Finance) stated that the contractor could find out the location of the yard or workshop by reference to the description of the work. In this particular tender, it was clearly stated that this was for supply of stone ballast at Sikandara siding at Bayana. The Additional Member (Finance) further stated that the description of the work should be taken together with reference to the area. In reply to a question whether the actual delivery was made at the quarry in this case, the witness stated that it was made not at the quarry face but on the siding at the quarry. He added that the siding did not go all the way to the quarry site. Asked what particular contract rate was specified in the schedule prepared by the Ministry, the Member (Engg.) stated that the contractor need not have been under any misunderstanding, as to what they were asking. The Committee enquired if siding itself was quarry. The Additional Member (Finance) stated that a private siding went into the quarry. When the Committee enquired whether the word 'siding along the quarry'

were mentioned separately in the contract, the Additional Member (Finance) stated that what was stated was "supplying stone ballast in stacks in Sikandara siding at Bayana".

3.15. The Committee pointed out that if the siding was one furlong away from the quarry, then ballast should be loaded into trucks or wagons for which the rate was Rs. 15. and the payment should have been made at the rate of Rs. 15 and not at Rs. 25. The Chairman, Railway Board admitted that "the authority which issued the tender invitation has not done the proper thing," but he added that it had not resulted in any extra payment to the contractor. It was an open tender and the nature of the work had been clearly specified in the schedule and the contractors were free to quote what they considered profitable. The lowest tender was 28 per cent above the schedule of rates. He added that from Sikandara siding to the station the distance involved was about 1½ miles and the contractor had to cover some of this distance over the siding.

3.16. The Committee are unable to appreciate the Ministry's contention that this deal did not result in any extra expenditure while the supplies were taken in stacks at the Sikandara siding, for which the rate in the Schedule of rates was Rs. 14 per 100 cft., the payment was actually made at the rate of supplies at Railway workshops, yards, colonies etc. i.e. at Rs. 25 per 100 cft. The Committee are of the opinion that this confusion took place because the description of work as set out in the tender document and the contract Agreement was misleading and the correct place of supply was not indicated. The incorrect description given in the tender might also have resulted in a substantial number of tenders being precluded from tendering because they had no transport arrangement. The Committee hope that steps would be taken to avoid such lapses in future.

*Northern Railway—Loss in relation to a contract for earthwork—
Marshalling yard, Tughlakabad—para 21, page 16.*

3.17. A contract for doing 51 lakhs cft. of earth-work in soils and 10 lakhs cft. of earth-work in rocks in connection with the Marshalling Yard at Tughlakabad was awarded to a contractor on the 21st August, 1957, stipulating completion of work by 28th February, 1958. In spite of two extensions granted to the contractor, first upto 30th April, 1958 and the second upto 30th June, 1958, the contractor left 21.92 lakhs cft. of earth-work in soils and 2.94 lakhs cft. of earth-work in rocks incomplete out of 43.14 lakhs cft., and 10.96 lakhs cft. respectively allotted to him. The contract was, therefore, terminated in December, 1958.

3.18. The Administration had also invited tenders in August, 1958 for the execution of certain additional quantities of earth-work at the same Marshalling Yard. The rates quoted were considered to be high and since even revised quotations did not bring down the rates, it was decided in October, 1958 to execute the work departmentally, on the expectation that the departmental costs would be much less. The quantities of earth-work left unexecuted by the contractor mentioned above were also taken up for departmental execution and the whole work was completed in August, 1960. The actual departmental costs turned out to be much more than the costs both on the basis of the rates paid to the original contractor, and the rates demanded by the lowest tenderer in 1958.

3.19. For the works left incomplete by the contractor, the extra expenditure of Rs. 119 lakhs incurred by the Department in completing the work became recoverable. An aggregate amount of Rs. 40,810 (on account of security deposit, earnest money and dues for work not yet paid for) due to the contractor was set off, and a net amount of about Rs. 78,000 was claimed from him. The contractor lodged a counter-claim of Rs. 1.03 lakhs. The dispute went in for arbitration and in the award given in June, 1963, the arbitrators awarded a sum of Rs. 17,500 to the contractor in full and final settlement of his claims.

3.20. An extra expenditure of Rs. 54,000 was also incurred on the departmental execution of the additional quantities of work for which the lowest quotation obtained in 1958 was not accepted.

3.21. The Committee enquired whether the excessive departmental cost was due to lack of proper control over expenditure or unrealistic estimates. The Additional Member (Works) stated that the contractor who had taken on a very big work failed to maintain the tempo of work. In a period of 17 months he completed only 55 per cent of the work and therefore it became necessary to execute the work departmentally. Apparently he did not quite comprehend the extent of work which he was required to do. After having done the easier part of the work he lingered on and showed no progress.

3.22. Asked why the arbitrator awarded a sum of Rs. 17,500 to the contractor if it was entirely his fault, the witness stated that a sum of Rs. 40,810 was due to him. But he got only Rs. 17,500 and thereby lost Rs. 23,310. It could not be stated on what basis the arbitrator gave his award.

3.23. The Committee pointed out that the arbitrators were Railways' own officers, but it was found that the Railways often lost and the contractors won. In this case also, the verdict was against the Railway. The witness stated that in arbitrations normally equity and human considerations played a part. In this case, the contractor was at fault in quoting a very low rate on which he could not carry on. The Committee enquired why the Railway accepted the ridiculously low rate and why a claim of Rs. 1 lakh was made against him when the Railway knew full well that the rate quoted by him was uneconomic and unworkable. The Member (Engg.) stated that in a case of this nature, where earth-work involved not only excavation but rock cutting also, it was very difficult to assess accurately the proportion of the two. Keeping that in view contractors would quote certain rates, but later on in this case the contractor ran into difficulties. As regards the question, as to why the Railway made the claim against him, the witness stated that the contract entered into had to be stuck to.

3.24. In reply to a question, the witness informed the Committee that the value of the next higher tender was Rs. 3,74,250 as against Rs. 3,67,000 of the previous one. The Committee enquired whether the contractor at any time represented that the contract was uneconomic and unworkable. The witness stated that he was told to bring in more trucks and expedite the work but he failed to do that. He added that it was for the contractor to realise that the contract was uneconomic and unworkable. The Committee drew the attention of the witness to the note of the Chief Engineer in which it was stated that if the work was done departmentally it would have been much cheaper. The witness stated that the note in question was written when August, 1958 tender was under consideration and the Chief Engineer had no doubt mentioned that they might be able to do the work at an overall cost less than the original one, but subsequent events showed that the departmental work was not cheaper. The Committee enquired whether the reasons for this were investigated. The Member (Engg.) stated that the Chief Engineer came to that conclusion after he made a comparison of the cost the Railways would have to incur if the job was done departmentally and if it was given to the contractor. The reason for the increased departmental cost was that the Railways did not have previous experience of this kind of work and what they had anticipated did not ultimately come true.

3.25. The Committee are unable to understand why greater discretion was not exercised while the contract was given to a party

whose quotations were ridiculously low and whose capacity to complete the work seemed to be in doubt from the very outset. The Committee would also like the Ministry to inquire what supervision, if any, was exercised by the Railway Administration over the progress of work. It appears that supervision was somewhat slack and the work was prolonged much beyond the stipulated date. The Committee are surprised to note that consequent on the failure of the contractor to complete the work, it was decided in October, 1958 on the advice of the Chief Engineer to execute the work departmentally, even though the lowest quotation received in 1958 was under consideration. The Committee consider it most unfortunate that the Railway decided to undertake the work itself without having any previous experience of this kind of work. It also appears that proper care was not exercised in preparing the estimate of departmental cost. The Committee would like to be informed whether any enquiry has been made to determine the causes of the excessive departmental cost and whether any lack of proper control over expenditure or want of proper supervision was noticed. The Committee desire that the circumstances in which the departmental cost substantially exceeded the estimates prepared by the Chief Engineer may be properly investigated and the result communicated to them.

*Eastern Railway—Extra expenditure due to subsidence of a culvert—
para 22, pages 16-17.*

3.26. A culvert with a single arch 10 feet wide constructed on the Hatia-Nawagaon line at a cost of Rs. 73,305 in June, 1962 was found to have sunk to a certain extent soon after its completion in January, 1963 due to subsidence of the foundation. Cracks had developed in the arch and the abutment of the culvert and it was apprehended that the behaviour of the arch span would be uncertain even after proper repairs. The foundation soil was reported to have been checked in the usual manner and found satisfactory by the District Engineer-in-charge before the foundation work of the culvert had been started.

3.27. As this culvert was considered unsafe, it was converted into a R.C. pipe culvert at a cost of Rs. 21,335 and the resultant reduction of the water-way at that site was made up by constructing a new culvert at another suitable site under the same bank at a cost of Rs. 40,154.

3.28. The defect in the construction of the culvert thus necessitated an additional expenditure of Rs. 61,489 to make it safe for the working of the Railway.

3.29. The Committee desired to know whether the foundation soil was properly investigated before the construction of the culvert. The Member (Engg.) stated that detailed investigations in regard to the condition of the soil and the type of foundation in the case of all bridges was very expensive. What was done was that during the final location survey by engineers, investigation was made in respect of each foundation by digging a trial pit and finding out about the nature of the soil to determine the best design suited to it. This culvert was a small ten feet culvert and the soil at some distance below the ground was *kacha* and the culvert developed some cracks and it became necessary to put in pipes. Asked whether soil tests were carried out before construction was started, the witness stated that trial pits were dug. Asked as to how the cracks developed in spite of the test, the witness mentioned that it was an error of judgment or rather a calculated risk.

3.30. The Committee consider it unfortunate that an extra expenditure of Rs. 61,489 had to be incurred on a small culvert soon after its construction. If the foundation soil had been investigated carefully and exhaustive tests had been carried out before construction, such a contingency could be avoided. The Committee feel that such costly calculated risks, such as the one taken in this case, are hardly justified.

Western Railway—Extra expenditure due to delay in finalisation of plans—para 23, pages 17-18.

3.31. An offer at Rs. 870 per ton for the supply, fabrication and erection of steel structures (required for the car-shed at Bombay) within four months of the written order for commencement of work, received in response to tenders invited in January, 1955 was accepted by the Chief Engineer on 10th March, 1955 and acceptance communicated to the contractors on 11th April, 1955. The contractors requested the Railway on 10th May, 1955 to forward to them their final order about the contract in question in the absence of which they were unable to assess the extent of work, and also indicated that they received the final drawing for the car-shed only on the previous day, while for the remaining buildings not mentioned in the Schedule, they had not been informed of the final decision. On 15th July, 1955, 10th August, 1955 and 18th August, 1955, they sought permission to use some alternate steel sections on the ground that the prescribed ones were not available in the market. The Railway Administration advised the contractors on 17th September, 1955 to start fabrication of those items of work, where there was no change, pending decision regarding the other items. The decision of the Railway

in respect of the latter items excepting that of the crane gantry work was communicated on 12th October, 1955.

3.32. Meanwhile, the controlled prices of steel were increased by the Government of India in July, 1955 and again in October, 1955. Consequently, the contractors requested on 19th November, 1955 for an overall increase of Rs. 12,810 over the contracted value. The request was turned down by the Railway on the ground that the tender had been accepted in March, 1955 and they had ample time to obtain the steel required before the steel prices were enhanced.

3.33. The contractors, who refused to carry out the remaining work of gantry girders unless the increase in price was admitted and also demanded reference of the matter under dispute to arbitration, were given a notice on 4th December, 1958 informing them that this contract stood terminated and that the work would be carried out at the contractors' risk and cost. In a reply through their advocate on 12th December, 1958 the contractors repeated their demand for arbitration and disowned their liability for any extra cost. The work was completed departmentally and a notice was served on the contractors on 3rd February, 1962 for a net recovery of Rs. 49,298 incurred as extra expenditure (after setting off the security deposit of Rs. 7,416 and final bill amount of Rs. 542) in completing the work left over by the contractors.

3.34. The contractors disowned their liability for the extra-expenditure and also revived their claim on account of increase in prices of steel. The disputes were referred to arbitration and an award of Rs. 14,500 in favour of the contractors in full and final settlement of all their claims and outstandings under the contract was declared by the Arbitrators in January, 1964. The Railway's main contention before the Arbitrators, was that the contractors should have properly planned their programme for procuring the tested steel while tendering for the work, by obtaining the working drawings which contained adequate details to enable them to make arrangements to procure the necessary steel.

3.35. The Committee enquired as to why there was delay of three months in communicating acceptance of the tender to the contractor. Member (Engg.) stated that the tenders invited in December, 1954 and opened in January, 1955 were accepted by the Chief Engineer on 10th March, 1955. A lot of complicated steel works were involved in these tenders. The original estimate went from the Chief Engineer to the Regional Engineer's Office and from there to the District Engineer's Office. The latter intimated acceptance on 11th April,

1955. Asked to explain the delay of 6 months in setting the drawings, the witness stated that all the working drawings giving full details were given to the contractor on the 9th May, and they were quite enough to get on with the job. The real trouble had been that it took some time for him to get the steel sections shown in the drawings and the contractor himself was responsible for the delay. The Committee pointed out that on 18th August, 1955, the contractor had stated that the signed copy of the contract had not been received by him and therefore he had not started fabrication work. The Member (Engg.) stated that it was quite usual for the formal contract to be entered into some time after the acceptance of the contract. There was an exchange of letters and in the meantime on the basis of the same the contractor started the work.

3.36. The Committee pointed out that though the tender was accepted in April, the drawings were not made available to the tenderer till 10th May. The Member (Engg.) stated that before tendering, the contractor looked at the drawings regarding the scope of the work involved. Therefore, it was for the contractor to go and take those drawings from the office of the District Engineer, Western Railway at Parel. The Committee enquired how the arbitrators accepted the contention of the contractor, if he was at fault. The Member (Engg.) stated that the consideration which probably weighed with the arbitrator was that on two occasions, in July and in October, there was substantial increase in the rates for steel, which were not given to him as there was no escalation clause in the contract. The Additional Member (Finance) stated that legal advice was taken on the contractor's request for extra money and the legal opinion was that it was the liability of the contractor to do the work irrespective of the increase in the cost of steel. The Committee pointed out that according to the arbitrator, it seemed that the party was entitled to the increase and that the Railway was not entitled to recover damages from the party even though it got the work completed at the party's cost.

3.37. The Additional Member (Finance) stated that the Legal Adviser's view was not the view which the arbitrator took. The arbitrator might go beyond law into considerations of equity and what they decreed was not necessarily what the parties were entitled to under the law. The Committee pointed out that cases after cases went against the Railways in arbitrations. The Chairman, Railway Board stated that they would examine the matter as to why they were failing in arbitration cases and try to remedy the situation.

3.38. Asked to explain the delay of 3 years in terminating the contract, the Additional Member (Finance) stated that doing the work departmentally took some time. It was only after doing this work departmentally, that the Railway could ascertain the costs incurred on the contractor's accounts. The contractor in the meantime secured extra payment because of the arbitrator's award. The Railway also had to put in its claim after making its case and this also took some time.

3.39. This is yet another case in which there has been inordinate delay on the part of the Railways at every stage in the finalisation of plans. A scrutiny of the sequence of events shows that there was delay of (i) nearly 3 months in communicating the acceptance of the tender, (ii) 6 months in settling the final drawings, (iii) 3 years in terminating the contract, (iv) nearly one year and 8 months in completing a part of the work departmentally, (v) more than a year in preferring the claim against the contractor, and (vi) 5 years in completing the entire work. The Committee feel that no satisfactory explanation has been given by the Ministry for any of the delays mentioned above. They also feel that the representations made by the contractors from time to time were not given proper attention they deserved. The Committee would also like the Railway Board to undertake a proper examination of the reasons why a majority of cases referred to arbitration go against the Railways and take suitable remedial measures.

Northeast Frontier Railway—Non-recovery of extra cost from a defaulting contractor—para 24, page 18.

3.40. The work of construction of quarters at four stations was awarded to a contractor stipulating completion of work by 31st July, 1960. In spite of extension of time granted upto 30th June, 1961, he failed to complete the work and the contract was terminated on 28th September, 1961, reserving the right under the contract to recover the extra expenditure required to complete the residual work. The work was completed through another agency, incurring an extra expenditure of Rs. 28,663. The defaulting contractor also owed Rs. 12,045 to the Administration towards cost of materials issued to him remaining unadjusted in his bills at the time of termination of the contract.

3.41. The Administration has not so far taken any action to recover this amount of Rs. 40,708 except to withhold the contractor's security and other miscellaneous deposits amounting to Rs. 20,020 (December, 1964).

3.42. The Committee enquired why prompt steps were not taken by the Railway Administration to recover the dues, whether the amount of security and other miscellaneous deposits had been finally adjusted towards the amount due from the contractor and what was the present position regarding recovery of the balance. The Member (Engg.) stated that everything possible was done to locate the contractor. A reference was made to the various Railways to find out whether he was working there; the income-tax authorities and the Registrar of Firms and the West Bengal Government were also addressed to find out his whereabouts. A registered letter was also sent to him which was returned. Beyond that the Railway could not do anything about it. Asked to explain how the contractor took away materials worth Rs. 12,000 and odd, witness stated that under the contract Rs. 12,000 worth of material would normally be supplied to him at any time but he took away these materials and ran away with them. Asked whether it was not due to negligence on the part of the Railway Administration, the Additional Member (Finance) stated that once the Railway Administration handed over the materials it did not keep any watch over them. In such cases the Railway Administration tried to secure its interest by keeping an equivalent amount in deposits which would cover the cost of the materials.

3.43. The Member (Engg.) added that in the case of controlled items like cement and steel they charged a penal rate and not the controlled rate in the event of a contractor not being able to account for the materials. Out of Rs. 12,045, the difference between the penal rate and the normal rates was as much as Rs. 1,330.

3.44. The Committee pointed out that cases were not unknown when the contractor had not used the quantity in the same proportion as he got from the Railway Administration. The Member (Engg.) stated that so far as utilisation of material in the works was concerned, there was adequate supervision and important jobs requiring cement etc. were carried out in the presence of different categories of supervisory staff who satisfied themselves that the correct quantity was used. In the present case, the material was handed over to him and he went away with it.

3.45. In reply to a question as to why the case was not reported to the police, the witness stated that they would get the matter legally examined, so that it might be reported to the police. The Committee enquired whether the Railways had considered to have an organisation like the one in the C.P.W.D. to check whether the materials had been used in the proportions as required to be used.

The witness stated that they had a special cell called the 'vigilance cell', consisting of technical people whose business was to go from place to place where works were being carried out and to have the random samples checked. The Chairman, Railway Board added that the Vigilance Cell consisted of one Accounts Officer and one Divisional Engineer. They had also tried to get some Divisional Engineers from CPWD but had not yet succeeded in that. The cell had reported cases and action had been taken on those cases.

3.46. The Committee feel that in the present case, the Railway Administration was not prompt in taking action for the recovery of dues from the contractor. They would like to be informed of the latest position regarding the recovery of the balance.

The Committee are surprised that the contractor was able to get away with stores worth more than Rs. 12,000 in spite of the watch that is required to be kept by the Railway supervisory staff. They would like to be informed whether the matter has been reported to the police and whether the latter have been able to take any effective action. The Committee would also like the Railway Board to examine whether there is any lacuna in the existing procedure for issue of stores to the contractors for the works entrusted to them, and take remedial measures.

Southern Railway—Non-recovery of expenditure incurred on repairs of private irrigation works for the protection of the Railway—para 25, pages 18-19.

3.47. In accordance with the provisions of the Railway Protection Act (Madras Act IV of 1886), the District Collectors are empowered to carry out repairs to the private irrigation works such as tanks, river channels, embankments etc., which are necessary for the protection of the Railway and recover the cost thereof from the landholders, if the owners fail to do it within such time as directed by the Collector. While they had regularly been transferring the debits on account of such expenditure to the Railway, the corresponding credits for the amounts realised from the land holders had not been afforded by the State Governments of Madras and Andhra Pradesh to the Railway with the result that a sum of Rs. 1,60,570 relating to the period from 1943-44 to 1961-62 is outstanding in the Railway's books. Of this amount, Rs. 1,42,970 is more than 5 years old.

3.48. In December, 1961, the Railway Board requested the State Governments concerned to retain the debits on account of the expenditure incurred by them on repairs work in their own books

and appropriate the money realised from the land holders, as the entire matter was within their control. No replies have been received from the State Governments (December, 1964). However, since December, 1961 no debits have been accepted by the Railway or raised by the State Governments.

3.49. The Railway Administration has also urged the State Governments to withdraw the debits already raised, but the proposal is yet (December, 1964) to be accepted by them.

3.50. The Committee enquired whether the State Governments had given any explanation for the omission to pass on the credits to the Railways and what steps had been taken by the Railway Board to expedite settlement. The Member (Engg.) stated that the Railway Administration had been trying for the last many years to get these amounts through the State Governments. Explaining the procedure the witness stated that in the case of a tank in the vicinity of the Railway, bursting and affecting the railway line, the Railway Administration advised the Collector concerned to get the tank repaired and to debit the cost of repairs to the Railways. Then the Collector made efforts to get the amount reimbursed by the owner of the tank. The witness added that in a number of cases the owners had refused and in some cases they had gone to the court of law and the cases were still pending. The latest position was that the Madras Government had informed them that in future no such cases would arise as there were now no more private tanks and they were hoping that the previous arrears would be cleared in the course of 2 years. The witness added that the position was slightly different in Andhra. Andhra Pradesh Government had tentatively agreed to pass on credit provided the Railway Administration agreed to reimburse the Andhra Government subsequently in case the amounts became ultimately irrecoverable. He stated that with the passing of the Estates Abolition Act the question would not arise in future.

3.51. The Committee would like to be informed of the latest position regarding the realisation of the amounts outstanding. They trust that the arrears would be cleared in the course of 2 years as decided. They are glad to note that both the Madras and Andhra Governments have assured the Railways that such cases would not arise in future.

Dandakaranya-Bolangir-Kiriburu Railway Project—Purchase of unsuitable Drill Steel Rods—para 26, pages 19-20.

3.52. Drill Steel rods of Japanese origin supplied to the Dandakaranya-Bolangir-Kiriburu Railway Project by an Indian firm were
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found to be defective in performance, with the result that the rods obtained at a cost of Rs. 2.20 lakhs (approximately) involving a foreign exchange element of Rs. 1.96 lakhs, could not be utilised for the purpose for which they were indented.

3.53. Based on tenders invited in August, 1961, the contract was placed by the Director General, Supplies and Disposals in March, 1962 on an Indian firm for supply by import from Japan. Since the description of the material offered by this firm did not conform to the one indicated in the tender enquiry with reference to the consumer's indent, the Director General, Supplies and Disposals obtained a confirmation from the firm that the stores offered were exactly of the same size, type and specification as given in the tender enquiry. The final contract, however, contained only the description adopted by the firm in their offer, which mainly differed from the description in the indent by specifying the materials as "Carbon Steel" and not specifying that it was "suitable for drilling in hard rocks." The Director of Inspection in Japan passed the stores submitted by the producer on the basis of the description in the contract, which alone was copied to him and the specifications furnished by the firm themselves. The manufacturers who had 5 different varieties of steel rods suitable for drilling in rocks of varying degrees of hardness etc., tendered material of the lowest quality among them which was unsuitable for drilling in hard rock.

3.54. While the Director General, Supplies and Disposals stated that the order was placed only after obtaining a clarification from the supplier that the material would be in accordance with the specifications, the Railway Administration explained that in the absence of any reference from the Director General, Supplies and Disposals for clarification of the offers received, it presumed that the Director General, Supplies and Disposals was satisfied about the conformity of the quotations with the specification in the tender enquiry which was a verbatim repetition of its indent.

3.55. The Indian firm maintained that there was no discrepancy in the stores supplied by them which satisfied the details in the tender enquiry. The Ministry of Law who were consulted by the Director General, Supplies and Disposals in the matter were of the opinion that there was no remedy in this case as regards the unsuitability of the goods for the particular purpose, in the absence of any express condition in the contract.

3.56. The Committee desired to know why the clarification given by the firm was not embodied in the final contract and whether any responsibility had been fixed for this omission. The representative

of the Railway Board stated that so far as railways were concerned, they placed an indent on the Director of Supplies and Disposals and the rest of the work in this connection was carried out by him. The Additional D.G.S. & D. stated in evidence that they had examined the case in detail and it was found that there was no justification for having omitted the words "suitable for drilling in hard rocks." This was a function which had nothing to do with the specification and should have been mentioned in the accepted tender in spite of the fact that these words might not have been used in the tender of the firm. To that extent there had been omission in the A.T. which might have caused certain difficulties in supplying the exact material required. The witness admitted that though it was their mistake, the railway authorities also should have noticed and pointed out the mistake as a copy of the A.T. was also sent to the Railway Board.

3.57. The representative of the Railway Board stated that according to the normal procedure, when an indent was placed on the D.G.S. & D., if as a result of the issue of tender and receipt of quotations from different firms the D.G.S. & D. felt that the material which was being offered was different in specification from what was required, then the D.G.S.&D. would make a reference to the indenter. In this case had such a reference been made, at the stage of acceptance of tenders, then the railways—the indenter, would have got an opportunity of examining the matter closely and advising D.G.S.&D. whether a particular offer was or was not acceptable.

3.58. Asked as to what was the purpose of sending copies of A.T. to the indenter, the witness stated that on receipt of the A.T. the indenter would know that the order had been placed on a particular firm and it was sent only for information. But there was nothing to prevent the indenter from making a careful check though normally it was not done because it was felt that if at any stage D.G.S.&D. was doubtful, he would make a specific reference. In this particular case the entire specification was repeated in the A.T. also, but there was the omission of the words "suitable for drilling in hard rock." The Additional D.G.S.&D. stated that they had already admitted that the omission of these words was a mistake and it had been pointed out that the omission of the words resulted in the wrong supply of the stores. These stores were wrong because the shank which was attached to these drills was carbon steel shank which would have never worked in the rock. That was the confusion also in the mind of the purchase officer when he asked the firm to confirm whether it would meet with the requirements and specifications and the firm confirmed it. The representative of the Railway Board added that there was no obligation on the part of the indenter

to make a check to ensure that the description given in the A.T. coincided with the description given in the indent.

3.59. In answer to a question the Additional D.G.S.&D. stated that the description given in the tender was not entirely identical and that was the reason why purchase officer asked the firm to confirm that the specification given would suit the requirements. Out of the three tenders received only in this case there was a slight difference from the tender enquiry description and the other two were alright. The normal practice was that the firm would just repeat what was mentioned in the tender enquiry. When the firm gave this different description they had asked the firm to confirm whether the offer was strictly according to the tender enquiry in all respects and they had confirmed that. As regards the rates, the rate of this firm on whom the order was placed was the cheapest and it quoted Rs. 42.50 and Rs. 48.50 for one item.

3.60. Asked as to why the acceptance letter was given in terms of the tender and not in terms of the tender enquiry, the Additional D.G.S.&D. stated that when they would place an order, it was an acceptance of tender. They accepted what the firm offered and the firm had confirmed that their description completely covered the requirement in every respect of the specification asked for. There could not be a difference between the terms of the firm's tender and its acceptance unless there was agreement between a tenderer and the D.G.S.&D. that any terms of the tender could be altered. The purchase officer should have clarified that ultimately the A.T. was placed strictly in accordance with the tender enquiry specification.

3.61. The representative of the Railway Board stated that as regards the tender enquiry the point at issue was whether these drill rods were suitable for drilling hard rocks or not. The tender enquiry made it clear that they should be suitable for this purpose. Subsequently when the material was received by the indenter, who found it unsuitable, a complaint was lodged immediately with the D.G.S.&D. and a copy of it was also sent to the D.G.S.&D.'s Inspector in Tokyo, who had passed the material. The reply which was received from the Director of Inspection in Tokyo clearly mentioned that according to the Japanese supplier the drill rods which were supplied had been manufactured from Daido's CY-2 Steel which was a high carbon vanadium quality and not meant for use in drilling hard rocks. So the statement of the firm (the tenderer) was wrong.

3.62. When the Committee desired to know why action could not be taken against the firm, the Additional D.G.S.&D. stated in evidence that the Law Ministry had advised that no action could be taken

against the firm, as regards the unsuitability of the goods for the particular purpose, in the absence of any express conditions in the contract. They had, however, suspended business with the firm for a period of one year. Out of the total value of the order of Rs. 2,18,000 excluding sales tax, stores worth only Rs. 39,362 were returned to the firm and the rest were utilised for specific purposes by other Government Departments, resulting, therefore, is no loss either in the rupees value or the foreign exchange. Thereupon the Committee however, pointed out that the things which were got for a particular purpose were not put to use for that purpose.

3.63. In answer to a question the Additional D.G.S.&D. stated that normally the payment terms against D.G.S.&D contracts were 90 per cent payment on inspection and despatch and the balance 10 per cent on receipt of the goods in good condition by the consignees. The witness added that the supply against this contract was completed on 11-12-1962 (and received by consignee on 18-1-63) and the D.B.K. Railway first brought to their notice the complaint about the defective supply only on 11-2-63. The witness stated that he would have to check it up if 10 per cent payment to the suppliers had been made in the case or not.

3.64. The Committee enquired if explanation of the officer who dealt with this case had been called. The witness stated that that was being examined.

3.65. The Committee desired to be furnished with a note explaining the position (i) whether some payment was not made to the firm till July 1963 as the D.G.S.&D. had made a reference to the Law Ministry on 25-7-63 whether they could stop the payment or not; (ii) the date when the Ministry of Railways (Railway Board) had sent their approval note or inspection note on the basis of which the D.G.S.&D. could make the payment; (iii) why a copy of the letter dated 16-11-61 from the firm was not sent to the Inspector of the D.G.S.&D. in Tokyo; and (iv) the number of contracts given to this Indian firm after the receipt of the complaint and during the period when the matter was referred to the Law Ministry. The notes furnished by the Ministries of Industry & Supply and Railways are given in Appendices IX & X.

3.66. The Committee find from the note submitted by the Ministry of Industry and Supply that the consignee returned copies of No. 2 and 5 of Inspection note to the firm on 14-2-63. The consignee asked the Director General, Supplies and Disposals in his letter dated 11-2-63 to withhold balance payment to the firm. The firm had received a sum of Rs. 1,90,750 between 11th to 26th December, 1962 towards 90% payment as per terms of the contract. The balance

payment of 10% plus the security deposit of Rs. 10,920 was withheld until the final decision was taken on 3rd September, 1965 regarding disposal of the unacceptable stores and till the firm deposited in cash the value of such stores as were back loaded to them. During the period 11th February, 1963 (date of receipt of the complaint from consignee) and 25th July, 1963 (date of making a reference to the Law Ministry) 6 other contracts of the value of Rs. 99,298 were placed on the firm

3.67. The Committee are unhappy at the manner of placing the contract in this case by the Director General, Supplies and Disposals, which resulted in the purchase of unsuitable stores at a cost of Rs. 2.18 lakhs excluding sales tax involving a foreign exchange element of Rs. 1.96 lakhs. There was failure on the part of the officer responsible for the purchase to mention in the accepted tender the primary requirements of the indenter that the drill steel rods should be "suitable for drilling in hard rocks." In view of the fact that the description of the store given in the firm's tender was not entirely identical with that in the tender enquiry, the officer should have consulted the indenter before obtaining a clarification from the firm. Moreover, having obtained a clarification from the firm that specifications given in the tender would suit the requirement, the officer should have acted in a business-like manner and made a reference to this in the accepted tender.

3.68. Another failure of the officer was that he did not inform the Director of Inspection in Tokyo about the clarification given by the firm. The Director of Inspection, on the basis of whose inspection report, 90 per cent of the payment was to be made, was thus precluded from satisfying himself about the suitability of the stores for drilling in hard rocks before passing them. The fact that on receipt of the indenter's complaint later, the Director of Inspection was able to verify from the manufacturer that the rods of the particular quality were not meant for drilling in hard rocks, indicates, that if the officer had been posted with the requirement of the indenter he would have been effective in the inspection of the stores. The Committee desire that the necessary action should be taken against the officer concerned for the lapses.

3.69. The Committee are surprised that even after the receipt of the complaint from the indenter on the 11th February, 1963, regarding the unsuitability of stores, six more contracts of the value of Rs. 99,298 were placed on the same firm before the matter was referred to the Law Ministry for advice. The firm was later suspend-

ed for one year. In view of the fact that a wrong statement was made by the firm, the Committee feel that its suspension for one year was not adequate punishment. The Committee suggest that the D.G.S.&D. should consider the question of blacklisting the firm.

3.70. In the opinion of the Committee, the Railways cannot also escape responsibility in this case in that they failed to check from the copy of the accepted tender sent to them that the description of the stores mentioned therein did not conform to their requirement. The Committee are surprised at the contention of the Railway Board that there was no obligation on the part of the indenter to ensure that the description given in the A.T. coincided with that in the indent. They desire that necessary instructions should be issued by the Board that the Railways should invariably check from the copies of accepted tenders received by them that the stores order conformed to their requirement.

3.71. The Committee also find from the note furnished by the Railway Board that as a result of a practical test of the drill rods, the Deputy Chief Engineer submitted a report on the 7th February, 1963 to the Head Office of the D.B.K. Railway that the supplies were defective and the latter wrote to the D.G.S.&D. on 11th February, 1963 to stop the payment still due to the suppliers. But on the other hand the D.C.O.S. released the inspection notes direct to the firm on the 14th February, 1963, which entitled them to claim the balance 10 per cent of payment. The Committee cannot view with equanimity this lack of coordination in the same railway administration. They desire that procedure regarding testing of newly received goods and release of inspection notes should be streamlined.

Northern Railway—Overpayment to a private firm on account of incorrect supplies of steel material—para 27, pages 20-21.

3.72. The orders for supply of 930 tons and 702 tons of imported steel rounds at a provisional rate of Rs. 700 per ton were placed in October, 1956 and December, 1956 respectively on an Indian firm. The final rate was to be fixed by the Iron and Steel Controller with reference to rates prevailing at the time of despatch. The Purchase Orders stipulated that 90 per cent payment would be made against proof of despatch and that the manufacturer's test certificate should accompany the material.

3.73. Between January, 1957 and August, 1957, the firm supplied about 465 tons of the material and submitted 90 per cent bills at the rate of Rs. 815 to Rs. 825 per ton ex godown Calcutta, even though

the provisional rate stipulated in the Purchase Orders was only Rs. 700 per ton. These bills were passed by the Railway on proof of despatch and a sum of Rs. 3.46 lakhs was paid to the firm.

3.74. The material supplied by the firm was not accompanied by the manufacturer's test certificates as stipulated in the Purchase Orders. Samples sent by the consignees to the Railway Metallurgist also did not pass the test. On a suspicion that the material supplied was not really imported, a fact finding Departmental Enquiry Committee was appointed in April, 1957, who concluded in October, 1957, that the material was actually of indigenous origin. Since the firm preferred taking back the material and refunding the amount, to accepting payment for the material at the rate for indigenous untested material, the Railway Administration agreed to the same and obtained the authorization of the Iron and Steel Controller for the return of the material on 20th March, 1959. The firm, however, represented financial difficulties on their part and put off depositing the amount till April, 1960.

3.75. The matter was taken up with the Iron and Steel Controller who finally asked the firm in February, 1961, to produce the original shipping documents, the Mill's test certificate, and the particulars of Import Licence and Customs Clearance. The firm could not produce these documents and the Iron and Steel Controller gave his final decision on 28th October, 1961 fixing the rate as for untested indigenous material, at Column III rates. The Special Police Establishment who had also been investigating this case, informed the Railway in April, 1962 that they had launched criminal prosecution against the firm and that the case was *sub judice*. A sum of Rs. 45,000 has been deposited with the Railway by the firm (Rs. 25,000 in August, 1961 and Rs. 20,000 in November, 1961) and the balance of Rs. 32,000 (approximately) remains unrecovered.

3.76. The Committee desired to know why payments were made at the rates higher than the provisional rate mentioned in the purchase orders and whether any responsibility had been fixed. The representative of the Railway Board stated that the order was placed on a particular firm and the firm had not quoted a price for the steel. They gave the stipulation that the price would be as fixed by the Iron & Steel Controller for imported steel. Although the firm did not quote any price in its tender for the two items, the railway gave a reasonable rate in the supply order on the basis of the lowest rates which were prevailing at that time and they had indicated in the supply order that this was only provisional. When the material was

received from the firm, the firm gave a bill in which it gave a certain price which was judged by the Railway on the basis of the prevailing rates of imported steel. The Railway was to make a payment of 90 per cent against RR., and the adjustments that were to be made could be made on the balance of 10 per cent.

3.77. In answer to a question the witness stated that as long as the rate given in the bill conformed to the rate prevailing at that time, the Railway assumed that that was the approximate rate for imported steel for the purpose of making 90 per cent payment. He also admitted that there was no utility at all in mentioning the rate in the order. They had to put some rate in the supply order and they had quoted what appeared to them as the lowest possible rate to safeguard the interest of the railway, but eventually, when they had made the 90 per cent payment, it was at the prevailing rate (Rs. 815 to Rs. 825 *ex godown*, Calcutta).

3.78. The Committee desired to know, when the provisional rate was Rs. 700 and the final rate was to be fixed by the Iron & Steel Controller, why there was another provisional rate in between. The witness stated that the reason was that that was assumed to be the prevailing market rate and they, therefore, made the 90 per cent payment on this basis.

3.79. At the instance of the Committee, the Railway Board have furnished a statement showing the particulars of contracts placed by the Northern Railway from June, 1956 to June, 1957 where provisional rates had been shown in the orders.

3.80. The Committee are not convinced of the explanation for making 90 per cent payment not on the basis of the provisional rates mentioned in the supply order but on the basis of assumed prevailing market rate. In view of the fact that the provisional rates were fixed on the basis of the lowest rates prevailing at the time, the Committee feel that 90 per cent of payment should have been made on the basis of these rates to safeguard the interests of Government, pending fixation of final rates by the Iron and Steel Controller. In case the provisional rates are unrealistic the remedy lies in improving the machinery for fixing them.

3.81. In reply to a question the witness stated that neither the submission of test certificate nor any amount of rate put in a supply order would avoid a case of this nature which was a straightforward case of cheating. The payment was to be made on the proof of despatch. Moreover, if a firm would supply indigenous steel against

imported steel requirement, the fact as to whether it was imported steel or not and whether the test certificate was genuine or not would be known only after the material was received and by then 90 per cent payment would have been made. A case of this nature would not thus be avoided irrespective of what rate was quoted in the supply order. The witness added that whenever an order was placed with a firm they would ensure that it was a registered or approved supplier of imported steel.

3.82. The Committee desired to know why they did not take steps to make the system foolproof when it was so defective. The witness stated that the only safe measure would be not to pay the 90 per cent at all, and to make the payment on checking the material and the test certificate on receipt of the same by the consignee. The witness further added that they had not gone into that aspect of the case but they would in consultation with other departments, go into that question. They would have to consult the Iron and Steel Controller and the D.G.S.&D.

3.83. The Committee regret to note that this is another case where 90 per cent of payment was made on the proof of despatch of goods, although the goods were found to be on receipt not according to specification. They desire that the present system of making advance payments should be revised in consultation with the Iron and Steel Controller and D.G.S.&D. to ensure that interests of Government are adequately safeguarded in case of defective supplies.

3.84. The Committee were informed that the Northern Railway did not deal with the firm in question before and this was the first time they had dealings with that firm. In answer to a question as to why the orders were placed with this new firm whose credentials were not known, the witness stated that in this particular case there was an officer who dealt with this particular tender. Certain enquiries were sent out and about 4 quotations were received out of which this firm was recommended by the officer concerned. Railway Administration Board were not satisfied with the way in which this particular case was dealt with; there were some procedural defects in the case and the matter was taken up with the officer concerned. The witness further stated that the selection of this supplier was done on the basis of delivery being satisfactory.

3.85. The Committee desired to be furnished with a note giving the following information:

- (1) whether any other railways had dealings with the firm in question; and

(ii) whether the firm was a partnership firm, a company or a Cooperative Society.

In a note (Appendix XI) the Railway Board have stated that no other Railway had dealings with this firm which is reported to be a sole proprietorship concern.

3.86. In reply to a question the witness stated that no enquiries were made from the Iron and Steel Controller as to whether the firm in question had any import licence at that moment before entering into the contract. The first supply of the material was received in January, 1957 and then it kept on coming. There were two orders and probably the Audit statement that the first delivery was made only in April, 1957 referred to the other order.

3.87. Asked as to whether any action was taken against the party when the deliveries against the second order were not made till late in April, 1957, the Financial Commissioner, Railway; stated that it was not that the firm was justified nor even the officer who placed the order on that firm was justified in doing so. On these particular transactions the Government's displeasure was conveyed to the officer. At a later date on the basis of his whole record, he was given three months notice and prematurely retired. Against the firm they had started special police investigation and they had launched criminal prosecution for an attempt to pass as imported goods what were apparently not imported.

3.88. The witness added that they had a great shortage of steel and therefore, delivery period was an important consideration. In answer to a question the representative of the Ministry of Steel and Mines stated that this firm was not a registered stockist. They were dealers in iron and steel goods in the sense that they were selling steel, though they were not importers and that they had no recognition from the Iron and Steel Controller. The representative of the Railway Board stated that there was this procedural error by the officer who invited the limited tenders. The officer should have called for tenders from certain recognised registered dealers. In other words, if he had followed the procedure whereby he would have invited tender from recognised parties or approved dealers perhaps a more reliable firm would have been selected. He added that when this tender was accepted, they were given to understand that the firm would arrange the imported steel.

3.89. The Committee enquired if any action had been taken against the officer who finally approved the tender. The representative of

the Railway Board stated that as the file in question was with SPE, he could not give any definite information in the absence of the file.

3.90. The Committee are unhappy over the failure of the officer concerned to follow the proper procedure in calling tenders and over his recommending the particular firm for placing the order. According to the procedure, limited tenders should have been called for from approved or recognised registered dealers. The Committee are surprised how the officer happened to invite tenders from the particular firm in question, the credentials of which were not verified and with which neither the Northern Railway nor any other Railway had dealings in the past. The Committee, therefore, cannot rule out the possibility of collusion of the officer with the firm. They note that the officer has been prematurely retired on the basis of his whole record of service. The Committee, however, suggest that action should also be taken against the officer who approved the tender finally. They also hope that necessary remedial measures have been taken to prevent the recurrence of such cases.

3.91. It is also disquieting that the early period of delivery which was an important consideration for placing the order on the firm was actually not adhered to by the firm in making deliveries. The Committee suggest that imposing of some penalty on the firm on this account should also be considered.

3.92. The Committee pointed out that a Departmental inquiry committee was appointed in April, 1957 and enquired as to why payments were made from April to August, 1957 in this case. The representative of the Railway Board stated that in the first case the lapse was on the part of the Stores Officer concerned against whom they had taken action; in the other case there was a failure of the particular Accounts Officer who took only limited action in the sense that he took action considering his own office only and did not foresee that there was a possibility of some other office of the Accounts department also paying the money. The officer who initiated action and who actually called for limited tenders was the Deputy Controller of Stores against whom they had taken action.

3.93. Asked as to why the General Manager did not take necessary action to stop payment when he appointed this enquiry committee in April, 1957, the witness stated that the General Manager ordered the enquiry at that time and he wanted to wait until the proceedings of the enquiry were completed. It was true that if by then the General Manager's information was that there was reasonable ground for suspecting that there was something wrong with the supply of the

material, he might have taken action, but it was not known to what extent he was aware of this. Probably the General Manager and the Controller of Stores wanted to wait until the inquiry developed sufficiently to enable them to come to the conclusion that there was some transaction which was not justified. The witness admitted that when the goods were not according to specifications as appeared from laboratory report and 90 per cent of the money had already been paid on some of the consignments, the Deputy Controller of Stores, the Controller of Stores and the General Manager if they had suspected the bonafides of this transaction, should have stopped further payments.

3.94. The Committee are constrained to observe that this was yet another failure in this case that further payment was not stopped after April, 1957 when a Departmental Enquiry was appointed to investigate whether the material was imported. In view of the facts that the firm had not furnished the manufacturer's test certificates as stipulated in the purchase order, the samples sent to Railway Metallurgist had not passed the test, and 90 per cent of the money had been paid on earlier consignments, the officers should have stopped payments in respect of further consignments. It is regrettable that the officers concerned were not watchful about the financial interest of Government. The Committee desire that responsibility should be fixed for this lapse.

3.95. The Committee were informed that the Iron and Steel Controller did not really come into the picture except when he fixed the price later. His help was sought to find out what price should be paid for the steel and he made the assessment and told them what to pay. But at that stage the firm was not prepared to accept that. They had sought the help of the Iron and Steel Controller in two things. Firstly, the contractor had asked them to send the material back to him; so the railways asked the Iron and Steel Controller whether the material could be returned to the supplier. They had asked the permission of the Iron and Steel Controller about authorisation to return the goods lest the goods should go to the black market or to a person whom the Iron and Steel Controller had not authorised. To that extent the matter was referred to the Iron and Steel Controller but the decision not to return the material was that of the Railway entirely. The Railway did not agree to return the material because they had already paid for it. Secondly, the reference was made to the Iron and Steel Controller to ascertain price. Eventually, when the Iron and Steel Controller fixed the price which was for indigenous untested steel, they had offered the same price to the contractor who refused to accept it. As

a matter of fact the Iron and Steel Controller was not really very much in the picture in this transaction.

3.96. Asked as to whether there was any order from the Iron and Steel Controller at that time that such authorisation was necessary, the representative of the office of the Iron and Steel Controller stated that so far as imported items were concerned there was a control; when the importer used to import and distribute, they could issue freezing orders and at the expiry of that, the imported material could be sold to anybody at a price fixed by the Iron and Steel Controller. It was however found from the Railways' report that the materials were not supplied by the firm in question but by another firm who was an unregistered re-roller and as such, a registered stockist of their own products. The production and distribution of such firms were controlled by the Provincial Iron and Steel Controller. The material supplied to the Railway was not imported.

3.97. The Committee are not satisfied over the tardy manner in which the matter has been pursued since the Departmental Enquiry Committee concluded in October, 1957 that material supplied by the firm was actually of indigenous origin. The case was referred to the Iron and Steel Controller only in February, 1958 and authorisation for the return of the material was taken from him only in March, 1959. In view of the financial difficulties expressed by the firm and their failure to deposit the amount by April, 1960, a formal demand on the firm to produce the original shipping documents was made by the Iron and Steel Controller in February, 1961, but the firm having failed to do so, the rate as for untested indigenous steel was fixed by him in October, 1961. In view of the fact the contract provided for fixation of the final rate by the Iron and Steel Controller, the Committee cannot help observing that there was avoidable delay of about four years in enforcing the provision in the agreement. They would like to know about the recovery made of the balance of Rs. 32,000 out of Rs. 77,000 payable by the firm.

3.98. The Committee would also like to know about the outcome of the criminal proceeding launched against the firm by the Special Police Establishment.

Eastern Railway—Heavy shortages in stock verification of coal at Moghalsarai Loco Shed, para 28, page 21.

3.99. Departmental stock verifications of coal conducted at the Moghalsarai Loco Shed between March, 1957 and September, 1959 revealed physical shortages varying from 3 per cent to 13.6 per cent, valued at Rs. 6,47,629 which had to be written off under the sanction

of the Railway Board. The shortages were attributed, mainly to (i) pilferage of coal in transit and at Loco Sheds (ii) overloading of tenders of engines hauling crack trains, without proper accounting and (iii) conversion difference due to issue of coal by volume and its accounting by weight. Even after making allowance for the 2 per cent permissible shortage (Rs. 2,57,326), the Railway Administration sustained a net loss of Rs. 3,90,303.

3.100. The Committee enquired why it had taken nearly five years to investigate the loss and write it off. The Member (Mech.) of the Railway Board stated that at the time of stock verification when shortages were found to be more than the permissible limit, those were investigated. They had to be routed from the local officer to the Divisional Superintendent and from there to the Railway Headquarters. The cases of write off beyond the powers of the General Manager had to be referred to the Railway Board and that took time. In this case the time taken in investigation and finalisation was a little too much.

3.101. Explaining the basis of accounting, the witness further stated that in the case of coal meant for locomotives, the process of accounting was that while coal was despatched from the collieries by weight, there was no system of weighting it at the receiving end i.e. in the loco sheds. The Railway Receipt which gave the weight of coal in a particular wagon was taken as the basis for ascertaining the quantity received and that became the quantity recorded in the loco-shed books. But issues from the loco-sheds were made on volumetric basis i.e. by volumetric measurement through buckets and hoppers of a predetermined capacity. Depending on the size of the bucket or the hopper and the number of times it was used, the loco-sheds worked out that so many tons of coal were issued to so and so locomotive. So the receipt of coal in a shed was by weighing while the issue was by using a particular conversion ratio. The Mech. Engineer carried out the stock verification of coal of each stack of coal every six months and for each grade of coal separately. If in a particular grade of coal there was a difference between what should have been on the books and what was actually found on verification, that was treated as a variation between the book balance and the actual stock and called as shortage. In reply to a question, the witness added that there might be shortages as well as surpluses in this method and the figures in the Audit Para referred only to 8 cases of shortages referred to the Railway Board, out of a total of 24 cases during that period. The witness informed the Committee

that if all the 24 cases were taken together, the shortage came to 1·8 per cent and the total figure of Rs. 6,47,629 would also decrease.

3.102. Referring to the 13·6 per cent shortage in respect of grade II coal, the Committee enquired whether it was the actual shortage or due to the adoption of volumetric method at the time of issue. The witness stated that no other physical check up was possible because there were no weigh-bridges in loco-sheds for weighing the coal wagons.

3.103. The Committee pointed out that the weighment of a bucket or a hopper at random at the time of issue of coal would be enough to verify whether the theoretical weight was correct. The witness stated that it was not necessary that each bucket of coal would contain the same amount of coal by weight because there were different volumetric ratios for different grades of coal. He added that the volumetric system was the only possible system in the matter of assessing coal in the loco-sheds, where it was stocked gradewise.

3.104. The Committee pointed out that in the existing system itself physical weighment could be done in order to find out whether the weight was correct or not. The witness stated that certain surprise checks were made and the conversion ratio was revised periodically. Explaining the general method of checking the ratio, the witness further stated that full weight of a particular quantity of coal was taken and its volume was ascertained. For a wagon, the weight of coal was taken and then it was worked out as to how much difference in weights there was between the actual physical weighment of coal and the figure arrived at by volumetric method. He added that for the purpose of revising the volumetric ratio, the physical weighment was done last time in 1964 and before that it was done in 1958.

3.105. In reply to a question, the witness informed the Committee that at the time of loading at the colliery, the wagons passed over a weigh-bridge, and weighment was recorded by a Railway Booking Clerk. The Committee enquired whether the Railway Board had made any investigation to find out the causes of the large variation of 13·6 per cent in one year, particularly in view of the fact that variation for the subsequent period was 3·07 per cent. The witness stated that one reason was that at that time the same volumetric measure was followed for all the four grades of coal. The General Manager had also stated in his report that at that time they were issuing coal more than the capacity of the loco tender because they were running crack goods trains. These locos were carrying more

coal than the normal permissible limits and this was another reason. The Committee asked whether the Railway Board was satisfied with these general reasons, particularly when it was known that pilferage was going on on a large scale at that time. The witness stated that there was pilferage of coal but security steps were being constantly tightened up. He added that in 1958 and 1959 there were 51 and 86 convictions for coal thefts respectively.

3.106. The Committee pointed out that at the time of unloading, it was always possible to compare the volume with the weight by unloading through buckets and to estimate the amount of coal running short. The witness stated that it would not be practicable in a loco shed to measure every wagon, but there was a system of periodical check to show whether there was any theft.

3.107. The Committee enquired how the General Manager came to know under the existing system that there was pilferage in transit. The witness stated that they carried out periodical re-weighments of coal wagons and an additional *ad hoc* check at different destinations. For this purpose they would pick up a wagon and take it to the weigh-bridge to ascertain what the actual shortage was in that particular wagon and arrived at the percentage of variations between the booked figure of weight and the actual weight when the coal arrived at the destination.

3.108. The Committee desired to know whether the case of shortage of 13.6 per cent was investigated. The witness replied that the Railway had investigated it and the reasons were found to be unrealistic conversion ratio, pilferage, over-loading of coal on the engines of the crack trains and mixing up of different grades of coal in the shed. The matter went up to the Railway Board and on the basis of these reasons, the write off was sanctioned.

3.109. The Committee pointed out that by changing the ratio, the Railway could show a surplus or deficit and that there must be some more realistic method by which these errors were reduced i.e. by testing the ratio with physical checks. The witness stated that they would certainly check the ratio periodically to see if they were realistic.

3.110. The Committee enquired whether there was any other check to eliminate the possibility of collusion between the railway staff who weighed the coal wagons and the colliery people. The witness replied in the negative. The Chairman, Railway Board added that the only check that could be exercised was for somebody to make a surprise weighment of the very wagon which was weighed by the railway staff.

3.111. Asked whether it would not be desirable to have facilities for weighment in the loco sheds, the witness stated that if that were done, apart from the cost involved, it would mean more wagon detention and delays. He added that it would lead to very serious practical difficulties if all the wagons were to pass the weighment bridge at some place before going to the loco shed. The Chairman, Railway Board stated that the time that would be lost as a result of weighment before placing them in the loco sheds would be quite heavy. As regards pilferage, an idea of the scale of pilferage in transit was available from the wagons which had been test-weighed. Asked whether any report had been received from any railway in regard to short receipt of coal, the Member (Mech.) stated that normally no report was made and any shortage could be detected only by means of periodical verification.

3.112. The Committee pointed out that as there was no check at the receiving point, the extent of pilferage on the way could not be known. The witness stated that the only method that the Railway had was to have *ad hoc* checks i.e. to re-weigh certain wagons at different places. Asked whether any responsibility was fixed on the Railway loading staff or the colliery whenever any shortage was detected, the Chairman, Railway Board stated that it was not possible to fix responsibility on the despatching point staff because between despatching point and weighment point there was a long distance over which the wagon was exposed to pilferage. The Member (Mech.) added that normally when shortage or pilferage came to notice, the security arrangements were tightened.

3.113. From the evidence, the Committee find that while locomotive coal is despatched from the collieries by weight, there is no system of weighing the same at the loco sheds and the quantity indicated in the railway receipt is taken as the quantity received at the loco shed. While the receipts are according to weight, the issues from the loco sheds are made on a volumetric basis.

The Committee, however, find it difficult to accept this as a valid reason for physical shortages. They are of the view that the conversion ratios should be fixed scientifically on the basis of test weighments for each grade of coal and should be reviewed frequently to ensure that it is reasonably accurate.

3.114. In the opinion of the Committee, the most important reason and the most disturbing factor leading to these shortages was the frequent pilferages from yards, loco sheds and during transit. The Committee would like the Railway Board to pay their sustained attention to this problem, and tighten up the security arrange-

ments to eliminate pilferage of coal. The other two factors responsible for shortages detected were stated to be (i) overloading of coal on the engines of the crack trains and (ii) mixing up of different grades of coal in the shed. The Committee feel that these factors can be easily eliminated by better local supervision and control.

3.115. The Committee desire that the Railway Board should issue instructions to the local administrations to take suitable measures to ensure that the physical shortages found during stock verifications do not exceed the permissible limit of 2 per cent.

Outstanding claims against the shipping Agents for imported stores received short or in damaged condition—para 29, pages 21-22.

3.116. Under the terms and conditions of the Bills of Lading, the Shipping Companies carrying stores to Indian Ports from abroad are liable to make good any losses of stores received short or in a damaged condition. Of such claims preferred by the Central, Eastern and Southern Railway Administrations and the Integral Coach Factory as consignees, against the various Shipping Companies and Agents, claims amounting to Rs. 17.67 lakhs relating to periods from 1954-55 to 1963-64 remained unsettled at the end of December, 1964.

3.117. The agreements further provide that wherever claims are not settled within the statutory period of 12 months, the parties concerned may approach the Shipping Companies or their Agents for extension of the time for filing suit upto 24 months. Suits have not been filed in respect of claims totalling to Rs. 2.39 lakhs which are over 2 years old. Apart from the delay in realisation of the Railways' claims, these amounts inflate the capital-at-charge.

3.118. The Committee enquired as to the number of cases pending at the end of 1964 which were referred to the India Supply Dept., London, the total number of such cases still pending settlement and the amount involved. The witness stated that the figure of Rs. 17.67 lakhs outstanding as on 31st December, 1964 had come down to Rs. 9.72 lakhs as on 31st October, 1965 because of settlements of some further items. The witness added that the Railway dealt with 2 types of shipping companies; one set was those who were members of Gold Clause Agreement and the others who were not. The normal rule for filing a claim was 12 months in the case of the former but this period could be extended to 24 months. There was also a provision for arbitration. In respect of suits to be filed in India the limitation was 12 months. After that period

was over, they had to file suit in U.K. The Committee enquired whether the concurrence of the shipping companies had been obtained for getting further extension in cases where suits could not be filed within the permissible limits of 12 months. The witness stated that in some cases they had done so, but there had been some cases where due to the attempts to negotiate with the people in India or due to short lading certificates not being available, extensions beyond 12 months had not been sought.

3.119. The Committee enquired why there should be delay of 12 months in getting the short lading certificates from the Port Trust. The witness stated that the shortage might not be known to the consignee until the consignments arrived at the destination stations. He added that the delay was only in those cases where it was not a straight forward assessment of the loss or the shortage and it was also not possible to count the contents of each and every package. The Committee desired to know whether the 12 months period was not sufficient. The witness stated that the 12 months limit in some cases was a bit too high and there was no reason why the Railways should not be able to file a suit. But the number of cases was very large and in some of them the delay was acceptable from the Railway point of view. One category was that in which the Railway wanted to negotiate with the shipping companies and the other was where the railway had to find out the full particulars of the consignment from the Port Trust. He added that in complicated cases the period might not be too much.

3.120. The Committee desired to know whether the delay in cases mentioned in the Audit para was justified. The witness stated that in some cases the delay was unavoidable, in others it could have been avoided and that the number of cases had come down from 260 to 142 and consequently the outstanding amount had also been reduced from Rs. 17.67 to Rs. 9.72 lakhs.

3.121. The Committee desired to be furnished with a statement giving details as to how much was recovered from the shipping companies and how much was written off out of the total claims amounting to Rs. 17.67 lakhs and the number of cases cleared so far. The note furnished by the Ministry is at (Appendix XII).

3.122. The Committee enquired whether the Indian Shipping Companies were members of the Gold Clause Agreement and whether because of that, the Railway had to go to British Courts for settlement of disputes. The witness stated that the Agreement applied to some Indian Companies also and for the settling of disputes beyond the 12 months limit, the disputes had to be referred to British Court. The Financial Commissioner, Railways added that

it was not an unsettling arrangement. The Shipping Corporation was carrying goods internationally and instead of being used in various countries, there was an arrangement for a special clearance after 12 months at a central place. It was a Conference mechanism to which all Conference members had voluntarily agreed as an over-all arrangement.

3.123. Asked whether the suit could be filed in the Indian Courts, the witness stated that they could certainly settle with the Indian Company but if they wanted the good offices of the Committee in London, they could go to them. By mutual agreement between the ship owner or cargo owner, the case could be referred to some tribunal outside U.K. also and that would not be a breach of that agreement. When the Committee enquired whether there was any particular advantage in agreeing to this method of settlement of the claim, the witness stated that the international arrangement consisted of common terms for ships of all-nations, limiting and defining the liabilities of carriers of goods.

3.124. Asked whether it would not be desirable to insure railway goods from ordinary risks, the Member (Mech.) stated that the total value of shipments in this period was of the order of Rs. 306 crores. Of that the total value of the claims was Rs. 41.46 lakhs. A very large sum would be required to insure all the Rs. 306 crores worth of goods. The total claim amounted to only 0.14 per cent of the total shipments. The Financial Commissioner, Railways informed the Committee that some goods like electric locomotives were insured, while some other goods were not insured. He added that no final decision in this matter had been taken and the policy was being discussed with the Finance Ministry. For want of foreign exchange, they might insure with Indian Companies who might reinsure. For this purpose the Reserve Bank allowed the Indian Insurers some foreign exchange in order to reinsure, so that they might share the losses with the foreign banks.

3.125. From the note furnished by the Ministry (Appendix XII) the Committee find that out of 260 cases the value of claims outstanding on 31st October 1965 was Rs. 9.72 lakhs and the number of cases involved was 142. The Committee hope that earnest efforts would be made to settle these cases without any undue delay. They would also like the Ministry to consider whether any uniform policy could be evolved in regard to insuring railway goods from risks.

3.126. The Committee are also of the view that 12 months is a sufficiently long period to arrive at a settlement of the claim, fail-

ing which prompt steps should be taken to file the suit to recover the claim.

Delay in recovery of the electric current charges from the staff—para 32, page 23.

3.127. A sum of Rs 25.9 lakhs representing the cost of electric current and other electrical charges recoverable from the Railway employees was outstanding as on 31st March, 1964, in the books of the Central, Eastern, Northern, North-Eastern, Southern and South-Eastern Railways. In the Eastern and South-Eastern Railways where Rs. 9.54 lakhs and Rs. 4.66 lakhs were outstanding, the arrears go back to the years 1949-50 and 1954-55 respectively. The periods for which these charges are in arrears are not readily available in respect of the other railways.

3.128. This accumulation of arrears was generally attributed to the delays in taking meter readings, incomplete or late receipt of meter reading statements, preparation of meter reading statements on installation basis instead of on pay bill unit basis which causes difficulty in locating the staff, delay in the preparation of electric bills and transfers, retirements and resignations of the staff.

3.129. The Committee enquired what action the Railway Board proposed to take to clear the backlog of the arrears in future. The Member (Staff) stated that the chief reasons for the accumulation of arrears were the very heavy increase in the number of electrified quarters and the organisational changes on certain railways like Southern and South-Eastern, arising from divisionalisation involving large scale transfers and consequent delay in linking up bills etc. He informed the Committee that the arrears of Rs. 25.9 lakhs as on 31-3-64 had been brought down by intensive efforts to Rs. 10.63 lakhs as on 31-10-1965. He added that mostly this was through recoveries, but in some cases where the staff had retired or died, the amounts might have been written off.

3.130. In other cases, a draft had been prepared for the simplification of procedure. Under the new method, it was unnecessary to have readings on the installation basis. It was proposed to fix a sum to be recovered for 6 months on the basis of the average of the previous 6 months. Therefore, for that period of 6 months there was no question of changing it to accord with the actual meter reading in each of these months. The witness stated that arrears were being wiped off very quickly and no more arrears would be allowed to be accumulated.

3.131. From a note furnished subsequently the Committee find that out of Rs. 16.5 lakhs recovered, a sum of Rs. 12,000 had to be written off.

3.132. The Committee are glad to note that a substantial amount arrears of electric charges has been liquidated. They trust that the new procedure for recovery of charges will be worked out with adequate caution so as to avoid such accumulation of arrears occurring in future. The Committee would like to watch the position through future Audit Reports.

Northern Railway—Loss due to operation of a private crane in New Delhi goods shed—para 33, pages 23-24.

3.133. The cranes required for loading and unloading heavy consignments are generally supplied by the railways on payment of prescribed charges to the parties, who have, however, the option to use their own crane provided it is brought in only when the consignment is ready for handling and is removed as soon as the work is over. At New Delhi Goods Shed, three diesel rail cranes were provided by the Railway for handling heavy consignments. A private firm of Forwarding Agents started operating its crane in this goods shed from February, 1959 and parked the crane unauthorisedly in the goods shed premises inspite of the Administration's refusal to lease the plot of land to it. The occupation of the plot was, however, regularised in September, 1959. The firm also brought in another crane from April, 1962.

3.134. In July, 1961, the Railway Board forwarded to the Railway Administration a report dated 25th November, 1960 from the Central Investigation Agency that the firm's crane was working in competition with Railway cranes. Though the Superintendent, Delhi Area, in August, 1961 reported that this was not true, his successor reported in January, 1962 and April, 1962 that the private crane was a competitor to the Railway cranes. He also pointed out several malpractices indulged in by the Railway staff to give more business to the private crane at the cost of the Railway cranes, and asked for approval to terminate the facilities granted to the firm.

3.135. As a result of this report of the Superintendent, Delhi Area, and directions of higher officers for the immediate removal of this crane and a further complaint of malpractices on the part of the firm forwarded to the administration by the Railway Board in September, 1962, the Railway Administration terminated the lease of the land in July, 1963, and in the same month stopped the working of the private crane, as the firm had not vacated the plot. However, on a representation from the firm, the Railway Board permit-

led it, in August, 1963, to resume operation of its cranes 'for the time being'. The private cranes are still functioning in the goods shed (December, 1964). It would be interesting to note that while during the period of one month, July-August, 1963, when the private cranes were out of operation, the Railway cranes handled about 375 wagons, they handled only an average of 300 and 282 wagons per month during the subsequent periods, September, 1963—February, 1964 and March 1964—September, 1964, against the private cranes' average of 71 and 117 per month respectively.

3.136. The Railway Administration has lost an estimated amount of Rs. 1.73 lakhs upto September, 1964, by way of crane charges due to the operation of the private cranes.

3.137. The Committee desired to know the circumstances under which a private party was allowed to keep his crane in the Railway premises in an unauthorised manner from February to September, 1959 after which the plot of land was also leased to him thus enabling him to operate the crane in competition with the Railway. The Additional Member (Commercial) stated that when the consignee chose to ask for the railway crane, then it had to be supplied to him. In fact it was normally expected that the consignee would make his own arrangement for unloading. The only point was why it was allowed to be stabled inside the goods shed. Otherwise, the question of any competition with the Railway cranes did not arise. He added that the Railway had three cranes which were obtained from Disposals and they were not in working order all the time. In reply to a question, the witness admitted that the crane of the private party was there with the knowledge and approval of the Railway Administration.

3.138. The Committee pointed out that the report of the Investigating Committee was that his crane was working in competition with the Railway. The witness stated that the total quantum of work to be done was such that the Railway cranes would not have been able to cope with the work. He added that the lease of the private party had been terminated, but the man had not vacated the plot and action was being taken against him. The Chairman, Railway Board explaining the position stated that the consignee or consignor was at liberty to bring his own or hired cranes to load or unload the consignments. Therefore, this private individual brought with him the cranes to unload his client's goods. But he wanted a small piece of land measuring 50/100' square, which was at first refused but later on given. After sometime, a report was received that this gentleman was indulging in some malpractices in so far as he was influencing some of the Railway staff in placing some wagons on his

side rather than on the railway side. Therefore, it was decided by the Northern Railway that his lease should be cancelled. He was authorised to work his crane but he had to go away from the premises after the work was over. But on a representation from him, he was cancelled to continue till the Northern Railway brought in another additional crane to the goods shed. The plot given to him was again cancelled in the month of October, 1965 but the man had not yet gone away, and proceedings were going to be taken against him. In reply to a question, the witness admitted that for 2 years this particular man stationed his crane in the Railway premises. Asked if he was not a trespasser, the witness stated that he could be called a trespasser for a short time until the plot was leased to him. This period was for a few months only during which his application for lease was under consideration.

3.139. Explaining further, the Chairman, Railway Board stated that from the Public Service point of view as well as from the Railways own point of view, the presence of this crane and its operation in New Delhi goods shed at that particular time was beneficial because the railway's cranes were not sufficient to deal with the heavy cargo traffic. The traders and the consignees also benefited to the extent that the private individual was able to give them lower rates. The lease was cancelled at a time because there were complaints of corruption. In the meantime this man made a representation to him (the Chairman, Railway Board) Minister|Deputy Minister, Railways. This case was further probed into and it was found that it was in public interest to keep that man for the time being and that they should tighten their supervision on their staff so that they were not amenable to his corrupting influence and therefore, until the Railway was able to bring in another additional crane in order to be able to cope with the work, they should permit this plot to be continued to be leased to him.

3.140. The Committee enquired why this man was allowed to continue when it was known that he had a corrupting influence on the Railway staff. The Additional Member (Commercial) stated that it was only an allegation, there was no proof at all. At this the Committee pointed out that even if it was only an allegation, it was sufficient to serve notice on the party and to ask him to remove his crane inspite of the advantage to the railway and the traders.

3.141. The Committee consider it rather surprising that a private party could instal a crane within the premises of the railway goods shed not only in contravention of the rules but also in total disregard to the Administration's refusal to lease the land to the party. Far from being penalised, the occupation of the plot was regularis-

ed in 1959 and the party could bring in another crane in 1962. Even though the Ministry were well aware of the fact that the party concerned was having a corrupting influence on the staff, they had to put up with the party till such time as it could procure another crane and the party continued to enjoy the lease of the plot.

The Committee were informed during the course of evidence that from the public service point of view as well as from the Railways' own point of view the presence of this crane and its operation in the goods at that particular time was beneficial because the railway's cranes were not sufficient to deal with the heavy cargo traffic. Even if that was so, the position must have materially altered by bringing another additional Railway crane. The Committee would like the Railway Board to have an independent quantitative assessment made to see whether the present number of Railway cranes at the goods shed is adequate to meet fully the requirement of traffic without causing detention to wagons. If the present number of Railway cranes is found inadequate, then only the operation of the private crane may be permitted after making adequate administrative arrangements to ensure that no malpractices creep in. If the operation of the private crane is considered necessary it should be strictly according to the rules and regulations in force. The Committee would like to be informed of the final outcome of the case.

*Northern Railway—Loss due to delay in fixation of siding charges—
para 34, pages 24-25.*

3.142. In Paragraphs 75 to 79 of their Fifteenth Report (1958-59), the Public Accounts Committee commented upon the delays in the execution of agreement in respect of the siding constructed at Jamsar for the Bikaner Gypsum Limited, and in the recovery of siding charges for gypsum consigned by the firm to the Sindri Fertilisers and Chemicals Ltd.

3.143. Though the case of the Sindri Fertilisers has been decided and recoveries effected, it has come to notice that gypsum was being despatched from this siding to several other firms also without levying any siding charges. In fact, in July, 1955 instructions were issued by the Railway Administration that the siding charges should be included in the "To pay" invoices so that it could be realised from the consignees at destinations. But on account of the protest by the Sindri Fertilisers whose case was under consideration by the Ministries of Railways and Production, the Railway Administration cancelled its above order on 2nd November, 1955, thereby discontinuing the recovery of the siding charges from other firms as well. It was only in

January, 1959 that the Railway Administration fixed a tentative siding charge of Rs. 3 per wagon with effect from 14th January, 1959 in respect of despatches to parties other than the Sindri Fertilisers, to be included in the 'To pay' invoices for recovery from the consignees at destinations.

3.144. In April, 1959 the Railway Board fixed a siding charge of Rs. 2/- per four-wheeled wagon with effect from 1st May, 1959 for gypsum consigned to the Sindri Fertilisers; and the Railway Administration brought it to their notice for the first time in May, 1959 that siding charges were not being levied prior to January, 1959 in respect of gypsum booked to other consignees also and that the disparity between the rates applicable to the Sindri Fertilisers and others is likely to invite protests. The Board then advised in the December, 1959 that the same siding charge as fixed for the Sindri Fertilisers should be levied on bookings to other parties and the same was made effective from 15th January, 1960. The Board further confirmed in February, 1963 that the siding charges would be recoverable from other parties @ Rs. 1|8|- per wagon for periods prior to 1st April, 1956 as in the case of the Sindri Fertilisers. Instead of attempting to recover the arrears of siding charges from the consignees, the Railway Administration sent the bill to the consignors, the Bikaner Gypsum Ltd., who, however, refused to accept any liability for the arrears amounting to Rs. 63,977. A proposal made to the Railway Board in May, 1964 by the Administration to write off this amount is still pending (December, 1964).

3.145. The loss would have been avoided or at least substantially reduced, if the Railway Administration had dealt with the issue relating to the other parties separately from the Sindri Fertilisers, and not cancelled the orders issued in July, 1955 in so far as they applied to other parties, who had never protested against the levy of siding charges.

3.146. The Committee enquired why there was a delay of over 3 years in taking a decision to recover siding charges at a tentative rate and what was the present position regarding the write off of the amount involved. The Addl. Member (Commercial) stated that the matter of levy of siding charges on Sindri Fertilisers was finally decided in 1959 after a lot of correspondence with the Ministry of Commerce. It was only after this that the decision was taken that the siding charges could be levied on other firms also. He stated that if in 1955 the parties concerned had been warned that siding charges would be leviable, it would have been possible to recover

some of the arrears. The difficulty was that at that time the very levibility of the siding charges was the point at issue.

3.147. The Committee pointed out that while in the case of Sindri Fertilisers, the precaution of obtaining an assurance from the Commerce Ministry was taken, no such precaution was taken in the case of the other consignees. The Committee observed that the siding charges should have been collected as an advance and later on refunded, if necessary and it was not necessary to give a notice. The Chairman, Railway Board stated that in the case of Government Company for whom this particular siding was specially built, the railway could certainly demand whatever extra expenditure it had incurred in placing the wagons. But before this particular decision, had been arrived at, advance recovery from the other people was not possible.

3.148. In reply to a question as to when the decision to charge from the Sindri Fertilisers was taken, the witness replied that the date was April, 1959. The Addl. Member (Commercial) added that in fact the private parties were being charged even earlier i.e. from January, 1959. The Chairman, Railway Board further informed the Committee that when they decided to charge from Sindri Fertilisers, they also decided to charge from other people. They could recover from Sindri Fertilisers but they could not do that in the case of other consignees.

3.149. In this case the Committee find that the original order of the Railway Administration to levy siding charges from consignees at destination issued in July, 1955 was cancelled on 2nd November, 1955, on account of a protest from the Sindri Fertilisers as a result of which the recovery of siding charges from firms other than the Sindri Fertilizers was discontinued. It took over 3 years to take a decision to recover siding charges at a tentative rate i.e. in January, 1959. Further, the Administration had taken 28 months to seek a clarification from the Railway Board as to whether the rate fixed for Sindri Fertilisers would also hold good for other firms for recoveries in respect of the period prior to 1-4-56 and the Railway Board also took 10 months to convey their confirmation. Lastly, instead of recovering the charges from the consignees as originally prescribed, the bills for the arrears were sent to the consignors who disowned their liability.

3.150. The Committee are of the view that much of the loss in this case could have been avoided if only the Railway Administration had

dealt with the issue relating to the other parties separately and the original order for effecting recovery from other firms was not cancelled. They feel that greater care and caution should be taken while issuing orders which are likely to have financial bearing. They further feel that both the Administration and the Railway Board had taken unduly long time in considering and deciding the various issues involved. They trust that the Ministry should take steps to ensure that such delays are scrupulously avoided in future.

Chittaranjan Locomotive Works, Eastern and Southern Railways—loss due to delay in reassessment of rent of quarters—pp. 25-26, para 35.

3.151. In pursuance of the recommendations of the Second Pay Commission, the Railway Board issued orders in September, 1960, that the assessed rent of residential quarters for Class III and Class IV staff may be revised so as to give a return of 6 per cent on the capital cost. The revision was to be carried out in two stages. In the first stage the rent was to be increased by 25 per cent over the existing rate in the case of quarters where the rent was assessed at less than 5 per cent of the capital cost and the higher rent so arrived at was to be recovered from 1st October, 1960. In the second stage, the rent of all quarters was to be reassessed at 6 per cent of the capital cost as on 30th September, 1960 and the rent so assessed was to be recovered with effect from 1st October, 1961. This reassessment was to be completed by June, 1961 so that there would be no difficulty in effecting recoveries at the revised rates from the 1st of October, 1961.

3. 152. While the first stage of the revision was carried out in due time, there was delay in making the second reassessment and as a result the recoveries at the revised rates had to be started from the 1st October, 1962 in the case of Chittaranjan Locomotive Works and from the 1st November, 1962 in the case of the Southern and Eastern Railways' quarters.

3.153. In appreciation of the hardship that might be caused to the staff if recoveries of arrears in rent were to be made retrospectively from the 1st October, 1961, the Railway Board decided that recoveries at revised rates might be given effect to from the dates actual recoveries were made, thereby resulting in a loss of Rs. 27.49 lakhs (provisional) on account of increased rent that should have been otherwise collected. The Eastern Railway Administration has attributed the delay to difficulty in tracing out the building registers showing the cost of construction and other details and grouping of the old and non-standard types of quarters and the Southern Railway Adminis-

tration has pleaded difficulties in collecting the required particulars of capital cost of a large number of newly constructed and electrified quarters with the help of the existing staff only.

3.154. The Committee enquired why there was undue delay in these two cases when other Railways had been able to implement the orders from October, 1961 and why special staff could not be appointed to complete the work in time instead of delaying the assessment. The Member (Staff) stated that quarters on the Eastern and Southern Railway were pooled with the Chittaranjan Locomotive Works and the I.C.F. respectively whereas in the case of other railways, they had quarters of their own, with the result that all records were available with them and it was much easier to assess the rent. There was also the heavy task of collecting data due to non-availability of records because of the many organisational changes in Eastern and Southern Railways. Another fact was that there were also various types of non-standard quarters which had to be regrouped in various units. The delay was caused by the records being not available. Even then the staff were warned that they would be charged retrospectively from the date. There was also the problem of labour troubles and the sharp increase in rates in those two Railways. He added that there was a strike in 1960 and conditions had not stabilised. Therefore, it was felt that it was better to waive the recovery of arrears and not give priority to financial considerations over administrative considerations. In reply to a question whether the revised formula was applied uniformly in the same Railway, the witness replied in the affirmative.

3.155. The Committee enquired why the decision to apply the revised rate from a particular date on all the Railways was given up. The Financial Commissioner, Railways stated that there was the practical difficulty of applying the increase retrospectively because on these two railways it took a longer time to assess the rent. However, the majority of the Railways had carried out the Railways Board's orders.

3.156. The Committee hope that suitable instructions have been issued to the Railways concerned that all papers' registers relating to house rent/recovery etc. are maintained in such a manner that there should be no other occasion where the recovery of dues is delayed or made difficult for non-availability of papers.

North Eastern Railway's Loss due to non-recovery of revised rent for Railway land leased out to private parties—PP. 26-27, Para 36.

3.157. The Railway Board issued orders in October, 1952 that the rent of Railway land leased to outsiders should be fixed at the highest

rates obtainable subject to a minimum of 6% of the market value of land as assessed by local Revenue Authorities at the time of leasing out. A quinquennial review of the market value of such land and a provision for revision of rent on the basis of such review in the relevant agreements were also prescribed. The rents of railway plots leased to outsiders had been fixed in September, 1951 and the review and revision of the rates of rent fell due in 1956. Due to difficulty in obtaining information regarding the market value of the land from the Revenue Authorities, the revision was delayed and the Railway Administration issued notices in September, 1958 warning the licensees of the impending revision of rent which would have retrospective effect from 1st April, 1958. The rates were finally revised in August, 1961 but applied only from September, 1961 in respect of Commercial plots and from January, 1962 in respect of Engineering plots. The non-enforcement of revised rents retrospectively with effect from 1st April, 1958 resulted in a loss of over Rs. 5 lakhs. The further loss on account of the non-revision of the rent and enforcement of the revised rent from 1956 itself is not readily assessable.

3.158. The Committee enquired why it took more than 5 years to finalise the revised rates and whether these rates were fixed with reference to the market value of land as advised by the Revenue Authorities. The Member (Engg) stated that in accordance with the Railway Board's orders the first fixation of rent for railway land on the N. E. Railway was done in 1951 and the second was due in 1956. Almost a year before the revision was due to be made, letters were issued to the Regional Superintendents who in turn wrote letters to all the District Collectors concerned. The magnitude of the job could be indicated by the fact that the number of districts affected was in the region of hundreds and the number of stations was 534. Efforts were made to collect the information and Collectors were reminded repeatedly. But even 3 years later, in December, 1958, information had come in only in respect of 76 stations out of 534 and upto April, 1961, in respect of about 323 stations. As there was no other machinery to find out the market value of the land, there was the cause of delays.

3.159. In reply to a question whether any protests were received from anybody when the Railway issued warning of the impending revision in September, 1958, the witness stated that he had no information.

3.160. Asked why the revision was imposed from September, 1961 and not from 1st April, 1958, the witness stated that they had to consult their Law Officer as to whether the Railway were legally entitled to revise the rents retrospectively. In reply to a question whether there was any provision in the agreement regarding revision

of rent retrospectively, the witness replied in the negative. The Committee pointed out that in view of that, it was the duty of the Railway to give notice to the lessee in 1955 that the rents were going to be revised and if they did not accept that, they should vacate. The Financial Commissioner stated that warnings were issued in 1958.

3.161. The Committee pointed out that in pursuance of the warning of 1958, they should have called upon the lessees to pay the arrears. The Financial Commissioner stated that although there was a warning, it was not necessary to charge retrospectively.

3.162. The Committee pointed out that there should have been a clause in the agreement regarding periodic revision of rent. The Financial Commissioner (Railways) agreed that there should be a clause regarding periodical revision of rent in the new lease agreement.

3.163. In reply to a question as to why the rent was not levied from September, 1961, when the decision was taken, the Member (Engg.) stated that the agreement with the lessees of the commercial plots was from September, whereas with the lessees for engineering plots it was due to expire from January. He added that notices for eviction were given immediately.

3.164. The Committee are constrained to observe that it had taken the Railway Administration nearly 5 years to finalise the revised rates of rent because the Administration had to depend on local authorities for collection of information regarding the prevailing market rent and also because the matter was not pursued vigorously. They further find that the original agreement was defective in as much as it did not include any provision for periodic revision of rent. As a result, though the notice was issued in 1958, stipulating that the revised rents would be implemented with retrospective effect, it would not be enforced under legal advice.

The Committee hope that in all future agreements, a suitable clause regarding periodical revision of rent would be added, as agreed to by the Financial Commissioner.

Northern Railway—encroachment on Railway land at Kanpur—para 37, page 27.

3.165. A private firm which held a plot of Railway land measuring 1435 sft. on lease from September, 1941, applied for lease of a further area of 28, 797 sft. in October, 49. On investigation, the Railway Administration noticed that the firm had already been using varying areas of this land from time to time for unloading their wagons

giving rise to controversies about encroachments and, therefore, advised them in January, 1950 that their application could not be considered in view of their unauthorised occupation of the land and the the encroachments should be vacated within 14 days. The firm ignored even the further notices for vacation issued by the Railway Administration between 1950 and 1954 and continued occupation of the land until 20th April, 1954, when they vacated the major portion of the area, retaining 3,283 sft. of unauthorised land. They also admitted in April, 1954 that they had occupied 11,780 sft. of land (as against 28,797 sft. indicated by the Administration) from 14th August, 1949. But when a further notice was issued by the Railway Administration in March, 1955 to pay up the arrears of rent, the firm went back on their earlier admission and contended that no land was under their unauthorised occupation. Between July, 1955 and March, 1958, the firm enjoyed the use of 24,000 sft. of the some plot of land by containing the lease from the Railway in the name of another person and paying the rent. The lease granted in July, 1955 was terminated by the Railway on 1st April, 1958 as some pucca structures had been constructed on the site. But the firm continued occupation of the land unauthorisedly in spite of a notice served on them by the Railway in November, 1959. The Railway filed an application on 22nd January, 1964 before the Estate Officer for eviction of the encroachment and recovery of rent and damages amounting to Rs. 95,832.

3.166. The Committee enquired whether any responsibility had been fixed for the inadequate action taken by the Railway Administration at different stages in the matter of noticing the encroachments and taking appropriate action to evict the firm and recover rent and damages for the period of the encroachment. The Member (Engg.) stated that a Committee consisting of three Deputy heads of Deptts. —a Deputy Chief Engineer, a Deputy Chief Commercial Superintendent and a Deputy Financial Adviser had been constituted to go into whole question and fix the responsibility on the staff involved in these cases. He added that this Committee was appointed about 10 months back.

3.167. In reply to a question as to whether the firm in question had anything on the railway premises, the witness replied in the negative and added that the trouble in this case was that they had been using the strip of land between the Municipal Road and their own factory for various purposes like stacking of goods.

3.168. The Committee enquired whether there was any machinery for detecting encroachment on Railway property. The witness stated that there was some machinery which was rather outdated but it was proposed to strength it suitably. In Kanpur they proposed to appoint a special staff for the purpose, for which sanction had been given.

3.169. The Committee enquired how the firm was allowed to continue in unauthorised occupation after the Railway Administration came to know of the encroachment, the witness stated that even if the firm had been thrown out, there was no one else who could take that lease. So the only course was to try to persuade the firm to pay which they refused. Upon being asked as to the amount being paid by the firm, the witness stated that land measuring 1435 sq. ft. was leased to it on Rs. 111 per year upto 31-3-1961 from 23-9-1941.

3.170. The Committee pointed out that it was only in 1949 when he applied for lease of additional land that it was discovered that the firm was unlawfully occupying an area of 28,797 sq. feet more for which they did not pay anything. The Financial Commissioner Railways stated, "It looks like that."

3.171. The Committee desired to be furnished with a note showing.

(a) the date when the Departmental Committee was constituted to go into the whole question and fix responsibility on the staff involved;

(b) the total amount recovered from the party from time to time and if no recovery had been made, the reasons therefor;

(c) the details of such cases of encroachment of Railway property at Kanpur;

(d) (i) the number of times the leases were given to the party;
(ii) the number of time notices were issued to the party to vacate the land;

(iii) the steps so far taken regarding eviction etc.; and

(iv) the number of cases of encroachment reported by the Commissioner, Kanpur to General Manager and the action taken by the latter; and

(e) Any additional information available about paras 37 and 38 of the Audit Report.

The information furnished by the Ministry is at Appendix XIII

3.172. The Committee enquired why no further action was taken to evict the firm till 22-1-1960 when a notice had been served on

them in November, 1959. The Member (Engg.) stated that generally speaking, correspondence had been going on almost continuously in order to persuade the firm to pay up the arrears of rent as well as the current rent so that the need for ousting them might not arise.

3.173. The Committee are amazed to find the gross indifference with which the Railway Administration have been pursuing the case. Even though the fact of encroachment came to the notice of the Administration in October, 1949 no effective action except issuing notices and reminders was taken between 1950 and 1954. It is all the more surprising that in July, 1955, the firm managed to obtain lease of the same plot of land in the name of another person and paid the rent but no follow up action was taken to recover the rent for the period prior to July, 1955. And even though the lease was terminated in April, 1958, the firm continued to be in unauthorised occupation despite notices and it was only in 1964 that the Railway filed an application before the Estate Officer for eviction and recovery of rent and damages. During the course of evidence, it was stated that, "... even if we had compelled this firm to vacate this strip of land many years ago, the net result of this would be that the land would have remained vacant and no one else can probably use it."

3.174. The Committee consider this to be rather a strange way of trying to cover up delays. They feel that while granting the lease of plots the antecedents etc. of a firm are not verified or at least these were not done in this case though the firm was a habitual offender. The repeated offences of the same nature committed by the firm with impunity lead the Committee to infer that such a thing is possible only with the connivance of the officials. The Committee, however, expect that the Department should show greater initiative and ensure that such cases are finalised without any loss of time. They trust that the Enquiry Committee will finish their work more expeditiously. It is also necessary that the procedure of granting leases/licenses for the private use of Railway land is gone into with greater care and all loopholes (as occurring in this case) are plugged so as to prevent recurrence of similar cases. The Committee were informed that the machinery to check and prevent cases of encroachment is being strengthened. They hope that similar machinery will also be introduced, if not already in existence, in all such industrial areas where the cases of encroachment are frequent. The Committee would like to be informed of the findings of the Enquiry Committee and the action taken thereon.

Loco Component Works—Varanasi—para 40, pages 29-30.

3.175. The following is the history of the Loco Component Works Project which the Railway Board decided in 1956 to set up as a Pro-

duction Unit at Varanasi to manufacture components for Steam Locomotives.

April, 1956: Engineer-in-Chief appointed and the nucleus of the organisation was set up.

March, 1957: Project reviewed by the Railway Board in the background of the policy of progressive dieselisation and decision taken to go ahead with the Project on grounds of operational necessity although the Ministry of Finance did not regard it as of sufficiently high priority for release of foreign exchange.

September, 1957: Work relating to construction of buildings commenced.

April, 1958: Project estimate for Rs. 4.79 crores approved fixing 31st March, 1961 as the date for the completion of the project.

Work temporarily suspended from February, 1959 to June, 1960 due to difficulties in arranging adequate power supply.

Work suspended again from May, 1961 to February, 1962 due to difficulties in settling the design of some shops.

Meanwhile, an expenditure of Rs. 28.01 lakhs was incurred on the pay and allowances of the staff employed between April, 1956 and March, 1962 and Rs. 14.54 lakhs on other general charges against the provision of Rs. 37.94 lakhs and Rs. 23.86 lakhs respectively on this account in the project estimate. The expenditure on the construction of workshops and stores buildings and procurement of workshop equipment was, however, only Rs. 28.19 lakhs and Rs. 29.14 lakhs respectively against the provision of Rs. 133.22 lakhs and Rs. 168.11 lakhs in the project Estimate.

No loco components were actually produced up to the end of March, 1962. An attempt made in May, 1960 by the Loco Component Works to undertake manufacture of 10,000 number of super heater elements p.a., for Chittaranjan Locomotive Works proved abortive, resulting in an expenditure of Rs. 12,630 on freight and handling charges for collecting and returning raw materials etc. 52 axle box bodies were machined for a private company at a cost of Rs. 20,847 in 1961, but a payment of Rs. 2,775 only was received as the private company did not agree to the actual cost incurred.

The project accounts were closed on 31st March, 1962 and the total expenditure of Rs. 1.95 crores spent upto that date was trans-

ferred to the Diesel Locomotive Works Project, which was established on the same site using the structures and machinery available.

Information about the expenditure incurred in making alterations to the structures and machinery for being used for the second project and whether any portion of the assets created for the first project is lying unutilised, is not readily available.

3.176. The Committee desired to know as to what was the urgency of the whole project to be set up in spite of the opinion of the Finance Ministry to the contrary. The representative of the Railway Board stated that after a study that was made in 1955 of all the requirements of components and of the workshop capacity of all allied items, it was recommended by a particular committee that since the railways were very short of locomotive (components), which in turn was affecting the maintenance of locomotives, some central loco component shop, where loco components could be made, should be set up. It was in pursuance of this decision that in 1956 the Railway Board had decided to set up one such factory at Banaras. The Financial Commissioner, Railways further added that the Ministry of Finance should not be understood as the finance associated with the Railway Board. The Ministry of Finance's consideration was in regard to the allocation of foreign exchange and in order to minimise or eliminate the import of machinery, it was finally decided that the factory should start with only free items obtained from surplus war-time holdings. In regard to allocation of foreign exchange, the Finance Ministry had given low priority to this project. The shortage of foreign exchange and general foreign exchange control started round about January, 1957. Right through 1956 and in the earlier years once the sanction for a project was given, it was deemed to include foreign exchange. Then even sanctioned projects were reviewed because of foreign exchange control and that was how it happened that the project was objected after the decision. The control which was disbanded some years earlier was re-imposed round about January, 1957 and all Ministries were asked to refer their current requirements even for sanctioned projects.

3.177. In reply to a question, the representative of the Railway Board stated that soon after the decision to set up this particular workshop was taken in March, 1956, the appointment of the Engineer-in-Chief was considered as that was the normal procedure. When the administrative approval was given, a nucleus organisation was set up at Banaras for starting this project but the order for machinery could only be placed after the foreign exchange was released by the Finance Ministry in March, 1958. Whenever any

project of this nature was sanctioned, a senior civil engineer of Administrative rank had to go ahead with the making of plans, estimates and to plan for all the preliminary works that he had to undertake for the purpose of getting proper sanction and even the execution of the work.

3.178. Asked as to what was the foreign exchange component of this scheme, the witness stated it was Rs. 1.60 crores in 1957. The Financial Commissioner, Railways also stated that mainly surplus machinery were allowed to be imported which the staff on the place reconditioned and had it ready. While the locomotive component workshop could not be considered to be a success, it was the most important foundation laid and the diesel locomotive works were able to over all the assets to assemble and turn over engines easily. The witness added that the system of foreign exchange control suddenly came back in 1957 when even sanction could not be given without clearance. The Finance Ministry was hesitant mainly on account of the Planning Commission not being entirely convinced that the scheme was of the highest priority.

3.179. Asked as to whether it was advisable to start a project without ensuring that the foreign exchange would be available, the Financial Commissioner, Railways, stated that at that time the foreign exchange control was really super-imposed on the administrative machinery. The Finance Ministry agreed to allot foreign exchange in 1958 and the project was going on since 1957 and at that time it was permissible because foreign exchange was not refused. As a matter of fact it was not an irregularity as the Railway Board were asking the Finance Ministry for foreign exchange. When the Committee desired to know the circumstances under which the Railway Board reviewed and decided in March, 1957 that they should go ahead with the project, the witness stated that in 1957 the Finance Ministry was of the view that the Railway Board could go forward with the project as it was considered to be of high priority by the latter. It was a question of allotting foreign exchange and being guided by the view of the Planning Commission the Ministry of Finance changed their view though they were not entirely convinced.

3.180. The Committee pointed out that as the foreign exchange was assured in March, 1958, there were no valid reasons for the abandonment of this project in 1962. The witness stated that the surplus machinery as well as power shortage were the reasons for the factory to make a very halting progress from 1958 to 1960. The difficulty about foreign exchange was one of the reasons for the

slow progress of the project. It might not be the reason for abandoning the project. The witness pleaded that every project had to face difficulties and progress had been made in spite of those difficulties. He further added that when the decision to set up the loco component works at Manduacion was taken, assurances were given by the Chief Minister, U.P. that there would be no difficulty in the required land being made available and the electric power would be supplied as necessary. When there was difficulty to get adequate power supply, the Railway Minister had written to the Chief Minister, U.P. The U.P. Government informed in writing that in case the supply company expressed their inability to supply power, the question of granting direct supply by Government from Rihand could be considered, but this could only be done after specific negative reply was received from the supply company.

3.181. In answer to a question, the representative of the Railway Board stated that before going ahead with the project they did not ascertain from the Banaras Electric Supply Company whether power would be available. They had proceeded on the basis of the assurance given by the Chief Minister of U.P., as early as 1956 before the project was approved. It was assumed, therefore, that power would be available as required as the assurance came from the highest person in the State i.e., the Chief Minister of U.P. The witness added that the availability of locomotive components was quite good now and more favourable than what it was some years ago. They had also introduced the incentive system of working in most of the workshops which had improved productivity. Their efficiency of work was not suffering for want of components. The requirements of components were being met partly from their own workshops and partly from the private sector.

3.182. Asked as to whether the assessment had been made about the infructuous expenditure on the whole project, the witness stated that as mentioned in Audit para itself, the total expenditure upto the time the accounts were closed was Rs. 1.95 crores, which was transferred to the Diesel Locomotive Works project. The breakdown of this figure was not readily available as to how much was spent on capital works and how much on staff employed etc. The major items were buildings and other structures which had now been modified so as to dovetail them into the structures planned for D.L.W. project. In the major items there was no infructuous expenditure. They had taken into account that the structures, the equipment etc. that were there would be required and the useful for the D.L.W. project. The Financial Commissioner, Railways added that so far as capital expenditure was concerned, except for some

re-alignment they could not really consider any capital expenditure as infructuous. The sanction for the D.L.W. project was Rs. 20 crores and this way only a small part of the total requirement.

3.183. The Committee desired to be furnished with a statement indicating:—

- (i) What were the machines which were originally meant for the Loco Component Works Project and which were transferred later on to the Diesel Locomotive Works Project;
- (ii) Information about the expenditure incurred in making alterations to the structures and machinery for being used for the second project and whether any portion of the assets created for the first project was lying unutilised; and
- (iii) Proportion of the foreign exchange sanctioned for the project and actually utilised and the total value of the components manufactured in this project upto 31st March, 1962

The information furnished by the Ministry is at Appendix XIV.

3.184. Asked as to why they could recover only Rs. 2,775 from a private firm for the manufacture of 52 axle boxes, the witness stated that the party was a private firm viz., F.A.G. (India) which had a collaboration agreement with the German firm which supplied axle boxes to the Railways. It was really more a method of accounting which gave this higher figure rather than the actual cost. This particular firm had given the same job to the Central Railway at Rs. 75 per box and when the same job was given to the L.C.W., it was actually without working out the estimated cost of the work by taking into account not merely the direct labour charges and store charges but also the "on costs" such as general "on cost", proforma "on costs" etc. etc. In a developing project if all these things were taken into account for a small work, the cost would be very large. The basis on which they would do the work for an outsider was that they would charge same price as the Central Railway had charged for the same work i.e. Rs. 75 per box and this was agreed after the work was taken. The witness admitted that there was no basis when the work was taken from the private company as the primary intention was to give some load to the L.C.W. The price was not settled beforehand. L.C.W. were given the job more as a measure of finding some work for them and to

give them practice. The Financial Commissioner, Railways stated that the price was settled on the same basis as the Central Railway had their costing and charged for this item. The witness conceded that this private firm was to supply these axle boxes when completed to the Railways and it was on a contract basis. There was a fixed rate of supply for the boxes and the private party must have given it at that fixed rate. It was for the private party to get the job done, some part here and some part there, wherever it was convenient for them and the Railways were to recover whatever be the reasonable cost and they recovered on the same basis as the Central Railway. The witness admitted that this was not a good transaction. What they were trying to explain was that the price had been fixed properly and the price fixed for L.C.W. doing the job was fixed on the same basis as the Central Railway were charging them. If the L.C.W. took into account the labour over-heads and all that, the price would be extremely high. It was settled that they could not really charge more than what the job was worth. What the job was worth was settled as what the Central Railway had charged for the job. The witness further explained that it was not exactly the manufacture of the box bodies but the job was one of machining for which the firm could have their own arrangements. As a matter of fact the job for which the Central Railway had charged Rs. 75, the Locomotive Components works could not charge Rs. 401 and, therefore, the price was settled at Rs. 75. The cost of labour and stores was recovered by this charge but the shop-on-cost and proforma-on-cost would be a huge sum of money.

3.185. The chequered history of the Loco Component Works Project and the fact that the Project had ultimately to be abandoned in 1962 indicates that sufficient care and thought were not bestowed at the time of starting the Project. The Committee fail to understand how the Railway Board could decide in March, 1957 when they reviewed the Project in the background of the policy of progressive dieselisation to go ahead with the Loco Component Works project on the grounds of operational necessity although the Ministry of Finance did not regard this project as of sufficiently high priority for release of foreign exchange. The fact that the requirements of locomotive components are being met partly from the existing workshops and partly from the private sector, shows that the Railway Board's decision in March, 1957 to go ahead with the project in the face of the accepted policy of progressive dieselisation lacked justification. It is also unfortunate that the work of the project had to be suspended from February, 1959 to June, 1960 due to difficulties in arranging adequate power supply, and again from May, 1961 to

February, 1962 due to difficulties in settling the design of some shops. In regard to the supply of power, the project authorities did not maintain proper liaison with the local authorities, and relying on a general assurance given by the Chief Minister of U.P. before the project was approved, they did not even ascertain from the Electric Supply Company at Banaras whether power would be available and as a result of all these, the work had to be suspended for 25 months. In the note furnished subsequently which is at Appendix XIV, the Committee find that out of 317 machines procured for the Locomotive Component works, 210 were received free of cost and only the charges for freight, customs and handling had to be paid. When subsequent examinations were carried out by the L.C.W. on receipt of the machines it was found that some of them could not be utilised as their condition and performance were not suitable for the specific purpose for which they were required and a number of machines were also received deficient of components which could not be obtained as the machines were obsolete and there were also defects which could not be rectified. Of the 210 machines, 63 machines valued at Rs. 5.42 lakhs had been found surplus to the requirements of L.C.W.

The Committee are surprised to note that these machines were accepted without any physical examination and they were accepted only on the basis of brief particulars furnished by the supplying authorities. The Committee would like to be informed whether 63 machines valued at Rs. 5.42 lakhs which were found surplus have been put to any alternative use, and if so, where.

3.186. From all these factors, the Committee cannot but come to the conclusion that the whole scheme was envisaged on the basis of probabilities and its execution during the short period it survived, lacked the "attention for details", as a result of which it had to be abandoned. The Committee would like the Railway Board to work out the infructuous expenditure incurred due to abandonment of the project, after taking due credit for the assets transferred to the D.L.W. Project.

3.187. The Committee hope that the abandonment of the Loco Component Works Project would serve as an object lesson to the Railway Board, and that in future, greater degree of care, thought

and co-ordination with different agencies will be bestowed before launching a project of this magnitude.

South Eastern Railway—Mahanadi Bridge Project—Para 43, pages 31-32.

3.188. The contract for a rail bridge over Mahanadi river was negotiated with a particular firm as the Railway Administration thought that this firm who had undertaken, in the past, the construction of similar major bridges over the Ganga and Brahmaputra rivers, alone had the ability, equipment and experience to undertake work of such magnitude involving steel caisson and pneumatic sinking.

3.189. The contract, *inter alia* provided for a lump-sum payment of Rs. 3 lakhs for providing and keeping at site as stand-by one pneumatic set complete in working order till completion of the sinking work. Similar lump-sum payments had been made to the same firm for their contracts for the Ganga and Brahmaputra bridges also. It is understood that such a set is estimated to cost about Rs. 12 lakhs compared to the sum of Rs. 8.92 lakhs paid to this firm as main or sub-contractors for keeping the plant at the site of work.

3.190. The Committee desired to know why open tenders were not invited in case of Mahanadi bridge and why Messrs Hindustan Construction Co. were chosen for negotiation although competitive tenders had been invited in other cases. The representative of the Railway Board stated in evidence that the well foundations proposed to be utilised in the case of Mahanadi Bridge were of such nature that it was felt that no other firm would be able to do the job within the time available. Through open tenders only this firm had got the Ganga Bridge contract and then they got also the contract for the Brahmaputra Bridge. Subsequently open tenders were invited for 3 smaller bridges on the Weinganga, Hasdeo and Ib involving steel caisson and pneumatic sinking, though not to the extent of Mahanadi Bridge and the contracts were given to this firm. The Brahmaputra Bridge Project was completed in the first half of 1961 and immediately thereafter, negotiations were started with this firm for the Mahanadi Bridge and the rates were based on the Ganga Bridge built earlier. Subsequent to that there had been an upward trend in the rates. The witness added that in the case of Weinganga and also Mahanadi Bridges the wells had gone down 100 ft. below water.

3.191. In answer to a question, the witness stated that in the case of Ganga Bridge, it was by open tender and Brahmaputra Bridge was

by negotiation. About Ganga Bridge only one tender was received from the Hindustan Construction Co. and the contract was given to them as this firm had the necessary know-how and the equipment to carry out the job. As regards rates, the witness added that detailed negotiations were carried out at the highest level and it came right up to the Railway Board and every effort was made to ensure that the rates which were finally fixed were reasonable in the case of Ganga Bridge. Subsequently in the case of Mahanadi Bridge, the rates for certain items were fixed higher than the rates in the Ganga Bridge. In the Ganga Bridge the exact cost of the material, labour and transport etc. was known and the same basis was adopted in the case of the Mahanadi Bridge. The witness added that the technique was the same for all the bridges but the magnitude was different. In the case of bridges where the magnitude of the problem was not so big as in the case of Mahanadi, tenders had been given to other firms. However, these firms had not the pneumatic equipment which would be of the type that was required for sinking wells to 100 ft. below water level. They did not invite tenders because invitation of tenders would have taken a very much longer time. In this case time was also important as this bridge was built on a doubling which was needed for transportation purposes. The Financial Commissioner, Railways added that in India the biggest bridges were the Ganga and Brahamaputra Bridges and next to them was the Mahanadi Bridge and that was a big job which required an experienced contractor. In answer to a question, the Committee were informed that the amount of foreign exchange given to the Mahanadi contract was Rs. 12.5 lakhs and this party was being given foreign exchange in respect of every contract. Asked as to whether there was any limit or any qualification to the financial powers of the Railway Board either by any published or departmental rules, the witness stated that so far as actual delegation of powers was concerned, there was no limit. The Committee were also informed that in this case the decision to give the work to the Hindustan Construction Company was taken at the level of the Railway Board.

3192 The Committee desired to be furnished with a statement indicating in how many cases contracts above 10 lakhs in value had been given without tenders and in the case of the Hindustan Construction Co. in how many cases contracts had been awarded without tenders and the total foreign exchange allotted to this firm in respect of different contracts, though some of them might have been given in open tenders. (The information might be given since the contract for the Ganga Bridge upto the present time. Particulars of the case of Rihand Bridge for which open tenders were invited in 1962 might

also be included.) The information furnished by the Ministry is at Appendix XV.

3.193. The Committee while pointing out that the estimated cost of the pneumatic set complete in working order was only Rs. 12 lakhs but the total amount paid as hire charges for the same was Rs. 8.92 lakhs (Rs. 3 lakhs in each case), desired to know whether it had been considered by the Railway Board to purchase one such set and hire it out to the contractors in cases of necessity. The representative of the Railway Board stated that the cost to the firm included cost of rail transport from Amingaon to Barang and then road transport from Barang to the project site itself and installation. The total approximate cost would come to Rs. 1,02,000 and in addition to that for a period of 18 months certain percentages had been charged which would be the normal percentage for storage etc. and would be a little over Rs. 3 lakhs. It was not a case of a lump sum given to the firm for which they did not incur any expenditure. The payment of Rs. 3 lakhs made to the contractor was not in the nature of hire alone.

3.194. In answer to a question, the Financial Commissioner, Railways stated that the Board had invited tenders for the purchase of two sets of such equipment about a year back. Equipment worth Rs. 38 lakhs was being acquired out of which the foreign exchange element would be Rs. 12 to Rs. 15 lakhs. It was conceded that they had thought of it after all these bridges were constructed. The witness added that this was an arrangement for a stand-by equipment but at the same time it was also not 100 per cent stand-by equipment exclusively for this work. The contractor could get some money out of it by using it in other works. The cost of the firm was really the actual railway freight 6 per cent on interest, 6 per cent normal repairs per annum and maintenance and 2 per cent storage and handling. Thus 6 per cent for normal repairs and maintenance would be an inducement for the contractor and this in fact might be a part of overheads for a larger contract.

3.195. Asked as to why the purchase of this equipment was not decided earlier so that the monopoly could be broken, the witness stated that after the Ganga Bridge, Brahamaputra Bridge almost followed and there was no time to procure the equipment. The matter of purchasing this equipment by the Railways was considered only when Mahanadi single tender was being negotiated. They wanted to break the monopoly of the Hindustan Construction Co. and that was why they wanted to go in for similar contractors who were capable

of doing similar types of jobs provided they could have the specialised classes of equipments. In answer to a question, the Committee were informed that as a result of negotiations, the Hindustan Construction Co. had reduced the rates and that the reduction was about Rs. 2 lakhs in a contract of Rs. 1.60 crores.

3.196. The Committee desired to be furnished with the information as to what were the original quotations given by the Hindustan Construction Co. and the extent to which the rates were reduced as a result of negotiations. The information furnished is at Appendix XV.

3.197. Asked as to whether any list of approved contractors was maintained and whether it was revised at regular intervals, the witness stated that the list of approved contractors was maintained and revised but there was no specific period laid down. It was revised in the sense that whenever any contractors had applied for inclusion of their names in the list, the names were added. Similarly, the contractors whose work was bad were also removed from that list.

3.198. From the evidence tendered and the notes furnished by the Ministry, the Committee are surprised to learn that 6 contracts of bridge works including the Mahanadi Bridge Project above Rs. 10 lakhs each were awarded to M/s Hindustan construction Co. Ltd. without tenders during the period 1954 (when Ganga Bridge Contract was awarded) to 1965 Also during the same period the total amount of foreign exchange allotted to this Company for importing equipment for these contracts amounted to more than Rs. 63 lakhs. The contention of the Ministry that "The well foundations proposed to be utilised in the case of Mahanadi Bridge were of such a nature that it was felt that no other firm would be able to do the job within the time available" does not appear to be correct in view of the fact that no tenders were invited. Since 1954 the only firm which was awarded contracts without tender for bridge works above Rs. 10 lakhs was the Hindustan Construction Co. and even in November, 1961 when the contract of the Mahanadi Bridge was given to them, the Railway Board did not even think that after a lapse of about 7 years there might be some other firm/firms who also could do the job equally well. The Committee cannot but deprecate the tendency of awarding contracts for huge sums of money (including substantial amounts of foreign exchange) without inviting tenders. They desire that such a practice should not be resorted to in future except in case of emergency and the normal healthy convention of inviting tenders should be followed.

3.199. The Committee are also perturbed to learn that the Railways had to pay a sum of Rs. 8.92 lakhs to the Hindustan Construction Company for providing and keeping one pneumatic set as stand-by at the site of the work when the estimated cost of such a set was only Rs. 12 lakhs. They regret to learn that the question of purchasing this equipment by the Railways themselves was only considered when Mahanadi Bridge single tender was being negotiated. If the Ministry had given careful consideration to the purchase of such a set earlier they would not only have saved this sum of Rs. 8.92 lakhs spent on hire charges etc. but would also have possessed the set for similar work elsewhere and the question of purchasing two such sets of equipment now costing Rs. 38 lakhs (of which foreign exchange element would be Rs. 12 to 15 lakhs) would not have arisen. The Committee would, therefore, like to stress that the Railways should devise ways and means of undertaking some advance planning, with a view to effect savings over a long period.

North Eastern Railway—Payment of arrear Sales Tax dues in respect of Railway Grain Shops situated in the State of Bihar—Para 44, page 32.

3.200. According to the Sales-tax Act of the Bihar Government, certain commodities other than cereals and pulses were subject to sales-tax from 1st October, 1944 and cereals and pulses themselves were subject to sales-tax from 1st April, 1949. This Railway did not collect the sales-tax from their employees from 1st October, 1944, nor on cereals and pulses from 1st April, 1949. As advised by the Railway Board, the Railway Administration wrote to the Bihar Government in April, 1948 that since the Railway Administration is not a dealer, it would not come under the purview of this Act. When this was not accepted by the Bihar Government, the matter was again referred to the Railway Board who finally accepted, in December, 1948, the liability of the Railway Administration to pay the sales-tax. The Railway Administration, however, started recovering sales-tax only from 1st January, 1949 in the case of commodities other than cereals and pulses and from 1st September, 1950 in the case of cereals and pulses.

3.201. The Bihar Sales Tax Department, however, claimed arrears of sales-tax on the sale of commodities other than cereals and pulses for the period from 1st October, 1944 to 31st December, 1948 and on cereals and pulses for the period from 1st April, 1949 to 31st August, 1950.

3.202. Requests of the Railway Administration for waiving the amount or review and reduction of assessment were turned down by the State Government and legal proceedings were started by the Sales-Tax Authorities in September, 1961 for recovery of the dues. A warrant of attachment of the station earnings was also issued by the Certificates Officer, Muzaffarpur for the realisation of Rs. 59,969. The Railway Administration paid the amount under protest and in the absence of any favourable decision from the State Government on its representation, had this payment regularised on 13th April, 1964 under the sanction of the Railway Board.

3.203. The Enquiry Committee appointed by the Railway Administration which inquired into the reasons for the non-recovery of taxes from the railway employees came to the conclusion that the non-recovery of sales-tax on cereals and pulses was due to the fact that the Bihar Government's Notification of 1st April, 1949 escaped the notice of the authorities of the then Railway Food Department.

3.204. At the outset, the representative of the Railway Board sated that in this case there was no doubt that there had been lapses. The Audit para was correct and due to negligence on the part of the staff there had been a let down in the collection of sales tax from the employees. In 1944, when the Sales Tax Act was introduced in Bihar, the grain shops on the Ex-O.T. Railway were not collecting any sales-tax from anybody. In 1948, when the matter came to the notice of the Railway Board, it was immediately referred to the Law Ministry, where although the Advocate-General had earlier dealt with the question of sales-tax generally, his attention had apparently not been drawn to the specific question as to whether the Government was carrying on business when it supplied foodstuffs to the employees. The Board were advised that it would be worthwhile disputing the payment of sales-tax under this head also and contend that Railways were merely realising this cost and not carrying on any business. When the Northern Railway tried to dispute with the Bihar Government, they categorically refused and the matter came up before the Board and it was decided by the Board in December, 1948 that the sales-tax must be recovered and from the 1st January, they had started recovery. In 1946 when the matter first came up to the Deputy General Manager and the Bihar Government had issued the notification, he should have readily recovered the sales-tax and then disputed. But he did not and there was a lapse. This matter was 19-20 years old and the said Deputy General Manager went on LPR on 11th June, 1948 and even the files were not available.

3.205. There was unfortunately another lapse. When the Bihar Government again issued orders for recovery of sales-tax on cereals also, the recovery was not started immediately. In this case the Bihar Government notification was not discovered by anybody. When the Bihar Government disputed, recovery was started immediately. On this an enquiry was ordered by the Railway Administration but no responsibility could be fixed on any particular individual as neither the Bihar Government Gazette nor the circular was traceable. Ultimately, the final orders came from the Ministry of Law in 1960 that sales-tax should definitely be paid.

3.206. The Committee are perplexed to learn during evidence that "officers examined the files but found that neither the Bihar Government Gazette nor circular was traceable anywhere and they could not fix any responsibility on any particular individual" and that there were lapses at every stage of this case. They are of the opinion that the manner in which the case has been dealt with leaves much scope for improvement in the procedure laid down by the Railway Administration to tackle such issues. They, therefore desire that the official procedure should be streamlined with utmost speed so that such lapses may not recur in future.

3.207. The Committee are surprised that a warrant of attachment of the station earnings was issued by the Certificate Officer, Muzaffarpur for the realisation of Rs. 59,969. The propriety of such an action is open to question. The Committee suggest that this case may be brought to the notice of Bihar Government at the highest level and that certain healthy conventions laid down for settlement of issues between State Government and Central Government, by correspondence and/or discussions at appropriate levels.

Northern Railway—Embezzlement of cash by a pay clerk—para 46, pages 33-34.

3.208. It came to notice in January, 1962, that a Pay Clerk of Delhi Division had not written up his cash books after August, 1961. On being asked to complete the books, he absented himself from duty on the plea of sickness.

3.209. On receipt of a report in February, 1962, from the Special Police Establishment that this Pay Clerk had misappropriated substantial amounts of Government money, his cash and voucher boxes were sealed. The Pay Clerk agreed to complete his accounts but delayed it on some pretext or other, until July, 1962 when this work

was taken over by other staff of the Accounts Department, and completed by September, 1962. The accounts for the period from January, 1961 to January, 1962 revealed the following position:

	Rs.
(i) Shortage of cash	54,120
(ii) Amount due from him as detected by Accounts Office as a result of post check.	7,586
(iii) Amount of 31 vouchers missing	32,855
	<hr/> 94,561 <hr/>

3.210. It transpired that the Pay Clerk had not been returning the unpaid amounts and the vouchers regularly, and was misappropriating the funds entrusted to him for payment. He was suspended from service in July, 1962. After investigations by the Special Police Establishment prosecution has been launched against him and the case is pending in the court. (November, 1964).

3.211. The accounts of the Pay Clerks are required to be checked quarterly by the Divisional Cashier and Pay Master and at least half yearly by the Accounts Office. The former did not carry out any check on the accounts of this pay clerk, for which lapse, he has been charge sheeted for dismissal from service and is under suspension. The Divisional Accounts Officer, Delhi carried out the check in February, 1961, but could not conduct it in September, 1961, as this Pay Clerk was said to be busy in making payments on the date nominated. The irregularities committed by him therefore went undetected. Disciplinary action against those at fault in the Divisional Accounts Office for laxity in checks is also stated to be in progress (November, 1964).

3.212. The Committee desired to know when the Special Police Establishment took up the investigation and when the criminal prosecution was actually launched. The representative of the Railway Board stated in evidence that the S.P.E. took up the case on 2nd February, 1962 and that the prosecution was still continuing. During the inspection of the office of the Divisional Pay Master, Northern Railway, Delhi by the Assistant Divisional Accounts Officer in January, 1962, it came to notice that this pay clerk had not written up his cash books after August, 1961. He was, therefore, directed to complete his cash books as early as possible and was relieved of the payment work till the cash books were completed. The pay clerk absented himself from office from 25-1-1962 on the plea of sickness and then on the suggestion of S.P.E. his cash books and voucher books were sealed. The

witness admitted that it was not known from what source the S.P.E. got the information. When the accounts had not been closed for about 5 months, the Railway authorities had also suspected that there was something wrong. The specific charge, was, however, made by the S.P.E.

3.213. As regards the number of people held responsible in this connection, the witness stated that the pay clerk was immediately under the control of the Divisional Pay Master who had a number of Inspectors of Pay clerks to see their work and also to discover whether there was anything wrong with the accounting in cash. In this particular case, for various reasons there had been no Inspector of pay clerks who could do this inspection. It was the responsibility of the Divisional Pay Master to check the accounts at periodical intervals. Above him was the Divisional Accounts Officer to check the accounts of certain pay clerks in rotation at intervals so that each pay clerk of the Division came under his check at least once in six months. Above him was the Chief Cashier of Pay Masters who could make surprise checks and normally a pay clerk should come under accounts check once in three months.

3.214. In answer to a question, the witness stated that the Divisional Accounts Officer did check his accounts in February, 1961 but when the A.D.A.O. visited for the purpose of checking this clerk's accounts along with the accounts of some other clerks, this particular clerk was away, and it was stated that he was out making payments.

3.215. Asked as to whether any action was taken against any of the senior officers on whose part there was failure, the witness stated that the then A.D.A.O. Delhi was punished with stoppage of increments for one year and the question of punishing the D.A.O. who was above A.D.A.O. was under consideration. So far as the D.A.O. was concerned, the question arose whether he should be censured or not as he was in that post for hardly 3 months or so before this case started. Different views were taken at various levels and now the case was under finalisation at Board's level. The witness added that the reason for the delay in finalising the case was that the records were not readily available—those were partly with the S.P.E. There was also the Senior Accountant of Divisional Accounts Office who was charge-sheeted for stoppage of increment for 2 years with cumulative effect. He had exercised his right to ask for the records from which he could give his defence and so in the absence of records no action could be taken. The next officer in the hierarchy was the Divisional Pay Master and at the request of the S.P.E. they had to hold back

the proceedings against him as he was a material witness for the prosecution of the pay clerk himself. Regarding the Chief Cashier, the inspections which he was supposed to do were actually done but this particular pay clerk's accounts did not come within the purview of his check as he was to do a test check only. The witness *inter-alia* stated that the S.P.E. had informed them in July, 1965 that they could go ahead with the Departmental proceedings upto the point of findings

3.216 Asked as to whether it was not a sufficient ground to suspend the pay clerk when he had not written the cash book for 7 months, the witness stated that they wanted him to make up the accounts before he was punished. He was asked to complete the work as it was much easier for the pay clerk's own account to be prepared by himself as he had all the vouchers and details than to put another man to do it. The witness conceded that a check was carried out only after an interval of 12 months. These amounts were given to the pay clerk for disbursement during the period January, 1961 to January, 1962. It was rather difficult to say the period within which the pay clerk had misappropriated these amounts because he did not deposit the cash as was required of him.

3.217. The Committee are distressed to find that due to the non-observance of the prescribed procedure a Pay Clerk could misappropriate a sum of Rs. 91,561. The main points of abuses, in this case were:

- (i) There was no Inspector of Pay Clerks to inspect the work of this pay clerk while all other pay clerks were under an Inspector;
- (ii) The work of this pay clerk did not come under accounts check even during the five months "normally a pay clerk should come under accounts check once in three months;
- (iii) The pay clerk could escape the inspection of Additional Divisional Accounts Officer on a plea of making payment outside and it was not checked up at that time nor afterwards whether the plea was genuine or not; and
- (iv) Even when the lacuna came to light, the department did not freeze the books and accounts of the clerk and instead allowed him time to complete the books, when the conduct of this man was grievously wrong and there was an adverse report from SPE.

From all these, the Committee feel that the present procedure should be tightened up so that such incidents do not recur. They further feel that the time taken by the Department to finalise departmental investigation, to fix responsibility on the individual officials and to take disciplinary action against the guilty persons is unduly long. The Committee would like to be informed of the final outcome of the case.

Loss due to delay in submission and verification of the handing over Statements of Engineering subordinates—Para 47, page 34, Eastern Railway.

3.218. A Permanent Way Inspector reported sick in January, 1961 without handing over charge of materials under his custody to his successor. A special stock verification of his stock conducted during the period from 11th March, 1961 to 6th May, 1961 revealed large discrepancies viz., shortages and excesses resulting in a net shortage of Rs. 4.04 lakhs (approximately) worth of stocks. The Permanent Way Inspector was placed under suspension on 11th March, 1961 and subsequently he died on 29th July, 1962. Successive reviews of the discrepant items by the Stores Accounts Officers and by Departmental Enquiry Committee brought down the net shortage to Rs. 1.03 lakhs and Rs. 22,000 respectively. The Administration has arranged a further probe to assess the exact amount of loss (December, 1964). The final settlement of dues of the deceased Permanent Way Inspector are stated to have been withheld pending finalisation of the case.

3.219. The Committee desired to know whether the Railway Board had ascertained the reasons for the wide variations in the value of shortages at three different stages. The representative of the Railway Board stated that this was a case of a permanent way inspector who was in charge of very big remodelling work at Mughal-sarai yard and the value of the work was Rs. 1½ crores. A considerable amount of permanent way material of different types which were particularly difficult to account for easily, were spread out over the yard besides being stored in different places in the yard itself. The permanent way inspector had not been well for some time and he went on sick leave early in January, 1961. That was precisely the reason why a detailed check of the material was made. P. W. I. reported sick on and from 25-1-1961 and was due to attain superannuation on 12-3-1961. As he was suddenly taken ill he was not able to give a proper handing over report to his successor. When a detailed check of the stores which were under his charge was

conducted, it was found that there were a lot of excesses and shortages. His successor tried his best to reconcile them. In the case of material used for track purposes if the account was not made at the time of issue, it became very difficult to reconcile the accounts. Apprehending that the P.W.I. would be superannuated without proper verification of the material under his charge and without detailed handing over of the same to his successor, he was put under suspension on and from 11-3-61. When it was found that the shortages and excesses were considerable, a Departmental Enquiry Committee was also appointed on 31-3-63, and they had submitted their Report on 26-11-63. According to their estimate, the cost of materials found in excess was Rs. 2.47 lakhs and the cost of materials found short was Rs. 2.69 lakhs. This Report being of a general nature was not acceptable. Again another Departmental investigation was conducted by a Divisional Engineer and a Senior Accounts Officer from the Headquarters Office in October, 1964. According to their Report, the shortages and excesses were brought down to Rs. 1,35,168.65 and Rs. 92,030.07 respectively. The P.W.I. died on 29-7-62 while under suspension and his settlement dues which came to Rs. 16,624 were withheld. The Committee asked when these shortages and excesses were discovered first in March-May, 1961, then why the Railways took 3 years to make further probe. The witness stated that it is true that it took them 3 years for this. The Committee further asked as to why his particular P.W.I. was given charge of 150 route miles instead of usual charge of 50 route miles. The witness stated where this P.W.I. was having an additional charge in addition to his own for the maintenance of Mughalsarai yard running to about 175 route miles. I do agree that in this case it was desirable to post a P.W.I. for the "re-modelling work." He added that it was primarily due to shortage of P.W.I.s. at that time. Further this P.W.I. was maintaining indifferent health. That coupled with this was contributing substantially to these discrepancies. The witness *inter-alia* stated that as regards the figure that was mentioned in the Audit para, the whole thing was examined in greater detail by a Departmental Committee and it was found that this P.W.I. was not accountable for quite a lot of the materials—he was at fault on two occasions.

3.220. The Committee regret to find that even though more than three years have elapsed, the Railway Administration have not been able to finally determine the amount of loss involved in this case. During these years two investigations had been conducted and in both the cases the figures of verification differed widely.

The Committee are inclined to feel that much of the difficulty had arisen because the P.W.I. despite his poor health was burdened

with work which, according to evidence, should have been shared by two P.W.s. The Committee feel that the investigations should be completed quickly and adjustments made from the dues of the deceased which have been withheld. They are also of the opinion that the Administration while allotting additional work to employees should also provide them with adequate staff as otherwise difficulties are likely to arise in regard to maintenance of accounts which may result in a loss. The Administration should also consider whether in case of officials whose cases of retirement are finalised, the verification of stocks held by them could be started at least six months before the time of superannuation instead of waiting for the verification being done immediately before retirement.

NEW DELHI;

28th April, 1966.

8th Vaisakha, 1888 (Saka)

R. R. MORARKA,

Chairman,

Public Accounts Committee.

REPORT OF THE SUB-COMMITTEE

INTRODUCTION

I, the Convenor of the Sub-Committee of the Public Accounts Committee, as authorised by the Sub-Committee do present on their behalf this Report on the action taken by Government on the recommendations of the Committee contained in their 32nd Report (Third Lok Sabha) relating to Appropriation Accounts (Railways), 1962-63 and Audit Report thereon, as well as a review of the action taken by Government on recommendations made by the Committee in respect of Railway Accounts from time to time.

At their sitting held on the 13th January, 1966 the Public Accounts Committee decided to appoint a Sub-Committee to review the action taken by Government on the recommendations made by the Committee from time to time. Accordingly, a Sub-Committee consisting of the following members was formed on the 22nd January, 1966:—

- | | | |
|-------------------------------------------|---|----------------|
| 1. Shri M. P. Bhargava— <i>Convenor</i> . | } | <i>Members</i> |
| 2. Shri Prakash Vir Shastri | | |
| 3. Shri Surendra Pal Singh | | |
| 4. Shri Chandra Shekher | | |
| 5. Shri V. C. Parashar | | |
| 6. Shri B. P. Maurya | | |
| 7. Shri Cherian J. Kappen | | |

The Sub-Committee considered and finalised this Report at their sitting held on the 27th April, 1966.

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

NEW DELHI;
27th April, 1966.

7th Vaisakha, 1888 (Saka).

M. P. BHARGAVA,
Convenor,
Sub-Committee of P.A.C.

IV

OUTSTANDING RECOMMENDATIONS

Part 'A'.—Action taken on the recommendations of the PAC contained in their 32nd Report (3rd Lok Sabha).

4.1. Replies* received from the Ministry of Railways (Railway Board) and other Ministries/Departments showing action taken or proposed to be taken on the recommendations of the Committee pertaining to the Railway accounts have been appended to this Report.

4.2. The Sub-Committee propose to deal with a few selected cases in the subsequent paragraphs. In the following cases the Sub-Committee note that the replies furnished by the Ministries are of interim nature. They would, therefore, await a further report thereon:—

- (1) Serial No. 67 of Appendix XX (para 69) to 32nd Report (3rd Lok Sabha).
- (2) Serial No. 72 of Appendix XX (para 75-item 3) 32nd Report (3rd Lok Sabha).
- (3) Serial No. 72 of Appendix XX (para 75 item 4) of 32nd Report (3rd Lok Sabha).

Western Railway—Infructuous expenditure on providing a weigh bridge—para 39 of 32nd Report (3rd Lok Sabha).

4.3. In this case earth work to the extent of Rs. 40,214 was done at Dwaraka station between April and June 1957 on certain works incidental to the installation of the weigh bridge. The expenditure became infructuous as the proposal to instal the weigh bridge was given up in October, 1960. The Public Accounts Committee (1964-65) were not convinced with the explanation for the infructuous expenditure. They observed:—

“Even granting that the work was combined with other engineering works for purposes of obtaining cheaper rates, there appeared to be no urgency for carrying out the actual work before the monsoon, specially when the General Manager had pointed out that the work should not have been combined with another on an urgency certificate. The Committee feel that the circumstances in which the local officers hurried with the earthwork

*Not printed (One cyclostyled copy laid on the table and five copies placed in the Parliament Library.)

proved infructuous should be further investigated and responsibility fixed in the matter."

4.4. The Ministry of Railway (Railway Board) have furnished a memorandum explaining the considerations which weighed with the local authorities in deciding to commence the earth work for the weigh bridge in April, 1957. While admitting that there was a procedural lapse on the part of the local authorities in having undertaken the earth work without a proper sanction for the engineering portion of the work for the installation of the weigh bridge, the Railway Administration has urged that the local authorities acted with the best intentions. The Ministry of Railways have, therefore, suggested that the question of responsibility need not be pursued.

4.5. The Sub-Committee are not convinced the local authorities had acted with the best intentions in undertaking the earthwork and would, therefore, urge that the matter should be further investigated and responsibility fixed as already recommended earlier.

Northeast Frontier Railway—Loss due to damaged empty cement bags para 42 of 32nd Report (3rd Lok Sabha).

4.6. Commenting on loss of 21,014 empty cement bags the Public Accounts Committee (1964-65) had desired to be informed of the circumstances under which the bags were lost and also enquired whether any enquiry had been conducted into the loss and, if so, with what result. In a note submitted to the Committee the Ministry of Railways have stated that in practice it is not possible to recover cent per cent bags in serviceable condition after the cement is used. In this particular case the total number of bags completely lost namely 21,014 works out only to 3.4 per cent of the total number of bags of cement used in the work, which is a very small percentage." It has been added that since the bags accumulated over a long period and taking into account the fact that the percentage of wastage was low, no enquiry was held into the loss, and it was proposed to be written off by the Railway Administration.

4.7 The Sub-Committee are surprised to learn that no enquiry was held in regard to the loss of 21,01 bags. They would like that an enquiry should be held to ascertain the circumstances leading to the loss, before the amount is written off.

Arrears in the recovery of the rent for land leased for growing food crops, para 50 32nd Report (3rd Lok Sabha).

4.8. The Public Accounts Committee (1959-60) in para 52 of their 21st Report had deplored the trady manner in which the Railway Administration had been maintaining the land records and keeping

watch over realisation of rents. They had taken expressed the hope that the Railway Board would pursue the matter vigorously and arrive at a settlement at an early date. The Public Accounts Committee (1964-65) were informed that the Railway Board was considering a proposal whether fixed lump sum amount could not be recovered annually from the State Governments on the basis of past recoveries. They, therefore, desired to be informed of the outcome of this proposal. In a note the Ministry of Railways (Railway Board) have now stated that the proposal to recover lump sum amounts from the State Governments is under consideration and that Railway Administration have been asked to discuss the proposal with the State Governments. It has been added that as the problem is rather complicated and many State Governments are concerned it will take some time before a final decision can be arrived at.

4.9. The Sub-Committee desire that the final decision in the matter may be expedited and communicated to them.

Part 'B'—General Review of action taken by Government on the Conclusions/recommendations of the Public Accounts Committee contained in their Reports relating to Railway Accounts.

4.10. Beginning with the year 1952-53 till the end of 1964-65, the Public Accounts Committee have so far submitted in all 13 reports (4 during First Lok Sabha, 6 during Second Lok Sabha, and 3 during the Third Lok Sabha), relating to Appropriation Accounts and Audit Reports (Railways). The position with regard to the implementation of recommendations contained in these reports is briefly as follows:—

Period	Total No. of conclusions/recommendations	No. of conclusions/recommendations accepted and implemented by Government.	Percentage of (3) to(2)	Remarks
1	2	3	4	5
First Lok Sabha	93	73	80%	In the remaining cases position was further explained by Govt. which was accepted by the committee.
Second Lok Sabha	210	181	85%	
Third Lok Sabha	175	122	70%	

4.11. It would appear from the above Table that the bulk of the conclusions/recommendations of the Committee were either accepted or implemented by Government. In the remaining cases in view of further explanation given by the Ministry the Committee did not pursue the matter further. However, in certain cases, as detailed in the subsequent paragraphs, it will be observed that in spite of observations of the Committee and the assurances given by Ministry, similar irregularities and lapses have continued to recur.

(1) *Maintenance of Liability Registers.*

4.12. In pursuance of the recommendation of P.A.C. made on the accounts for 1927-28, the Ministry of Railways had issued instructions for the maintenance of 'liability registers' by the various disbursing Departments for knowing at any point of time, the progress of expenditure incurred and commitments made. The Public Accounts Committee (1958-59) were surprised to learn that these registers were not maintained by the accounts staff properly. Subsequently further instructions by the Railway Board were issued in October, 1958. When such mistakes were further reported, the Committee in their 21st Report (Second Lok Sabha), observed "mere issue of instructions will have no meaning unless disregard of instructions is dealt with suitably." (Para 4 of 21st Report).

4.13. The Public Accounts Committee (1962-63) in para 3 of the 1st Report further observed with regret that despite their repeated recommendations and assurances given to them by the Railway Board, the position regarding maintenance of "liability registers" still remained unsatisfactory. They expressed the hope that Ministry will take a serious note of these lapses and tighten up their accounting set up. In reply the Ministry have stated that the necessity for the importance of proper maintenance of these registers have again been reiterated in January, 1963.

4.14. The Sub-Committee enquired from the Ministry of Railways (Railway Board) (i) the reasons for the recurrence of these lapses, (ii) if any more cases of this type had come to light and (iii) the remedial measures adopted or proposed to be adopted to avoid recurrence of such cases. In reply the Ministry has stated as follows:—

"In the memorandum furnished to the Committee in reply to the recommendation contained in Para 3, of their 1st Report (3rd Lok Sabha), it was mentioned that there has been some improvement, though not uniform, in the

matter of maintaining liability registers. This improvement has been continuing. No case of ineffective budgetary control due to lack of proper maintenance of these registers has been noticed in recent years. Liability registers are required to be maintained by the Executive Officers as part of initial accounts, and these come under periodic check of the inspecting Accounts Officials."

4.15. The Sub-Committee are not satisfied with this brief reply from the Ministry of Railways as it does not fully answer their queries. It is also not clear from the reply whether "liability registers" are now being properly maintained or not. They desire that the Ministry of Railways should furnish a Railway-wise analysis of the position at present regarding maintenance of these registers.

(2) *Information in respect of Stores Purchased from abroad.*

4.16. One of the reasons for non utilisation of funds by the Railways was stated to be non-receipt of stores and the debits therefor in time from the Indian Purchase Missions abroad. The Public Accounts Committee (1958-59) were informed that the D.G., I.S.D., London was not furnishing to the Ministry of Railways information regarding the availability of stores and shipments made at periodic intervals. The Committee, therefore, suggested that the purchase organisations abroad should in this connection furnished to the indenting Ministries fortnightly reports from the end of January and weekly reports in the month of March, as it would enable them to estimate their financial commitments more precisely. Next year (1959-60) the Committee were informed that necessary instructions had been issued by the Ministry of Works & Housing to the Purchase organisations abroad.

4.17. Despite these arrangements, savings on account of material purchased from abroad continued and the Committee (1964-65) were informed that for heavy supplies of material towards the close of the year it was difficult to make any provision. It was added that it would not be known for certain whether debits relating to payments made abroad would be raised within the year or not. In para 14 of their 32nd Report (Third Lok Sabha) the Committee have, therefore, invited attention of the Ministries to their earlier recommendation i.e., furnishing of periodical information by Purchase Organisations, in this regard.

4.18. The Ministry of Railways have stated in a note that in pursuance of the recommendation of the P.A.C. a procedure had been formulated and has been working for the last four years under

which the Railways are receiving information through periodical Reports from the Purchase Organisation abroad about the placement of orders, despatch particulars and payments effected. It has been added that the possibilities of obtaining a forecast of likely payments in addition to obtaining particulars of actual payments from the purchase organisations abroad will be explored in consultation with the Department of Supply. If a refinement of procedure in this direction becomes possible it will assist still further in improving the accuracy of estimation of the Railways' requirements towards the close of the year.

4.19. In this case also it is not clear from the reply whether the procedure is being properly followed or not and what is the periodicity of the Reports sent by the Purchase Organisations abroad to the Railway Board. The Sub-Committee desire that the intervals at which the information is being supplied by the Purchase Organisations, the nature of the Reports (whether they contain up-to-date information or not) and the number of Reports received by the Ministry in the last six months of the financial year 1965-66 may be intimated to them. They would also like to know if the Ministry of Railways have formulated any plans/proposals for the improvement of the existing procedure and if so the details thereof may be furnished.

Delay in finalisation of tenders and placing of orders for purchase of material.

4.20. A case was reported to the Public Accounts Committee (1959-60), in which tenders for certain locomotive component parts and assemblies invited from abroad were opened in March, 1957. The tenders could not be finalised within the validity of the offer or the extended period upto 30th June, 1957. The final orders were placed only on the 26th October, 1957, with the result that the price accepted was 10 per cent more than the price quoted in the tender (an extra expenditure of Rupees 1.76 lakhs). The Committee, therefore, observed (paras 14—17 of 21st Report) that "before inviting tenders for stores from abroad all preliminaries like allocation of foreign exchange, assessment of indigenous capacity etc. should be settled in advance." They also expressed the hope that the Railway Board and the Ministry of Finance would examine the question of streamlining the procedure so as to obviate the kind of loss which occurred in this case. In another case (para 36 of 21st Report) of a somewhat similar type, the Committee observed as under:

"The Committee consider that there is considerable scope for improvement both in placing indents and in processing

them, if this case is typical of its kind. The D.G.S. & D. should also devise a procedure by which he could watch the processing of indents placed on him against the date of supply of the stores as specified by the indenter."

4.21. In pursuance of these recommendations the Ministry of Railways apprised the Committee (1959-60) of the following steps taken by them to prevent recurrence of the type of cases mentioned:

- (i) The last date upto which tenders are valid is shown prominently on all the files.
- (ii) When time is short, the files are taken personally to the Ministry of Finance and settled after discussion.
- (iii) When the period of validity of the tenders is considered insufficient, the Ministry of Finance is approached for foreign exchange release, as soon as the examination of tenders is completed, and the amount and likely countries of supply are known, i.e., even before a final decision on the tenders is taken, as per normal procedure.
- (iv) The limit upto which foreign exchange can be sanctioned without reference to the Ministry of Finance, has been raised from Rs. 25,000 to Rs. 50,000 in any one case.
- (v) Instructions were issued in Board's letter No. F. (EX) 57/1, dt. 23-3-1957 that the Railways must fully explore all sources of indigenous supply before sending their indents on the basis of which tenders for import are called. These have been reiterated.

4.22. The D.G.S. & D. informed the Committee of the extent procedure followed in the placing of indents and processing purchase orders. It was *inter alia* stated in the reply:

"Responsibility of the D.G.S. & D. does not end merely by placing a contract on a firm but active progressing of demands is done by a full-fledged Progress Wing, so that supplies are arranged by the specified date. To achieve this object, it maintains a close liaison with the indenter, suppliers, inspector and the purchase section concerned and ensures that there is no delay at any stage in regard to allotment of raw materials, issue of import licence, amendment to contractors' inspection and despatch of stores etc. Progress Officers maintain constant and personal contacts with the Purchase Officers at all levels and assist them in the prompt removal of bottlenecks, if any."

4.23. Another case of loss due to the inability of the Ministry of Railways to place orders for the purchase of stores before the last date of the validity of offer was reported to the Committee in 1960-61. The Committee expressed their concern over the recurrence of such cases in the Railway Administration. They then expressed the hope (para 13 of 33rd Report) that in the light of instructions issued by the Railway Board such cases will be avoided.

4.24. Subsequently the Public Accounts Committee (1962-63) came across further instances where delays in the acceptance of tenders had resulted in additional expenditure on the Central and Eastern Railways. The Committee were then informed that the cases related to the period 1957-59 and that instructions had since been issued to all the Railways impressing upon them the need for observing the date of validity of tenders. The Committee, therefore, decided to watch the effects of the measures adopted by the Railway Board in this regard. (paras 55-56 of 1st Report—Third Lok Sabha).

4.25. Despite these observations of the Committee and the assurances given by the Railway Board, the Committee have come across further cases of undue delays in scrutinising tenders and finalisation of purchase orders. Audit Report (Railways), 1963 cited a case regarding purchase of electrical signalling equipment in which the time taken in processing the contract at different stages (6 months in scrutinising tenders and deciding to place orders and further 7 months to place the formal order) was considered by the Committee not in keeping with the plea of urgency which was the main consideration for accepting higher rates. The Committee, therefore, desired the Railway Board to take steps to tighten up the procedure to avoid such delays in future, specially when dealing with urgent requirements. (Para 17 of 13th Report—Third Lok Sabha). These observations of the Committee were noted by the Railway Board.

4.26. The Public Accounts Committee (1964-65) were, however, informed by Audit vide Audit Report (Railways), 1964 that delays in the finalisation of tenders still continued to occur on the Railway Administration and in 16 such cases, which had come to notice, extra expenditure to the extent of about Rs. 90,000 had to be incurred in obtaining the material from the same or other contractors. In the course of evidence the representatives of the Railway Board assured the Committee that efforts would continue to be made to effect further improvements in the position. The Committee observed that mere issue of instructions will not serve any purpose until their compliance is insisted upon in all cases and the defaulters are suitably

dealt with. They decided to watch the implementation of the assurance given to them by the Ministry in this regard.

4.27. At the instance of the Sub-Committee the Ministry of Railways (Railway Board) have submitted a note which is at Appendix XVI. It has been stated *inter-alia* that the Railway Board had already impressed on Railway Administrations the importance of eliminating avoidable delay in finalising tenders and placing contracts. The attention of the Railway Administrations had again been drawn recently to the standing instructions. The Sub-Committee would like to watch the effects of the instructions issued by the Ministry of Railways through future Audit Reports.

Delays in executing formal agreements with private parties

4.28. A case was reported to the Public Accounts Committee (1959-60) in which an order for erection of wagons imported in knocked down condition was placed on a firm. Although the work started in April, 1956, the formal agreement with the firm was executed only on the 11th June, 1958. (para 18 of 21st Report) In another case of supply of cast Iron Sleepers while orders were placed with the firms and arrangements made for the supply of raw material to them, some of the Railways did not have the agreements executed, while some others took more than a year to do so. This placed the Administrations in an embarrassing position. The Committee observed in his connection:

“Strict instructions should be issued to the Railway Administration impressing upon them the importance of executing formal agreements with private firms before the commencement of the works and supply of material to the contractors as stipulated in the contract. Even in cases where a work is to be started on emergency basis adequate precautions should be taken to ensure that any material supplied to the contractor is properly utilised by him towards the fulfilment of the contract.”

In reply the Ministry of Railways stated that a procedure had been finalised by which simultaneously with placing of the order formal agreements with the firms are also signed (page 128 of 40th Report).

4.29. The Committee (1960-61) came across another case in which an order for construction of Broad Gauge Coaches was placed in

September, 1956 and work taken in hand in December, 1956 subject to execution of the agreement. (para 14 of 33rd Report).

4.30. The Committee of 1963-64 also examined a case of avoidable expenditure in connection with a contract for E.P. locking and rivetting of wagons during the period September, 1949 to January, 1953. The rates for the work were not fixed until the contract expired and ultimately the matter had to be referred to arbitration. The Committee, therefore, observed:

"There was no justification for not fixing the rate even during the currency of the contract i.e. for three years. They feel that this was a serious lapse on the part of the Railway Administration. They should have acted in a business-like manner in this case. They desire that it should be impressed on the Administration that, as far as possible, no work should be entrusted to a private party without settlement of the terms and execution of proper agreement in advance."

4.31. The Ministry of Railway (Railway Board) have now stated in a note that as a general rule no work or order for supply of materials entrusted to a private party without settling in advance the terms and conditions. At every opportunity efforts are made to bring the need not only for finalising the contractual terms before the commencement of the work but also for securing precision in the wording of the contractual terms. It has been added that owing to the nature and magnitude of the transactions on the Indian Railways it cannot be said that there are no stray lapses of the kind commented upon by the Sub-Committee. However, the Railway Ministry have brought to the notice of the Railway Administration the Sub-Committee's recent observations in addition to drawing attention to instructions on the subject previously issued so that such lapses are avoided or at least minimised.

4.32. The Sub-Committee may be furnished with a copy of the instructions issued by the Railway Board referred to above. They trust that besides issuing instructions, the Railway Board would also look into the cases of non-observance of the orders and take suitable action against officials at fault.

Delay in recovery of rent in respect of Railway land leased to outsiders:

4.33. In para 15—17 of their 15th Report the Public Accounts Committee (1958-59) dealt with a case of heavy arrears in recovery

of rent from lessees on three stations of the South Eastern Railway. The Committee observed with regret the laxity shown by the Railway Administration in the matter of prompt recovery of rent. In their opinion action to forfeit the security deposits should have been taken when the lessees defaulted consistently for years. They were then informed that with the enactment of the Public Premises (Eviction of Unauthorised Occupants), Act, 1958, the position would improve. Audit Report (Railways), 1962, however, disclosed that the position in respect of two of the three Stations had in fact deteriorated. The Committee, expressed their regret to observe that despite their comments in the earlier (15th) Report and the assurance given to them by the Ministry of Railways, the position regarding recovery of rent from private parties continued to be unsatisfactory. The Committee were also not satisfied with the explanation for the time taken by the Railway Administration in obtaining information regarding market value of land and desired to be informed of action taken against the officials responsible for the delay. (para 58 of 1st Report—Third Lok Sabha). It was subsequently urged that the delay had taken place in collecting the necessary information from the civil authorities and that there was no lapse on the part of any one by way of negligence or oversight. The Committee did not pursue the matter further.

4.34. At the instance of the Sub-Committee the Ministry of Railways (Railway Board) have furnished a note which is placed at Appendix XVII. It has been stated that in order to effect prompt recovery account of Railway dues on account of the rent or licence fee of land or other Railway premises leased to outside parties, instructions have been issued to the Railways to recover 12 months occupation fee as security deposit in advance. It has been added that these measures, it is hoped, will lead to improvement in future in regard to this aspect.

4.35. The Sub-Committee would like to watch through future Audit Reports the effect of the measures adopted by the Railway Board to improve the position of recovery of rent in respect of Railway land leased to outsiders.

Engineering works undertaken without proper investigations and or assessment of requirements.

4.36. A diesel locomotive shed was constructed by the Western Railway at Radhanpur during the year 1955 and equipped with storage tanks etc. for housing 40 diesel locomotives to be imported. Actually, however, only 20 locomotives were imported and the shed

remained unutilised. The Public Accounts Committee (1959-60) learnt from Audit that the Railway Board had advised the Railway in October, 1952 and December, 1954 that only 20 locomotives were being ordered in the first instance. The Committee, therefore, expressed the view that it was not only an error of judgement on the part of the Administration but a case of complete lack of foresight and planning. (para 30 of 21st Report—Second Lok Sabha).

4.37. The Public Accounts Committee (1962-63) also came across several such instances in which engineering works were started by the Railways without proper scrutiny. In pursuance of a recommendation made by the Government Inspector of Railways' Safety in 1952 that at stations with long and steep gradients falling towards them in either direction catch sidings should be provided the Southern Railway decided to construct catch sidings at 390 stations and work was commenced at several places. Subsequently, on receipt of instructions from the Board the position was reviewed and 8 out of 9 sidings already completed were put out of action. This resulted in infructuous expenditure estimated at Rs. 94,000/-. The Committee came to the conclusion that due care was not exercised in selecting the stations for construction of catch sidings.

4.38. In another case, in January, 1956, the halt at Pasivedala was converted into a crossing station at a cost of Rs. 3.97 lakhs. In November, 1959 it was decided to reconvert the crossing station into a halt as it was considered to be more economical. The Committee then observed as under:—

“The above paragraphs betray a tendency on the part of the Railway Administration to start engineering works involving heavy expenditure of capital nature without properly scrutinising the justification therefor. The Committee trust that the Railway Board will take note of this and obviate the recurrence of such infructuous expenditure.”

(Para 38, 1st Report—Third Lok Sabha).

4.39. Replying to this recommendation of the Committee the Ministry of Railways further explained the circumstances of this case and added that the necessity for a careful review of the justification for any scheme in the prevailing circumstances at the relevant time, will be reiterated to Railway Administration.

4.40. In the next year, the P.A.C. (1963-64) examined another case of infructuous expenditure of construction of additional loop at

Gandhinagar despite the fact that the abandonment of the station was being considered. They concluded that the commencement of earth work on the loop was ill-advised and not based on proper assessment of the situation. (para 24 of 13th Report-Third Lok Sabha).

4.41. In reply to this observation the Ministry of Railways further explained the circumstances in which the earth work was commenced. The Committee did not pursue the matter. (32nd Report, Third Lok Sabha).

4.42. Despite these observations of the Public Accounts Committee, however, cases of engineering works being taken up without proper scrutiny continued to recur on the Railways. The Audit Report (Railways), 1964 disclosed two such cases of infructuous expenditure in the construction of buildings by the Southern and North Eastern Railways. On the Southern Railway 20 barracks at a cost of Rs. 7.28 lakhs were constructed at 10 stations to accommodate the Railway Protection Force. As the staff did not like the accommodation only one barrack was occupied and the rest remained unutilised for a long time. They were later put to alternative uses.

4.43. In the opinion of the Committee the construction of the barracks was sanctioned without proper planning. Had the real requirements of the Protection Force been properly ascertained before starting the construction, the avoidable expenditure would not have been incurred.

4.44. In the other case of N.E. Railway some service buildings (at Mau, Chilh and Samastipur stations) constructed at a total cost of about Rs. 91.800 had been lying unused for long periods. The Committee came to the conclusion that it was another case where construction work was taken up without considering all the pros and cons. They desired that instructions may be issued to the Railway Administration that proposals for construction work involving huge amounts should be properly scrutinised by competent authority to avoid such losses. (para 53 of 32nd Report—Third Lok Sabha).

4.45. In their note (Appendix XVIII) the Ministry of Railways (Railway Board) have stated that there have been a few cases of the kind commented upon by the Committee and that two such cases have been included in Audit Report Railways 1966. However, the Ministry of Railways have drawn the attention of the Rail-

way Administrations once again to the Sub-Committee's observations and reiterated the need to exercise utmost care when considering justification for any work so that the repetition of such lapses is obviated. The Sub-Committee are constrained to note that such lapses have again occurred on the Railway Administration. These cases may be examined in detail at the time of consideration of the Audit Report 1966 by the next Committee.

Non-recovery of interest and Maintenance charges

4.46. In 1956 the Committee came across a case where complete records were not maintained to show the number of sidings, cost of construction, the interest and maintenance charges recoverable from the parties etc. on the ex-Saurashtra Railway. The Committee were assured that the matter was under the active consideration of the Railway Administration. The situation far from showing any improvement, deteriorated further in the following year. The Committee expressed their dismay at further deterioration in the position and observed: "The Committee thought that as a result of the assurance given to them on an earlier occasion, the Railway Board would take energetic steps to reduce the arrears. But on the contrary figures have mounted up". In another case, the Committee were not satisfied with the explanation given for the delay in communicating the revised rate of siding charges and considered the time lag to be excessive. They further observed that with the integration of all the Railways into a single system nearly a decade back, the disparities in the levy of siding charges was an anachronism causing complications and endless disputes depriving the Railways of their legitimate dues. They, therefore, urged that the matter should not be delayed and the work of standardisation be completed by 1st April, 1959, as indicated to them by the Railway Board.

Again in 1960 a similar case came to the notice of the Committee. Certain additions and alterations were made to a colliery siding in 1946 but complete bills for interest and maintenance charges were preferred in January 1958.

4.47. At the instance of the Sub-Committee the Ministry of Railways (Railway Board) have submitted a note in which it has been stated *inter-alia* that the following measures have been taken to avoid recurrence of such cases:

- “(i) Suitable instructions have been issued to the Railways stressing the need for prompt preparation of Completion Reports. It is also proposed to issue instructions to the

effect that where the completion cost is not expected to be available within a reasonable period, provisional figures could be adopted for billing on the basis of the latest estimate of cost available at the time of opening a siding to traffic. This course can, however, be adopted only where it is permissible in terms of the Agreements in force or the parties concerned otherwise agree.

- (ii) The Railway Board have prescribed a uniform procedure for fixation of siding charges and stipulated a review at intervals of three years with reference to the costs incurred by the Railway.
- (iii) The Board are also circulating to the Railways the Sub-Committee's observations, with a directive to eliminate such delays."

4.48. The Sub-Committee would watch the results of the measures adopted/proposed to be adopted by the Railway Board through future Audit Reports.

NEW DELHI;

27th April, 1966

7th Vaisakha, 1888 (S)

M. P. BHARGAVA,

Convener,

Sub-Committee of P.A.C.

APPENDIX I

[Vide Para 1.17 of this Report]

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS

(Railway Board)

Note for the Public Accounts Committee arising out of para 6 of the Audit Report giving particulars of all the Railways owned by companies or District Boards and at present worked by the Indian Govt. Railways.

Four Railways owned by Companies or District Boards are at present worked by the Indian Government Railways as part of the Zonal Railway Administrations:

- (a) Central Provinces Railways,
- (b) Chaparmukh-Silghat Railway,
- (c) Katakhal-Lalabazar Railway, and
- (d) *Tenali-Repalle Railway*:— (To be purchased *w.e.f.* 1.4.66).

Brief particulars of the terms of working, the guarantees given by the Government, date of next option etc., are given in *Statement 'A'*.

The Nanjangud-Chamrajanagar Railway owned by the Zila Parishads of Mysore and Mandya was purchased with effect from 1-4-1964. The Cochin Harbour Railway which is owned by the Central Government in the Ministry of Transport is worked by the Southern Railway.

2. The policy of the Government in regard to purchase of privately-owned Railways is to consider each case on its individual merits when the option to purchase falls due.

3. Since the Railways are already worked by the Government to the same standards as those applied to Government-owned Railways, their purchase can make no difference to the quality of service rendered to the public or to the conditions of service of the staff. The question of purchase of these lines turns almost entirely on the financial implications of the purchase projected over the period upto the date

of the next option, namely, the interest payable by Government on the capital which would have to be invested in the purchase and the loss of income tax levied on the company and on the dividend it pays to its shareholders on the one hand and the share of gross earnings payable to the company under the agreement for working the line, less any share of surplus profits on the other. Efforts are also made, where circumstances render this advisable, to negotiate the purchase price to a lower figure considered appropriate.

4. In accordance with the above policy, the purchase of the worked lines was considered in each case when the last option fell due. The decisions arrived at, and the reasons therefor, are briefly indicated below:—

(a) *C. P. Railways*:—(Last option 31-3-1957).

At the time of the last option, the purchase of the line at the price under the agreement was not found financially justified as the return on purchase price (Rs. 115 lakhs) was estimated at only 3.75%—which is well below the prescribed percentage for remunerativeness. The next option fall due on 31-3-1967 and the Matter is at present under consideration of the Railway Board.

(b) *Chaparmukh-Silghat Railway*:—(Last option—31-3-1958).

When the question was considered in 1958 at the time of the last option, the purchase was not considered financially justified as the return on the purchase price (Rs. 40 lakhs), fell short of the accepted standard of remunerativeness. The question will again come up for consideration in 1967.

(c) *Katakhal Lalabazar Railway*:—(Last option—31-3-1964).

In 1964, at the time of the last option, the purchase of the Railway at the price payable under the agreement, was not found financially justified—as the return on the purchase price (Rs. 18.19 lakhs) was estimated at 2.76%—which is well below the rate of interest on Government borrowings. An indication was however given to the Company that Government would be willing to consider the purchase of the Railway outside the terms of the agreement, should the management wish to sell it at a negotiated price. A broad indication was also given to the representatives of the Company that the Government would be willing to consider the purchase of the line at a price based on the market value of the shares, physical condition of the assets and the amount required to discharge debentures and loans previously

raised by the Company. The Company, however, did not evince sufficient interest to sell the Railway outside the agreement.

(d) *Tenali-Repalle Railway*:— (To be purchased *w.e.f.* 1-4-66).

This line was worked broadly on the basis of the Southern Railway retaining a proportion of gross earnings of the line based on the operating ratio of the Southern Railway. The option to purchase this Railway falls due on 31-3-1966 and a notice to purchase the line has already been served on the District Board. The main considerations that weighed in the decision were that, with the growing traffic on this line, the share of earnings payable to the District Board less the moiety of surplus profit received by the Southern Railway would suffice to cover the interest payable on the purchase price. The purchase would also reduce accounting and administrative work on the Southern Railway and to that extent reduce expenditure.

The Nanjangud-Chamrajanagar Railways— (purchased *w.e.f.* 1.4.1964).

This line was worked on the basis of the Southern Railway retaining 70% of the gross earnings of the line and paying the balance 30% to the Zilla Parishads. The agreements relating to this Railway contained no provision for the purchase of the line by the Central Government, except under special circumstances; (a) when the Government wants to alter the gauge of the line and the District Board is unwilling to alter it; (b) when it is desired to convert the line to a line of through communication; and (c) when the Government desire to extend the line (without altering the gauge or making the line part of a through route and the Board be unable or unwilling to supply the capital for such extension). The State Government of Mysore, on behalf of the Zilla Parishads, however, requested the Ministry of Railways to purchase the line outside the agreement, at a negotiated price. The Railway was purchased in April, 1964 at a negotiated price of Rs. 4.88 lakhs (based on the depreciated value of the assets) against the book value of Rs. 12.22 lakhs.

5. The financial results of the worked lines, showing the gross earnings, working expenses retained under the Agreements, subsidy paid/share of profits received etc. are given in *Statement 'B'*.

It will be seen from *Statement 'A'* that working expenses are recovered on the basis specified in individual agreements. Actual working expenses (except in the case of Cochin Harbour Railway).

are therefore not required to be segregated. Actual working expenses also have little or no bearing on the economics of the purchase of these worked lines. Besides the Cochin Harbour Railway, actual working expenses are available only for the Central Provinces Railway and are indicated in Col. 6. Column 11 of this statement shows the net "outgo" to the owning bodies under the existing arrangements. Col. 12 shows the net divisible profits accruing to the owning bodies, and Col. 13 shows the percentage return to the Companies on the capital employed. If the lines are purchased, the 'net advantage' accruing to the Government would be the sum that now accrues to the owners i.e. the amounts shown in Column 11. As against this net advantage, the Government would incur additional liability by way of interest on the investment in the purchase. If the purchase is at the price stipulated in the agreement, the interest liability would be as indicated in Column 14. A comparison of Columns 11 and 14 shows that the purchase of the Railways at the prices worked out in terms of the agreement would be financially disadvantageous to the Government on the basis of the figures for the years 1961-62 to 1963-64.

STATEMENT 'A'

Statement showing terms and conditions of working Railways owned by the Companies/District Board.

Name of Railway (owned by)	Worked by	Terms of working	Terms of guarantee	Next date of option	Purchase price payable under the Agreement
1. Ellichpur-Yeotmal & Pulgaon Arvi Sections. (C.P. Rlys. Co. Ltd.-Managing Agents M/s. Killick Industries Ltd.)	Central Rly.	Central Railway retains 45% of gross earnings as remuneration for working & maintaining the line.	The Govt. has guaranteed a minimum return of 5% on the paid up capital of the Co. by way of rebate, limited to the net earnings derived by Central Rly. from the traffic interchanged with the C.P. Rlys. The net earnings in excess of 5% of paid up capital are divided equally between the Govt. and the Co.	31-3-1967	25 times the amount of the average yearly net earnings during the preceding three years subject to the maximum of 120% and minimum of 100% of the total capital expenditure.
2. Katakhal-Lalabazar Rly. (Katakhal-Lalabazar Rly. Co.) Managing Agents : M/s. Moleod & Co. Ltd.)	N.F. Rly.	N.F. Rly. retains 50% of gross earnings of these Railways, as remuneration for their working and maintenance.	The Govt. has guaranteed interest at 3½% on the paid up capital of the Co. The net receipts in excess of 5% of paid up share capital is divided equally between the Govt. and the Co.	31-3-1974	Do.
3. Chaparmukh—Silghat Rly. (Chaparnukh—Silghat Rly. Co. Ltd.—Managing Agents : Martin Burn)				31-3-1968	Do.
4. Cochin Harbour Rly. (Cochin Harbour Authority—Ministry of Transport.)	Southern Railway.	Southern Railway recover actual expenses incurred.	Nil.	The Rly. is owned by the Central Govt. (Ministry of Transport) and the working agreement does not provide for any option to the Railway Ministry for purchasing this line.	Does not arise.

STATEMENT 'B'

(Figures in lakhs of rupees)

Railway	Year	Capital-at-charge	App. Purchase Price	Gross earnings	Actual working expenses.	Share of gross earnings retained under Agreement.	Amount paid to the owners of the line (Col. 5—Col. 7)	Subsidy paid (—) / share of excess profits (+) recd. by the Govt.	Income tax paid by the Co.	Net outgo to the owning bodies. (Col. 8-(9+10)	Divisible profits left with the owners after meeting with management and other expenses.	Return on the capital invested by the owners Col. 12 × 100 Col. 3	Interest (at the average borrowing rate i.e. 3.90% on purchase price (col. 4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Central Provinces Rly. N.G. (C. Rly.)	1961-62	95.65	115.14 (120% of the capital at charge)	17.20	13.97	7.74	9.46	(-) 2.24	3.46	3.76	2.75	2.87%	4.49
	1962-63			16.69	17.71	7.51	9.18	(+) 2.09	3.52	3.57	3.51	3.67%	
	1963-64			18.83	19.53	8.47	10.35	(+) 2.68	4.67	3.00	2.14	2.23%	
Average										3.44			

Chaparmukh-Silghat Rly. M.G. (N.F. Rly.)	1961-62	35.46	42.55 (120% of the capital at charge)	4.03	Not available.	2.02	2.02 (+)0.09	0.81	1.12	0.88	2.48%	1.66
	1962-63			3.81		1.90	1.90 (+)0.02	0.82	1.06	0.77	2.17%	
	1963-64			3.48		1.74	1.74 (—)0.10	0.84	1.00	0.79	2.22%	
								Average		1.06		
Katakhal-Lalabazar Railway MG (NF. Rly)	1961-62	15.16	18.19 (120% of the capital at charge)	1.47	Do.	0.74	0.74 (—) 0.08	0.17	0.64	0.17	1.12%	0.71
	1962-63			1.68		0.84	0.84 (—) 0.08	0.22	0.70	0.22	1.45%	
	1963-64			1.61		0.80	0.80 (—) 0.09	0.22	0.67	0.19	1.25%	
								Average		0.67		
Cochin Harbour Railway BG (S. Rly)	1961-62	101.12	Does not arise	17.25	16.77	16.77	0.48	} Already Government owned (Ministry of Transport).				
	1962-63	101.15		20.30	19.42	19.42	0.88					
	1963-64	101.72		17.88	17.07	17.07	0.81					

Statements showing details of Working Arrangements for Non-Government Railways and details of their working results for 1963-64

Sl. No.	Name of Railway	Gauge whether B.G., M.G. or N.G.	Length (Kilo-metres)	Capital-at-charge	Owned by	Worked by
1	2	3	4	5	6	7
<i>Worked Railways</i>						
1	Central Provinces Rly., (Ellichpur-Yeotmal & Pulgaon-Arvi Section.)	N.G.	224.23	95,65,000	C.P. Rly. Co. Ltd. (Mg. Agts.: M s. Killick Industries)	Central Rly. (Govt. of India.)
2	Katakhal-Lala bazar Railway.	M.G.	37.80	15,16,000	Katakhal-Lalabazar Rly. Co. Ltd. (Mg. Agts.: M s. McLeod & Co. Ltd.)	N.F. Railway (Govt. of India.)
3	Chaparmukh Silghat Railway	M.G.	81.77	35,46,000	Chaparmukh Silghat Rly. Co. Ltd. (Mg. Agts.: Martin Burn)	Do.
4	Tenali Repalle Rly.	B.G.	34.46	17,60,000	Distt. Board of Gantur.	Southern Rly. (Govt. of India)
5	Nanjangud-Chamraj Nagar Railway.	M.G.	35.87	12,33,000	Distt. Boards of Mysore & Mandia.	Southern Rly. (Govt. of India)

Statement showing details of Working Arrangements for Non-Government Railways and details of their working results for 1963-64—contd.

Sl. No.	Name of Railway	Date of next option for purchase	Terms of guarantee	Terms of working
1	2	8	9	10
<i>Worked Railways—contd.</i>				
1	Central Provinces Rly. (Ellichpur-Yeotmal Pulgaon-Arvi Section.	31-3-1967	The Government has guaranteed a minimum return of 5% on the paid up capital of the Co., by way of rebate, limited to the net earnings derived by C. Rly. from the traffic interchanged with the C.P. Rlys. The net earnings in excess of 5% of paid up capital are divided equally between the Govt. & the Co.	C. Rly. retains 45% of gross earnings as remuneration for working & maintaining the line.
2	Katakhal-Lalabazar Railway.	31-3-1974	The Govt. has guaranteed interest at 3½% on the paid up capital of the Co. The net receipts in excess of 5% paid up share capital is divided equally between the Govt. and the Co.	N.F. Rly. retains 50% of gross earnings of these Rlys., remuneration for their working & maintenance.
3	Chaparmukh Silghat Rly.	31-3-1968		
4	Tenali Repalle Railway.	31-3-1966	The Govt. has guaranteed return of 3½% on the capital outlay, limited to the net earnings derived by S. Rly. from the traffic interchanged with the Branch	The working expenses are calculated on the basis of operating ratio of S. Rly.
5	Nanjangud Chamrajnagar Railway.	Since purchased.	No guarantee was given.	Worked by S. Rly. on recovery of 70% of gross earnings.

Statement showing details of Working Arrangements for Non-Government Railways and details of their working results for 1963-64—contd.

1	2	3	4	5	6	7
<i>Subsidised Railways</i>						
6	Ahmedpur-Katwa Railway	N.G.	51·92	22,32,000	Ahmedpur-Katwa Rly. Co. Ltd. (Mg. Agts. McLeod & Co. Ltd.)	Managing Agents.
7	Burdwan-Katwa Railway	N.G.	52·25	23,84,000	Burdwan Katwa Rly. Co. Ltd. (Mg. Agts. McLeod & Co. Ltd.)	Do.
8	Bankura Damodar River Railway.	N.G.	96·48	49,10,000	B.D.R. Rly. Co. Ltd. (Mg. Agts. McLeod & Co.)	Do.
9	Futwah Islampur Railway	N.G.	43·45	20,35,000	Futwah Islampur Rly. Co. Ltd. (Mg. Agts. M/s. Martin Burn Ltd.)	Do.

Statement showing details of Working Arrangements for Non-Government Railways and details of their working results for 1963-64—contd.

1	2	8	9	10
<i>Subsidised Railways—contd.</i>				
6	Ahmedpur-Katwa Railway	31-3-1968	} The Govt. has guaranteed to each of these Co. a minimum return of 3½% on the paid-up share capital. The net receipts in excess of 5% of paid-up share capital are divided equally between the Govt. & the Co.	
7	Burdwan-Katwa Railway	31-3-1966		
8	Bankura Damodar River Railway	31-3-1967		
9	Futwah Islampur Railway	31-3-1968		

Statement showing details of Working Arrangements for Non-Government Railways and details of their working results for 1963-64—contd.

PAYMENT TO COMPANIES FOR 1963-64

Name of Railway	Net Earnings	Rebate Subsidy	Share of surplus profits	Total
I	2	3	4	5
<i>Worked Railways</i>				
Central Provinces Rly. (Ellichpur-Yeotmal & Pulgaon-Arvi Section)	10,35,474		2,68,253	13,03,727
Katakhal-Lalabazar Railway	80,311	7,849		88,160
Chaparmukh	1,57,993		1,561	1,59,554
Tenali Repalle Railway	65,080			65,080
Nanjangud Chamrajnagar	77,354			77,354

Statement showing details of Working Arrangements for Non-Government Railways and details of their working results for 1963-64—contd.

PAYMENT TO COMPANIES FOR 1963-64

1	2	3	4	5
<i>Subsidised Railways</i>				
Ahmedpur-Katwa Railway	4,09,000	..	4,09,000
Burdwan-Katwa Railway	5,00,000	..	5,00,000
Bankura Damodar River Railway	7,00,000	..	7,00,000
Futwah Islampur Railway	64,000	..	64,000
TOTAL	14,16,212	16,80,849	2,69,814	33,66,875

Note 1 : Nanjangud Chamraj Nagar Railway was purchased by the Government of India from Mysore for a negotiated price of Rs. 4·88 lakhs (against the capital on the books of Rs. 12·33 lakhs).

Note 2 : In the case of the Shahdara Saharanpur Light Railway while no guarantee has been given by the Government of India, the Government is entitled to a moiety of profits in excess of 4% on the paid up capital.

Note 3 : There is also one Port Railway—the Cochin Harbour Railway which is owned by the Government in the Ministry of Transport, but worked by the Southern Railway on recovery of actual expenses incurred under an agreement. The Ministry of Railways do not have any financial interest in this Railway.

Note 4 : The Government of India has no financial interest in the following Railways :—

- (i) Howrah-Amta Railway
- (ii) Howrah-Sheakhala Railway
- (iii) Arrah Sasaram Railway
- (iv) Dehri Rohtas Railway.

Note regarding decision on the purchase of Katakhal-Lalabazar Railway

The last option to purchase the Katakhal-Lalabazar Railway fell due on 31.3.1964 and purchase of the line was not considered as financially justified.

This 38-KM long metre-gauge line was built at a cost of about Rs. 15 lakhs in 1923. The line is worked by the Northeast Frontier Railway against a recovery of 50% of the line's gross earnings as remuneration for working and maintenance. The Government has guaranteed interest @ 3½% on the paid up capital of the Company; the net receipts in excess of 5% of the Capital are shared equally between the two parties.

In terms of the agreement, the amount payable in the event of the purchase of the line was Rs. 18.19 lakhs, i.e. 120% of the capital outlay of Rs. 15.16 lakhs. The decision not to purchase the line was taken on the following evaluation:—

	Rs.	Rs.
(i) Average yearly net earnings (i.e. 50% of the Gross earnings that are handed over to the Co. after retaining working expenses) which would be retained by Government in the even of purchase.	92,748	
(ii) (a) Deduct loss due to cancellation of investment in shares of the Co. (the Govt. hold shares worth Rs. 1,20,000 purchased at a price of Rs. 78,000. The Govt. earned dividend of Rs. 3,720 on the shares & lost Rs. 2,847—the interest Rs. 78,000 would have earned at average borrowing rate).	873	
(b) Deduct moiety of profit received by Government (average of 3 years 58-59 to 60-61).	16,541	
(c) Deduct loss of taxation received by Government.	25,000	
(iii) Net income after purchase		42,414
Return on total purchase price of Rs. 18.19 lakhs.		50,324

APPENDIX II

[Vide para 126 of this Report]

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(Railway Board)

Points arising out of the evidence tendered before the Public Accounts Committee.

Para 6—Worked Lines—

Point:

A statement of all those Railways which were worked by the Government though belonging to the private companies may be furnished showing when they were running at a loss/profit and also a list of companies in respect of which no separate accounts are kept. The information may be given from 1947 onwards.

Reply:

There were in all eleven (under noted) Railway lines in existence on 1-1-1947, which were worked by the Government Railways, on behalf of the owning bodies under agreements with the erstwhile Secretary of State for India. Of these, the first nine Railways were owned by private Companies/District Boards; the remaining two Railways were Government-owned—the Alnavar-Dandeli Railway was owned by the Government of Mysore, and the Cochin Harbour Railway is owned by the Government of India in the Ministry of Transport.

1. Pachora Jamner Rly. (1-4-49)
2. Parlakimedi Lt. Rly. (1-2-50)
3. Mayurbhanj Lt. Rly. (1-4-50)
4. Tinnevelley-Tiruchaander Rly. (24-2-53)
5. Nanjangud-Chamrajnagar Rly. (1-4-64)
6. Tenali-Repalle Rly.
(To be taken over from 1-4-66)
7. Central Provinces Rly.
8. Katakhal Lalabazar Rly.
9. Chaparmukh-Silghat Rly.
10. Alnavar Dandeli Rly. (1-10-62)
11. Cochin-Harbour Rly.

The Central Government have since purchased six of these Railways (S. Nos. 1 to 5 and 10—date of purchase mentioned against each) and the Tenalli-Repalle Railway is being purchased w.e.f. 1st April 1966. The ownership of three Railways (S. No 7 to 9) is in private hands.

Brief particulars of the Railways, the terms of working them, the guarantees given by the Government, the purchase price payable under the agreement, the date of purchase/date of next option (in the case of Railways still in private hands) are given in Annexure 'A'.

2. All the aforesaid lines (except the Parlakimedi Light Railway) were worked by the contiguous Government Railway. Administrations for a remuneration based on a fixed percentage of the Gross Earnings of the line or some other prescribed basis (vide details indicated in col. 3 of Annexure 'A'); the Parlakimedi Light Railway was the only Railway worked on the basis of actual working expenses. Only in this case, therefore, was it obligatory to maintain separate account of actual working expenses. Such accounts, though not obligatory were, however, maintained in the case of the Pachora-Jamner and Central Provinces Railways as well. A statement showing the earnings, actual working expenses, Profit/Loss made on working the section, and working expenses, recovered under the agreement is placed at Annexure 'B'. In the case of other Railways listed in Annexure 'C', separate accounts for actual working expenses were not obligatory and were not maintained.

ANNEXURE 'A'

Statement showing the particulars of Railways owned by private bodies but worked by the Government.

S. No.	Name of Railway.	Worked by.	Terms of working.	Terms of Guarantee	Terms regarding purchase price.	Date of purchase.	Date of next option (In the case of Rlys. which are still with respective owners).
1	2	3	4	5	6	7	8
1.	Pachora Jamner Rly. (N.G.) (owned by Pachora Jamner Rly. Co. Ltd.)	G.I.P. Rly.	The line was worked and managed by G.I.P. Rly. for 45% of the Gross Earnings of the line.	The Government had guaranteed by way of rebate, a minimum return of 5% on the paid up capital of the Company limited to the net earnings derived by G.I.P. Rly. from traffic interchanged with P.J. Railway. The net receipts in excess of 5% of the paid up capital of the company were divisible equally between the Company and the Government.	25 times the amount of the average yearly net earnings during the preceding 3 years subject to the maximum of 120% and minimum of 100% of the total capital expenditure.	1-4-49	
2.	Mayurbhanj Light Rly. (NG) (owned by Mayurbhanj Rly. Co. Ltd.)	B.N. Railway	Do.]	The Government guaranteed by way of rebate a minimum return of 5% on	Do.	1-4-50	

1	2	3	4	5	6	7	8
				<p>the paid up capital of the Co., limited to the net earnings derived by B.N. Railway from the traffic interchanged with the Company Railway. The net receipts in excess of 5% on the paid up capital of the Co. were divisible equally between the Company and the Government.</p>			
<p>3. Parlakimedi Light Rly. (NG) (owned by Maharaja of Parlakimedi).</p>	<p>B.N. Railway.</p>	<p>The line was worked for actual expenses. The Maharaja received or paid to the B.N. Rly. any difference between the gross Earnings and actual expenses on working and maintaining the line.</p>	<p>None</p>	<p>No provision in the agreement regarding purchase of line.</p>	<p>1-2-50</p>		
<p>4. Tinnevelley Tiruchendur Rly. (owned by Distt. Board of Tinnevelley) (M.G.)</p>	<p>Southern Railway</p>	<p>Working expenses recovered by Southern Railway on the basis of operating ratio of Southern Railway plus 5% of Gross earnings of the line for hiring of rolling stock.</p>	<p>None</p>	<p>25 times the amount of the average yearly net earnings during the preceding 3 years subject to the maximum of 120% and minimum of 100% of the total capital expenditure.</p>	<p>24-2-53</p>		

5. Nanjangud-Chamrajanga Railway (M.G.) (owned by Distt. Board of Mysore & Mandya).	Southern Railway	The line was worked by Southern Railway for 70% of the Gross Earnings.	None	The agreement did not provide for purchase of the Railway by the Government except under special circumstances (Such as when the gauge of the line was to be altered or the Railway was to be converted into a line of through communication). In that event the price payable was 25 times the average net earnings during the three years preceding the purchase or 115% of the capital outlay whichever was greater.	1-4-64
6. Tenali-Repalle Rly. (B.G.) (owned by Zilla Parishad of Guntur).	Southern Railway	Working expenses of the line are re-oversed on the basis of the operating ratio of Southern Railway.	The Government has guaranteed a minimum return of 3½% on the capital outlay limited to the net earnings derived by Southern Railway from the traffic inter-changed with the T.R. Rly., any surplus in excess of 3½% is divided equally between the Zilla Parishad and the Southern Rly.	25 times the amount of the average yearly net earnings during the preceding 3 years subject to the maximum of 120% and minimum of 100% of the total capital expenditure.	1-4-66

1	2	3	4	5	6	7	8
7.	Central Provinces Rly. (Ellichpur Ycotmal & Pulgaon Arvi Sections) (owned by C.P. Rly. Co. Ltd.).	Central Railway	Central Railway retains 45% of gross earnings as remuneration for working & maintaining the line.	The Government has guaranteed a minimum return of 5% on the paid up capital of the Company by way of rebate limited to the net earnings derived by Central Railway from the traffic inter-changed with the C.P. Rlys., the amount in excess of 5% is divided equally between the Co. and the Central Railway.	25 times the amount of the average yearly net earnings during the preceding 3 years subject to the maximum of 120% and minimum of 100% of the total capital expenditure.		31-3-67
8.	Katakhal-Lalabazar Rly. (K. I. Rly. Co. Ltd.) (M.G.)	N. F. Railway	N. F. Railway retains 50% of the gross earnings of the line as remuneration for working and maintaining the line.	The Government has guaranteed interest at 3% on the paid up capital of the Company. The net receipts in excess of 5% of the paid up capital are divided equally between the Government and the Company.	Do.		31-3-74
9.	Chaparmukh-Silghat Rly. (NG) (owned by Chaparmukh-Silghat Rly. Co. Ltd.).	N. F. Railway	N.F. Railway retains 50% of the Gross Earnings of the Railway as remuneration for its working and maintenance.	The Government has guaranteed interest at 3% on the paid up capital of the Company. The net receipts in excess of 5% of the	Do.		31-3-65

paid up capital are
divided equally between the Government and the Company.

10. Alnager-Dandeli Rly. (MG) (owned by Government of Mysore).	Southern Railway	Broadly the Railway was worked on recovery of :	None	No specific price or basis was stipulated except that it would be determined by mutual agreement or, if necessary, by the Railway Board.	1-10-62
		(i) Actual cost under Abstract A (Civil Engg. portion)			
		(ii) Expenditure under other Abstracts, at an agreed rate per train KM for kilometrage run over A.D. Railways & at an agreed rate per KM, for light engine kilometrage run between Bubi & Alnager for the purpose of A.D. Railway (no charge being made for misc. kilometrage run for assisting and shunting services).			
		(iii) A hire charge of 6% on capital cost of rolling stock belonging to Southern Railway available for traffic purposes each day on the branch line; and			

1	2	3	4	5	6	7
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(iv) Certain other sums.

11 Cochin Harbour Railway (BG) (owned by the Ministry of Transport).	Southern Railway.	This line is worked by Southern Railway on recovery of:	If in any year the working expenses enumerated in Col. (4) exceed the gross earnings, the difference is made good by the Port authorities; if on the other hand, a surplus is left after paying the working expenses as per col. (4), one fifth of the excess is shared by Southern Railway.	Does not arise		Does not arise.
		(a) Actual cost of maintenance plus a proportionate share of the expenditure of the undertaking under all other Revenue heads excepting "superior supervision".				
		(b) 5% of the Gross Earnings of the Railway (or Rs. 3800 per annum if that is greater) for "superior supervision."				
		(c) 8% of the Gross Earnings (or Rs. 6200 per annum if that is greater) for hiring of Rolling Stock.				
		(d) All expenditure on account of renewal and replacements.				

ANNEXURE 'B'

Statement showing the financial results of the worked lines in respect of which separate account of actual working expenses were/are maintained.

Year	Pachora Jamner Railway				Central Provinces Railway				Parlakimedi Lt. Railway			
	Gross Earnings	Actual working expenses	Profit/Loss in working expenses	Working expenses recovered under the agreement	Gross Earnings	Actual working expenses	Profit/Loss in working expenses	Working expenses recovered under the agreement	Gross Earnings	Actual working expenses	Profit/Loss in working expenses	Working expenses recovered under the agreement
	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
1947-48	3,18,032	1,57,983	+1,60,049	1,43,114	14,57,487	9,12,531	-5,44,956	6,55,869	3,55,532	3,13,176	52,356	
1948-49	3,70,731	1,66,829	-2039.02	1,66,829	16,51,810	Not available.		7,43,315	3,27,024	3,87,353	-60,329*	Same as Column (2)
1949-50	Purchased on 1-4-1949				17,43,088		Do.	7,84,390	2,46,957	3,98,141	-1,51,184*	
1950-51					15,30,497		Do.	6,88,724	Purchased on 1-2-1950			
1951-52					18,30,641	14,65,064	+3,65,577	8,23,788	*The loss was borne by the Maharaja of Parlakimedi.			
1952-53					16,37,719	15,34,104	-1,03,615	7,36,974				
1953-54					18,89,564	19,08,482	-1,8918	8,50,304				
1954-55					12,34,816	17,76,386	-5,41,570	5,55,667				
1955-56					13,88,678	17,64,454	-3,75,776	6,24,905				
1956-57					14,48,900	13,20,867	+1,28,033	6,52,005				

	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
1957-58 .					16,26,894	10,50,965	+ 5,75,929	7,32,102				
1958-59 .					16,63,248	13,95,802	+ 2,76,846	7,48,462				
1959-60 .					14,87,449	14,07,907	+ 79,542	6,69,352				
1960-61 .					16,52,609	12,44,445	+ 4,08,164	7,43,674				
1961-62 .					17,20,161	13,95,210	+ 3,24,951	7,74,052				
1962-63 .					16,69,390	17,53,931	- 1,01,414	7,51,225				
1963-64 .					18,82,680	19,53,474	- 70,794	8,47,207				
1964-65 .					21,51,367	23,23,095	- 1,71,728	9,68,115				

ANNEXURE 'C'

**Statement showing worked lines in respect of which separate
Accounts of actual working expenses are not maintained**

List of Railways

1. Mayurbhanj Lt. Railway.
 2. Tinnevely-Tiruchendur Railway.
 3. Nanjangud-Chamrajanagar Railway.
 4. Tenali-Repalle Railway.
 5. Katakhal-Lalabazar Railway.
 6. Chaparmukh-Silghat Railway.
 7. Alnavar-Dandeli Railway.
 8. Cochin Harbour Railway.
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APPENDIX III

[Vide Para 1.28 of this Report]

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(Railway Board)

*Points arising out of the evidence tendered before the Public
Accounts Committee*

Para 6--worked lines

Point:

A statement may be furnished indicating the Railways already taken over from the private companies, the year in which and the basis on which they were taken over and whether the same standard of remunerativeness was applied or not. On what basis the Tenali-Repalle line is being taken over and how it compares with the standard of remunerativeness may also be given.

Reply:

Six out of the eleven worked Railways in existence on 1-1-47 have since been purchased by the Government and another—the Tenali-Repalle Railway is to be purchased *w.e.f.* 1-4-66. A statement giving brief particulars of the Railways purchased after 1-1-47, and the considerations that weighed in the decision are given in Annexure I. It will be seen that all the worked Railways, except the Parlakimedi Light Railway which was purchased on operational considerations were found to be financially justified with reference to the prescribed standard of remunerativeness. It may be mentioned, however, that prior to 1-4-50 the financial justification was examined with reference to the average borrowing rate of the Government. From 1-4-50 onwards in pursuance of the recommendations of the Railway Convention Committee, 1949, the level of remunerativeness of project was fixed at 4.25%; this was raised to 5% from 1-4-55 on the recommendation of the Railway Convention Committee 1954. With the dividend rate having gone up to 5.75% *w.e.f.* 1-4-64, the financial justification of the purchase of these Railways is assessed on the basis of this figure as the minimum return on capital investment.

As will be seen from Col. 6 of Annexure 'I', it has been decided to purchase the Tenali-Repalle Railway on the consideration that with the steady growth of passenger traffic—the main source of earning of the Railway—@2% per annum—the share of earnings payable to the District Board, less the moiety of profits shared by the Southern Railway, would suffice to cover the rate of dividend. On the financial results of 1965-66, the return on the purchase price of Rs. 18.71 lakhs was estimated at 5.8% against the dividend rate of 5.75%. (The return is likely to improve further (6.2%) as the purchase price is now estimated at only Rs. 17.60 lakhs). The purchase is thus financially justified. The purchase would also reduce some of the accounting and administrative work involved in the present arrangements.

ANNEXURE 'I'

Statement Showing Brief Particulars of the Worked Lines Purchased after 1-1-1947

Sl. No.	Name of Railway	Date of purchase	Capital at charge	Purchase price paid	Considerations that weighed in purchase
1	2	3	4	5	6
				(In lakhs)	
1.	Pachora Jamner Rly.	1-4-1949	18,22,993	21.88 (120% of the capital-at-charge).	The advantage likely to accrue to the Government on purchase of the Railway was estimated at Rs. 78034 per annum giving a return of 3.57% on purchase price against the average borrowing rate of 3.25%. The purchase was thus financially justified.
2.	Parlakimedi Light Railway.	1-2-1950	24,95,196	7.5 (depreciated value of the assets.)	The agreement with the Maharaja did not provide for the purchase of the line by the Government. The assets of the Railway had deteriorated appreciably and heavy improvements amounting to about Rs. 22 lakhs were considered necessary. Intrinsic value of assets was placed at Rs. 7.5 lakhs. The purchase was financially not justified as the return on total investment was estimated at (—) 2% against the average borrowing rate of 3.2%. The Orissa Govt. was however pressing to take over the Railway for conversion into B. G. and its extension to make it a through line of communication. The Railway Board however agreed to take over the Railway on grounds of operational

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efficiency and to run it as N. G. line for the present. The line was purchased at a negotiated price of Rs. 7.5 lakhs representing the intrinsic value of the assets. (The return on the purchase price was therefore, not relevant in this case).

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|-------------------------------------|-----------|-----------|----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3. Mayurbhanj Light Railway. | 1-4-1950 | 24,80,688 | 29.82 (120% of the capital-at-charge). | The advantage likely to accrue to the Government on purchase of the Railway was estimated at Rs. 1,35,500 giving a return of 4.5% on the purchase price against the average borrowing rate of 3.2%. The purchase was thus financially justified. |
| 4. Tinnevelley Tiruchundur Railway. | 24-2-1953 | 27,85,381 | 33.60 (120% of the capital-at-charge) | The advantage likely to accrue to the Government on purchase of the Railway was estimated at about Rs. 1.5 lakhs giving a return of 4.4% on the purchase price (of Rs. 33.6 lakhs) against the prescribed standard of remunerativeness (4.25 %). The purchase was thus financially justified. |
| 5. Alnavar Dandeli Railway. | 1-10-1962 | 8,98,213 | 2.25 (<i>Ad-hoc</i>) | This line was purchased at the specific request of the Government of Mysore and in response to the various representations received from the organised industry. The purchase price was fixed <i>ad-hoc</i> at Rs. 2.25 lakhs against the depreciated value of the assets which was assessed at Rs. 3 lakhs; the cost of renewal and replacement of assets was estimated at another Rs. 36.93 lakhs. The pur- |

1	2	3	4	5	6
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chase was estimated to bring an advantage of about Rs. 1.92 lakhs annually, which on total capital investment i.e. Rs. 39.93 lakhs was likely to give a return of just about 5% the prescribed standard of remunerativeness.

6. Nanjangud-Chamranagar Railway.

1-4-1964

12,65,195

4.88 (depreciated value of the assets)

The line was purchased at the specific request of the Government of Mysore and the price was fixed with reference to the depreciated value of the assets and not with reference to the return on the price paid.

7 Tenali-Repalle Railway.

(to be purchased w.e.f. 1-4-1966)

17,60,134

17.60 (actual capital out-lay)

It has been decided to purchase this line on the consideration that, with the growing traffic, the share of earnings payable to the District Boards less the moiety of profits received by the Southern Railway would suffice to cover the dividend payable on the purchase price. The advantage accruing to Government on purchase of Tenali-Repalle Railway was placed at Rs. 1.09 lakhs giving a return of 5.8% on the then estimated purchase price of Rs. 18.71 lakhs (now estimated at Rs. 17.60 lakhs as the additional capital expected to be expended during 1965-66 by the Zila Parishad is not likely to fructify).

APPENDIX IV

[Vide Para 2.16 of this Report]

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS (RAILWAY BOARD)

MEMORANDUM

Explanatory Notes on excesses over Voted Grants and Charged Appropriations during 1963-64, vide para 12 (pages 6 to 8) of Audit Report (Railways), 1965.

1. General Observations

1.1. In 1963-64, expenditure exceeded the voted amount in respect of 9 grants, as compared to 5 voted grants 2 Charged Appropriations during 1962-63.

1.2. Of the total excess of about 21.86 crores, about 11.49 crores related to Grant No. 18 for appropriation of the surplus to the Development Fund, which, as explained in previous years, is not expenditure in the ordinary sense, but only the allocation of the surplus, the excess being due to the actual surplus being higher than the figure anticipated at the time of the Revised Estimates. If this excess due to the increase in surplus is excluded, the net excess over the Final Grants and Appropriations, taken as a whole, works out to as little as 0.4% in 1963-64 (as against 1.33% including the excess in the surplus, as given against items 7 and 6 of para 8 of the Audit Report). The increase in the surplus was, as in previous years, mainly because receipts were 9.99 crores higher than was expected due to a spurt in passenger traffic during the closing months of the year. Most of the increase (5.12 crores) was under passenger earnings, goods earnings having improved only by a smaller margin (3.63 crores). Sundry earnings were higher by 59 lakhs over the Revised Estimates but these were offset by a shortfall of 68 lakhs on the Revised Estimate of 'Other Coaching' earnings. Realisation of traffic earnings, was better to the extent of 1.32 crores than anticipated, leading to a total increase in receipts of 9.99 crores. The balance of the increase in the surplus, about 1.5 crores, was contributed by a shortfall in expenditure on the Open Line Works Revenue (1.05 crores) owing mainly to non-receipt of materials and postponement of certain works and a marginal saving of 1.21 crores in working expenses and 15 lakhs in Miscellaneous receipts and expenditure partly offset by an increase of 92 lakhs in Payment to General Revenues.

1.3. Out of the remaining 8 grants, the excess on one, namely, Grant No. 3, was only Rs. 1,033, and was due entirely to the effect of rounding off the grants of each individual railway to the nearest thousand rupees. It is made up of small fractions of a thousand on four railways. On four grants, namely, Grant 5, Grant 7, Grant 12 and Grant 16, the excess was less than 1 per cent, being respectively 0.21%, 0.31%, 0.97% and 0.66%. In two more grants the excess was between 1 and 2 per cent, namely, 1.19 per cent in Grant 14 and 1.58 per cent in Grant 15. Only in one grant, did it fractionally exceed 2 per cent, namely, Grant 8, in which it was 2.05 per cent.

1.4. In absolute figures, as distinct from percentages, the excess on the three working expenses grants, Nos. 5, 7 & 8, is about 30 lakhs, 31 lakhs and 60 lakhs, against the final grant of 1,42,60 lakhs, 98,08 lakhs and 29,34 lakhs respectively, while the excess on payments to General Revenues was about 92 lakhs over the final grant of 95,03 lakhs.

1.5. The funds for works are distributed over four grants, namely, Grant 13, Grant 14, Grant 15 and Grant 16, mainly on the basis of the allocation of the cost of each work between Capital, Depreciation Reserve Fund, Development Fund or Revenues, some of them being also segregated as "New Constructions". From the point of view of accuracy of budgeting for works as a whole, it might not be inappropriate to consider all the four grants together. As against a final grant of 567.80 crores, the excess came to 7.02 crores, or only 1.2 per cent.

2. Since the excesses to be regularised by Parliament have to take into account items of erroneous adjustment, the excesses listed in Annexure 'A' to this Memorandum show the figures as given in para 54 of the Appropriation Accounts for 1963-64—Part I Review and para 12 of the Audit Report (Railways) 1965, which take into account the misclassifications of expenditure detailed in Annexure 'B'.

3. The causes which have led to the excesses have been explained in greater detail in the attached notes on each grant.

4. The Ministry of Railways would like to assure the Committee that, every care is taken to assess the expenditure under the different grants with the utmost precision and provide adequate funds by taking supplementary grants where necessary. While a fair measure of accuracy of estimating in relation to the magnitude, complexity and diversity of the transactions can be claimed, further improvement has to be aimed at, overcoming as far as possible the handicaps inherent

in a big organisation like the Railways with a very large number of subordinate formations distributed over whole of the country incurring and booking the actual expenditure. A study has been undertaken by a committee of Directors and an Additional Member of the Board to ascertain the precise reasons which have led to excesses over grants in the past and to suggest suitable remedies to avoid them in future.

5. This has been seen by Audit.

D. U. RAO,

D.A./As above.

*Additional Member (Finance)
Railway Board.*

I. Excess of Rs. 1,033 under Grant No. 3—Revenue—Payments to Worked Lines and Others (in relation to the voted final grant of Rs. 31,01,000)—0.03 per cent.

This grant is for expenditure on (i) payments to owners of Branch Lines Worked by, and as part of, the Indian Government Railway system, of their net earnings and (ii) Payment of 'Subsidy' to Lines owned and worked by certain private companies when their share of earnings is less than the return guaranteed to them on their Capital.

The excess of Rs. one thousand works out to about 0.03 per cent of the final grant of 31,01 thousands and was the result of the under-noted minor variations on account of rounding off as the provision of allotment is made in thousands of rupees but the excess is worked out in units of rupees:—

Zonal Railway	Final allotment	Actual expenditure	Excess
	Rs.	Rs.	Rs.
Central	10,35,000	10,35,474	474
Eastren	9,74,000	9,74,179	179
North-east Frontier	2,46,000	2,46,152	152
Southern	1,46,000	1,46,228	228
South-eastern	7,00,000	7,00,000	..
TOTAL	31,01,000	31,02,033	1,033

II. Excess of Rs. 32,87,516 under Grant No. 5-Revenue-Working Expenses-Repairs and maintenance (in relation to the Voted final Grant of Rs. 1,42,60,35,000)—0.2 per cent.

This grant deals with expenditure on repairs and maintenance of Railway assets including track, buildings, rolling stock, ferries, electrical and signal equipment and installations, machinery etc. The excess of 33 lakhs under this head was less than one per cent of the total allotment of Rs. 1,42,60 lakhs. The increase was due chiefly to more debits adjusted towards the close of the year for cost of larger supplies of electrical and other maintenance materials, 28 lakhs), fluctuations in adjustments on account of overcharges and undercharges, on cost (13 lakhs), heavier debits received towards the close of the year in respect of rental charges on telegraph lines (5 lakhs) and expenditure relating to certain other grants inadvertently taken under this grant (3 lakhs).

The above excesses were partly offset by a saving of 16 lakhs which is the aggregate of minor variations calling for no special remarks.

As shown in Annexures 'A' and 'B', the excess actually requiring regularisation is Rs. 30,00,285 (after taking into account certain erroneous adjustments) in relation to a voted grant of Rs. 1,42,60,35,000, or 0.2 per cent.

III. Excess of Rs. 30,84,805 under grant No. 7-Revenue-Working Expenses-Operation (Fuel) (in relation to the voted final grant of Rs. 98,08,26,000) — 0.3%.

This grant is for expenditure on Coal and other fuel, freight and handling charges as well as excise duty and cess on Coal as also electric current for traction. The excess of about 31 lakhs is just 0.3% of the final grant of 98.08 crores and was chiefly on the Central Railway (21 lakhs) and the Western Railway (18 lakhs); this was partly reduced by aggregate saving on account of comparatively small fluctuations on other zonal railways (8 lakhs).

The excess on the Central Railway resulted chiefly from receipt of certain supplies of coal by a longer route (20 lakhs) and the excess on the Western Railway occurred mainly due to adjustment of larger debits for cost of coal on account of consumption of more high graded coal (16 lakhs) towards the close of the year.

IV. Excess of Rs. 59,50,281 under grant No. 8—Revenue—Working Expenses—Operation other than staff and fuel (in relation to the voted final grant of Rs. 29,33,68,000)—2.0%.

This grant is for railway operational expenditure of a miscellaneous nature on stationery forms and tickets, handling, collection and delivery of goods and expenses at out-agencies, compensation for goods lost or damaged including amounts kept in suspense pending settlement of inter railway liability, electrical general services, clothing and stores and other miscellaneous operational expenses. The excess of Rs. 59.50 lakhs works out to about 2.03% of the final grant of Rs. 29,33.69 lakhs which included a supplementary grant of Rs. 45.73 lakhs.

The excess occurred mainly on the Central Railway (30 lakhs), the Northern Railway (12 lakhs), the Western Railway (8 lakhs), the South-Eastern Railway (6 lakhs) and the Southern Railway (4 lakhs) and was partly offset by saving of Rs. 6 lakhs on the Northeast Frontier Railway.

The excess was chiefly due to adjustment of more debits on account of larger supply of uniforms clothing and other consumable stores than anticipated (23 lakhs), increased expenditure on 'electrical services' owing partly to the increased in the cost of generation of electric energy by the Railway due to receipt of larger quantities of inferior quality coal and partly to consumption of more energy on account of increased installations and partly due to arrear payments for supply of electrical energy (22 lakhs), variation in compensation paid for goods lost or damaged on various Railways (13 lakhs) and more freight charges on account of carriage of revenue stores (6 lakhs). The excess was partly counterbalanced by savings due to minor fluctuations (5 lakhs).

After including the net amount of misclassifications indicated in Annexures 'A' & 'B', the excess actually requiring regularisation by the Parliament works upto Rs. 60,17,172 in relation to a voted final grant of Rs. 29,33,68,000.

V. Excess of Rs. 91,90,396 under Grant No. 12—Payments to General Revenues (in relation to the voted final grant of Rs. 95,02,65,000)—0.97 per cent.

The excess of about 92 lakhs over the final allotment is hardly 1 per cent of the final grant of 95.03 crores and was due to the under-noted factors:—

- (i) Heavier capital expenditure on acquisition of assets—The actual capital expenditure during the year was about Rs. 261 crores as against the Budget Estimate of about Rs. 219 crores and the Revised Estimates of Rs. 237 crores on the basis of which a supplementary grant of Rs. 1.92 crores had been obtained.
- (ii) Adjustment of arrear dividend with retrospective effect from 15th August, 1947—consequent upon the review of certain balances in respect of pre-partition payments, one of the zonal railways had dropped in accounts for 1962-63 capital expenditure which on subsequent scrutiny was found to relate rightly to the post-partition accounts on that Railway and had accordingly to be restored w.e.f. 15th August, 1947. This was done towards the close of the year when it was not possible for the Railway concerned to work out the requirement particularly in view of the disturbances at Calcutta and to obtain additional funds through a supplementary demand for grant; and
- (iii) Increased deferred dividend paid on certain new lines—Payment of dividend on Capital invested on new lines was deferred during the period of the construction and for five years after their being opened for traffic. From the sixth year onwards, current dividend has to be paid and in addition thereto, deferred dividend at the rate of interest charged to Commercial Departments has to be paid if the net income of those lines leaves a surplus after the payment of the current dividend. As a result of improvement in earnings during the year to a level even higher than anticipated at the revised estimate stage larger surplus became available on the new lines completing the moratorium period and the additional payment on this account thus became due at the close of the accounts for the year 1963-64.

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VI. Excess of Rs. 79,13,556 under grant No. 14—Construction of New Lines (in relation to the voted final grant of Rs. 65,83,44,000)—1.2 per cent.

This grant is for expenditure on construction of new lines etc. chargeable to Capital and Depreciation Reserve Fund. The excess of Rs. 79 lakhs works out to about 1.2 per cent of the final grant of Rs. 65,83 lakhs which included a supplementary grant of Rs. 20 lakhs

taken to cover specifically the construction of certain lines to strengthen communications in Assam.

The excess occurred mainly on the Northeast Frontier Railway (41 lakhs), the Northern Railway (26 lakhs), the Western Railway (18 lakhs), the Southern Railway (17 lakhs) and the S.E. Railway (5 lakhs); partly offset by saving of 28 lakhs on Railway Electrification Project.

The excess was chiefly due to heavier debits in respect of supply of cement, rails, sleepers, ballast, permanent way materials and A.C. bearing plates, freight etc. (75 lakhs), accelerated progress of certain works as a result of improvement in supply of materials (35 lakhs) and aggregate of other minor variations (16 lakhs). This excess was partly counterbalanced by saving owing to non-settlement of certain contractors' bills and payment of some bills for supplies not having materialised (36 lakhs) and re-adjustment of debits in respect of certain rolling stock towards the close of the year (11 lakhs).

After excluding the net amount of mis-classifications as shown in Annexures 'A' and 'B', the excess actually requiring regularisation by the Parliament works upto Rs. 78,86,806 in relation to a voted final grant of Rs. 65,83,44,000.

VII. Excess of Rs. 7,07,36,918 under Grant No. 15—Open line Works—Additions and Replacements (in relation to the voted final grant of Rs. 4,59,72,65,000)—1.5 per cent.

This grant deals with expenditure on additions to and replacements of railway assets, such as rolling stock, machinery & works. It also includes transactions both debits and credits, suspense accounts for stores, manufacture and miscellaneous advances.

The excess of Rs. 7.07 crores over the final grant of Rs. 459.73 crores works out to 1.54 per cent and occurred mainly on the Southern (2.62 crores), the Northern (1.36 crores), the Central (71 lakhs), the South Eastern (60 lakhs), the Northeast Frontier (56 lakhs) and the Western (29 lakhs) Railways and under Rolling Stock bulk orders (42 lakhs) and the I.C.F. (41 lakhs).

The excess was under 'works' (3.27 lakhs), 'stores suspense' (2.71 lakhs), 'Miscellaneous Advances' (64 lakhs), 'Manufacture Suspense' (33 lakhs) and 'Rolling Stock' (12 lakhs).

The excess of 3,27 lakhs under 'works' occurred chiefly due to improved supply of materials such as rails, sleepers and other permanent way materials etc. and adjustment of more debits on account of freight, customs etc. on the increased supply of stores (1,75 lakhs) greater progress on certain works, including track renewals and other structural works resulting from improve supply of materials and expenditure on works undertaken in the interests of safety (1,07 lakhs), credits for surplus materials being less than expected due to delay in transfer of certain materials and also certain adjustments not materialising contrary to expectations (46 lakhs) and heavier debits received from the Pay and Accounts office on account of advance payments for fabrication of girders being more than anticipated (31 lakhs). The excess was partly offset by payments for supply of certain plant and machinery not materialising to the extent anticipated (25 lakhs) and aggregate of minor variations (7 lakhs).

The Excess of 271 lakhs under 'Stores Suspense' occurred chiefly due to receipt of heavier debit from India Stores Deptt. and Director General Supplies and Disposals in respect of cost of stores, intended for general purposes and for freight, custom charges etc. thereon (157 lakhs), receipt of larger quantities of materials than anticipated (49 lakhs), less return of stores from workshops and departments (59 lakhs), and aggregate of minor variations (6 lakhs).

The excess of 64 lakhs under 'Miscellaneous Advances' occurred chiefly due to more expenditure in respect of wheelsets and components in reserve stock and customs duty and issue of materials on loan etc. placed under suspense (67 lakhs), partly counterbalanced by aggregate of minor variations (3 lakhs).

The excess of 33 lakhs under 'Manufacture Suspense' occurred due to greater progress of works for building rolling stock and components in workshops and aggregate of minor variations.

The excess of 12 lakhs under 'Rolling Stock' was aggregate of minor variations.

After including the net amount of misclassifications as indicated in Annexures 'A' & 'B', the excess actually requiring regularisation by the Parliament works upto Rs. 7,26,36,901 in relation to a voted grant of Rs. 4,59,72,65,000.

VIII. Excess of Rs. 20,01,494 under grant 16—Open Line Works Development Fund (in relation to the voted final grant of Rs. 29,74,82,000)—0.7 per cent.

The excess of about 20 lakhs under this head was less than three-fourth of one per cent of the total allotment of Rs. 29.75 lakhs. The excess was the aggregate of comparatively small variations comprising (i) accelerated progress of certain works consequent upon receipt of more materials and adjustment of more debits on account of cost of materials and freight, towards the close of the year (12 lakhs), (ii) credits for certain surplus materials not received to the extent expected (4 lakhs) and (iii) aggregate of minor variations (4 lakhs).

As shown in Annexures 'A' and 'B' the excess actually requiring regularisation is Rs. 19,50,965 (after taking into account certain erroneous adjustments) in relation to a voted grant of Rs. 29,74,82,000.

IX. Excess of Rs. 11,48,54,317 under Grant No. 18—Appropriation to Development Fund (in relation to the voted final grant of Rs. 37.75.42,000)—30.4 per cent.

This grant covers the annual appropriation to Development Fund out of the surplus which represents the net effect of the various factors going into, and affecting, the railway budget. In dealing with the excess over this grant, therefore, allowance has to be made for the fact that the actual quantum of the net railway surplus available for appropriation to this fund at the close of the year's accounts depends upon multifarious factors including the post-budgetary developments, which affect the receipts as also the working expenses and miscellaneous expenditure etc. of the Railway Undertaking during the course of the year. At the time of the original budget a surplus of Rs. 31 crores was anticipated and this was proposed to be wholly appropriated to the Development Fund. The revised estimates, however, envisaged a surplus of Rs. 37.75 crores, the increase of Rs. 6.75 crores being chiefly the result of increase under traffic receipts (Rs. 22.53 crores), partly offset by an increase under working expenses (Rs. 14.30 crores) and an increase under dividend payable to general revenues in respect of the loan capital (Rs. 1.92 crores). Consequently, a supplementary grant of Rs. 6.75 crores was obtained from the Parliament along with the supplementary grants considered necessary in respect of the aforesaid increase under working expenses and dividend payable to general revenues.

The actual surplus at the close of the year, however, was Rs. 49.24 crores and exceeded the expectations in the revised estimates by Rs. 11.49 crores. This increase in the quantum of surplus resulted chiefly from:—

- (i) Improvement in gross traffic receipts over the revised estimates (Rs. 9.99 crores) chiefly under passenger earnings

(5.12 crores) reflecting the larger number of passengers carried and under goods earnings (3.63 crores) resulting from increase in the higher rated general goods traffic. The balance of the increase was the aggregate of minor fluctuations under sundry other earnings, other coaching earnings and transactions recorded under suspense;

- (ii) Shortfall in revenue working expenses chiefly due to expenditure on the special emergency force and other civil defence measures being less than expected and unforeseeable fluctuations in adjustments under suspense (Rs. 1.21 crores);
- (iii) Reduced expenditure on revenue open line works, chiefly as a result of progress of certain works and receipt of materials not coming upto anticipations and rephasing of works etc. (Rs. 1.05 crores); and
- (iv) Aggregate of minor variations under miscellaneous receipts and miscellaneous railway expenditure (Rs. 15 lakhs).

The aforesaid factors were partly offset by larger payments on account of dividend to general revenues as a result of higher capital-at-charge on which dividend became payable, adjustment of arrear dividend due to retrospective revision of capital-at-charge and increase deferred dividend paid on certain new lines which completed their moratorium period (Rs. 92 lakhs).

ANNEXURE 'A'

Statement showing Excess over Voted Grants as shown in para 12 of the Railway Audit Report, 1965 as well as excesses worked out after taking into account, items of Misclassifications.

(Figures in units of rupees)

Sl. No.	No. and Name of Grant	Original Grant	Supplementary Grant	Final Grant	Expenditure	Excess	Real Excess after taking into account misclassifications	%age of excess (col. 6 to col. 4)	%age of real excess (col. 7 to col. 4)
1	2	3	4	5	6	7	8	9	
1	3—Revenue—Payments to worked lines and others .	31,01,000	.	31,01,000	31,02,033	1,033	1,033	0.03	0.03
2	5—Revenue—Working Expenses—Repairs & Maintenance .	1,37,81,81,000	4,78,54,000	1,42,60,35,000	1,42,93,22,516	32,87,516	30,00,285	0.23	0.21
3	7—Revenue—Working Expenses—Operation (Fuel).	92,10,38,000	5,97,88,000	98,08,26,000	98,39,10,805	30,84,805	30,84,805	0.31	0.31
4	8—Revenue—Working Expenses—Operation other than Staff & Fuel .	23,87,95,000	45,73,000	29,33,18,000	29,93,18,281	59,50,281	60,17,172	2.03	2.05
5	12—Payments to General Revenues .	93,10,86,000	1,91,79,000	95,02,65,000	95,94,55,396	91,90,396	91,50,396	0.57	0.57

	1	2	3	4	5	6	7	8	9
6 14—Construction of New Lines		65,63,44,000	20,00,000	65,83,44,000	66,62,57,556	79,13,556	78,86,806	1-20	1-19
7 15—Open Line Works Additions & Replacements		4,33,12,94,000	26,59,71,000	4,59,72,65,000	4,66,80,01,918	7,07,36,918	7,26,36,901	1-54	1-58
3 16—Open Line Works Develop- ment Fund		25,98,00,000	3,76,82,000	29,74,82,000	29,94,83,494	20,01,494	19,50,965	0-67	0-64
9 18—Appropriation to Development Fund		31,00,42,000	6,75,00,000	37,75,42,000	49,23,96,317	11,48,54,317	11,48,54,317	20-42	30-42

ANNEXURE 'B'

Grant No. 5—Revenue—Working Expenses—Repairs and Maintenance

S. No.	Particulars	Amount
1.	Excess shown in the Appropriation Accounts	32,87,516
2.	(a) Deduct :—	
	(i) Expenditure relating to grant 8 (Rs. 10,000), grant 10 (Rs. 23,931 + Rs. 1,656), grant 15 (Rs. 1,69,643 + Rs. 12,253 + Rs. 6,888 + Rs. 18) and grant 16 (Rs. 59,820) booked under grant 5	2,84,209
	(ii) Expenditure relating to Defence Department booked under grant 5	18,823
	(iii) Expenditure erroneously booked twice under grant 5	5,369
		3,08,401
	(b) Add :—	
	Expenditure relating to grant 5 booked under grant 13	21,170
	Real excess to be regularised by Parliament (1)—2(a)+2(b)	30,00,285
	<i>Grant No. 8.—Revenue—Working Expenses—Operation other than staff and fuel</i>	
1	Excess shown in the Appropriation Accounts	59,50,281
2	Add :—	
	Expenditure relating to grant 8 booked under grant 6 (Rs. 56,891) and grant 5 (Rs. 10,000)	66,891
	Real excess to be regularised by Parliament 1+2	60,17,172
	<i>Grant No. 14.—Construction of New Line</i>	
1	Excess shown in the Appropriation Accounts	79,13,556
2	(a) Deduct :—	
	Expenditure relating to grant 16 booked under grant 14	32,008
	(b) Add :—	
	Expenditure relating to grant 14 booked under grant 15	5,258

S. No.	Particulars	Amount
	Real excess to be regularised by Parliament 1—2(a)+2(b)	78,86,806
	<i>Grant No. 15.—Open Line Works—Additions and Replacements</i>	
1	Excess shown in the Appropriation Accounts	7,07,36,918
2	(a) Deduct :—	
	(i) Expenditure relating to grant 2 (Rs. 84), grant 13 (Rs. 16,240), grant 14 (Rs. 5,258) and grant 16 (Rs. 30,541+Rs. 5,029) booked under grant 15	57,152
	(ii) Clearance of amount from suspense, Misc. Advances, grant 9 by debit to grant 15 twice	1,100
		<u>58,252</u>
	(b) Add :—	
	(i) Expenditure relating to grant 15 booked under grant 5 (Rs. 1,69,643 + Rs. 12,253 + Rs. 6,888 + Rs. 18), grant 9 (Rs. 5,308) and grant 16 (Rs. 1,15,700 + Rs. 18,171 + Rs. 13,974)	3,41,955
	(ii) Wrong booking of amount as minus debit instead of credit outside the scope of grant	13,18,186
	(iii) Wrong adjustment of certain credit as reduction of expenditure instead of credits of recoveries outside the scope of grant	2,98,094
		<u>19,58,235</u>
	Real Excess to be regularised by Parliament (1)—2(a)+2(b)	7,26,36,901
	<i>Grant No. 16.—Open Line Works—Development Fund</i>	
1	Excess shown in the Appropriation Accounts	20,01,494
2	(a) Deduct :—	
	Expenditure relating to grant 13 (Rs. 30,082) and grant 15 (Rs. 1,15,700+Rs. 18,171+Rs. 13,974) booked under grant 16	1,77,927
	(b) Add :—	
	Expenditure relating to grant 16 booked under grant 5 (Rs. 59,820), grant 14 (Rs. 32,008) and grant 15 (Rs. 30,541+Rs. 5,029)	1,27,398
	Real excess to be regularised by Parliament (1)—2(a)+2(b)	19,50,965

APPENDIX V

(Vide Para 2.19 of this Report)

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS

(Railway Board)

Points arising out of the Evidence tendered before the P.A.C.

Para 12—Excess over Voted grants etc.

Point:

A note may be given explaining how the Southern Railway has incurred expenditure in excess of the allotment that had been given.

Reply:

Out of the 9 voted grants enumerated in this Audit Para, a part of the excess under 4 grants (namely grants 8, 14, 15 and 16) occurred on the Southern Railway. A comparison of the original grant, revised estimates, final allotment and actual expenditure under each of these 4 grants on that Railway is given below:—

Southern Railway 1963-64

(Amount in thousands of Rupees)

	Grant 8	Grant 14	Grant 15	Grant 16
1. Original grant	3,70,04	4,38,84	49,43,99	5,56,76
2. Revised Estimates	4,12,02	4,68,09	62,04,97	5,22,01
3. Final allotment	4,10,40	4,16,64	64,99,47	5,59,34
4. Actual Expenditure	4,11,24	4,33,15	67,61,03	5,60,63

Variation

Variation between items 3 and 4 (Excess +)	+84	+16,51	+2,61,56	+1,29
(Saving —)				

The excesses over the final allotments under Grant 8 and 16 were relatively small and occurred for the following reasons:

Grant 8—

The excess of 84 thousand was the aggregate of small increases under Electrical Services due chiefly to increase consumption at higher tariff rates and increased cost of electric energy owing to increase in cost of coal etc. (378), increase under (a) water charges, (b) Oil and other stores due to increased holdings and heavier types of locos put on line (203), heavier debits on account of handling, collection and delivery of goods due to increase in handling rates as also increase in Goods Traffic etc. (165), fluctuations in debits on account of carriage of Revenue Stores (72) and aggregate of minor variations (57) partly offset by savings on account of debits for printing charges not materialising to the extent expected (6,85) and fluctuations in adjustments in respect of payment of compensation for goods lost or damaged under final head and suspense (1,06).

Grant 16—

The increase of 1,29 thousand over the final allotment of 559.34 lakhs was the aggregate of variations of small magnitude under Works in connection with 'Passenger and other Railway Users' Amenities', 'Labour Welfare' as also 'Operating Improvements', more important of which were speedier progress of 'Operating Improvement Works' resulting from improved availability of materials as also greater progress by contractors towards the close of the year (10.33); partly reduced by savings resulting from non-accountal of certain vouchers in respect of transfer of materials (1,39) and cost of electric motors having been taken under 'Workshop Manufacture Suspense' instead of this grant (96), and aggregate of small savings under various works in connection with 'Passenger and Other Railway Users' Amenities' (2.12) and 'Labour Welfare' (4.57).

Grant 14—

The excess of 16.51 thousand over the final allotment of 416.64 lakhs under this grant was the aggregate of the variations relating to six projects undertaken on this zonal Railway, more important of which was an excess of 14.15 under 'Construction of Bangalore-Salem' Meter Gauge line against the final allotment of 165.48 lakhs, the balance being the aggregate of comparatively small variations under other projects.

The excess in the particular project referred to above was due chiefly to receipt of more debits for materials such as rails, CST sleepers, AC Bearing plates and sheets, Dogs Spikes etc. (10.29), adjustment of the difference in the rates of imported fish-plates

(140), receipt of more debits in respect of land (123) and other small variations.

Grant 15—

The excess of Rs. 261·56 lakhs under this grant against a final allotment of Rs. 64·99 lakhs was mainly due to the following reasons:—

(Rupees in lakhs)

(i) Receipt of debits for cost of stores, customs duty, sea freight etc. being more than anticipated.	1,20
(ii) Fluctuations in adjustment of credits for surplus materials etc.	81
(iii) Adjustment of heavier advance payments made by Pay and Accounts Office for fabrication of girders, points and crossings etc.	31
(iv) Greater progress of works.	92
(v) More expenditure on additional works executed in the interest of safety etc.	44
(vi) More stores issued for works and manufacture purposes.	1,03
(vii) Minor variation.	3

At the revised estimate stage, all the Railways had asked under grant No. 15 for a gross provision of 479·56 crores as against the original budget of 433·13 crores i.e. an increase of 46·13 crores. Of this, the increase indicated by the Southern Railway amounted to Rs. 14·82 crores. Against this requirement, taking all the relevant factors into consideration, the Revised Estimates were fixed at 459·73 crores and the Southern Railway's figure was fixed at 62·05 crores, against their demand of 64·26 crores. It may be added that in the light of the limited additional funds available, owing to the difficult ways and means position, cuts had to be made on the requirements of the funds indicated by the Railways in their Revised Estimates. Thereafter, the Railways were advised *vide* Para 5 of Railway Board's letter No. 63-B-4159/A&R dated 17th January, 1964 (extract enclosed) that they should keep their expenditure within the limit fixed and they should not take it that additional funds would be made available as a matter of course. (The general position has been explained in greater detail in the note submitted to the Com-

mittee with reference to item 5(a) of the list of points arising out of the discussions held on 3rd December, 1965.).

In conclusion, it may be stated that one of the complicating factors is that adjustments with the Civil Accounts Offices continue for about four weeks after the end of the year and intra-railway and inter-railway transfers can be made till the end of the succeeding July when the annual accounts are closed (c.f. items (i) to (ii) above).

Extract of Para 5 of Railway Board's letter No. 63-B4159/A&R, dated 17th January, 1964.

* * * * *

The Revised Estimates herein for 1963-64 have been framed after detailed telephonic consultations with the FA & CAOs, and/or Deputy Financial Advisers concerned. The Railway's requirements of additional funds under this Demand, as well as under other 'Works Grants', were generally much in excess of the Budget provision. The additional requirement for the Works Grants (Nos. 13, 14, 15 and 16), comprising the 'Capital Budget', has to be "cleared" with the Ministry of Finance, within the limitations of the overall resources available, before going up for Supplementary Demands for Grants; the additional demands by the Railways have, therefore, had to be pruned down, so as to limit the overall excess to the order of about 10 per cent over the net budget provision. The general taxation levies and increase in prices admittedly have involved a post-budget effect, which is about three per cent increase in the costs; and even allowing for the speedier progress of works, etc., than allowed for in the Budget, it is considered that the increases provided in the estimates herein, represent, in the total what can reasonably be asked for as additional to the Budget and additional to the expenditure incurred in 1962-63. The need to regulate the expenditure within the limits of the sanctioned Budget provision is obvious, and therefore the Railways could not have assumed that all the additional funds asked for would be given as a matter of course. It should not consequently be difficult for the Railways to keep the expenditure for the current year within the enhanced limits (over and above the budget provision) indicated in the Revised Estimates for other Works Grants sent out separately.

* * * * *

APPENDIX VI

(Vide Para 2.19 of this Report)

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(Railway Board)

Points arising out of the Evidence tendered before the P.A.C.

Para 12—Excess over Voted Grants and Charged Appropriations.

Point:

A note may be furnished explaining:—

- (i) the reasons for the excesses as also the correspondence, if any, which was exchanged between the Railway Board and the Railways and the Railway Board and the Finance Ministry.
- (ii) Whether the excesses occurred because of unforeseen reasons or whether those reasons were known even at the time of the supplementary grants.
- (iii) Whether the excesses occurred with the knowledge and sanction of the Railway Board or without their knowledge.
- (iv) What action, if any, the Railway Board propose to take in this connection.

Reply:

(i) The reasons for the excesses were explained in the note sent with this Ministry's Memo 65-B(C)-RAR/Ch. I/Genl. dated 24-4-1965 and in the separate note on sub-item 5(c).

As usual, the revised estimates as fixed by the Board (with reference to which Supplementary Demands, where necessary, were placed before Parliament), were communicated to all Railways in the latter half of January 1964. No further correspondence ensued between the Railways and the Railway Board about the fixing of Revised Estimates by the Board, except in regard to Grant 15 and that too from only one Railway. In Board's letter of 17th January 1964 communicating the revised estimates for Grant 15—which covered the bulk of the total expenditure under Works Grants, and was as

high as 460 crores—the attention of the Railways was pointedly drawn to the need for their ensuring that the actual expenditure was contained within the allotment, which had to be restricted in view of the overall ways and means position and the need to reduce Government spending. Only one Railway came up with a special request on the 7th February 1964 for additional funds under this grant. A copy of the Board's letter of *17-1-1964 and of the letter** containing the special request referred to are enclosed. No reply was issued to the Railway at the time, but it was decided to give special consideration to this request at the time of the review of modifications towards the end of March. Following this review, additional funds to the extent of Rs. 1.15 crores over the Revised Estimate fixed by the Board were in fact made available to this Railway; and only 45 lakhs of the Railway's revised estimate was not allowed even in the final stage. The details relating to this Railway under Grant 15 excluding bulk order items are given below:—

(Figures in thousands)

Revised Estimates		Final Grant		Actuals
As asked for by the Rly.	As fixed by the Board	As asked for by the Rly.	As fixed by the Board	
12,41,91	10,81,60	12,53,88	11,96,60	12,47,85

The fixing of the Revised Estimates for Works Grants is generally finalised by discussion between the Financial Commissioner and the Finance Secretary, and not by formal correspondence between the Railway Ministry and the Finance Ministry.

(ii) & (iii) The excess occurred under four Revenue Grants, namely, 3, 5, 7 and 8, and three Works Grants, namely, 14, 15 and 16.

The details of the Revenue demands are given in the statement below:

(Figures in thousands)

	Revised Estimates		Final Grant		Actuals
	As asked for by Rlys.	As fixed by Board	As asked for by Railways	As fixed by Board	
Grant 3	33,76	31,01	33,16	31,01	31,02
Grant 5	142,82,21	142,60,35	142,37,82	142,37,82	142,93,23
Grant 7	98,00,14	98,08,26	97,97,62	97,97,62	98,39,11
Grant 8	28,75,25	29,33,68	29,60,63	29,33,68	29,93,18

*Annexure I

**Annexure II

It will be clear from the above statement that the Railways' estimate under Grants 5 & 7 at the Final Grant stage was well within the estimates fixed by the Board and there was no occasion for seeking additional funds over and above the revised estimates fixed by the Railway Board. Under Grant No. 3 the actuals were 31,02 against the estimates of 31,01 fixed by the Board. Under Grant No. 8 the estimate fixed by the Board at the revised estimate stage (29,33,68) was higher than the Railways' revised estimates (28,75,25). A further increase of about 27 lakhs, representing less than 1 per cent of the total grant, was envisaged towards the end of March 1964 in the Railways' latest anticipations, but this could not be covered, as it was not possible as the time available was insufficient for obtaining a supplementary grant. Ultimately the actuals were higher by about 60 lakhs.

Details of the three works grants where excesses occurred are furnished in the statement below:

(Figures in thousands)

	Revised Estimates		Final Grant		Actuals
	As asked for by Railways	As fixed by Board	As asked for by Railways	As fixed by Board	
Grant 14	67,57,31	65,83,44	66,24,75	65,83,44	66,62,58
Grant 15	479,55,64	459,72,65	463,48,59	459,72,65	466,80,02
Grant 16	30,56,60	29,74,82	29,45,08	29,45,08	29,94,83
	577,69,55	555,30,91	559,18,42	555,01,17	563,37,43

At the outset the Ministry of Railways would like to stress the urgent need at the time to restrict Government spending in view of the economic situation and the difficult ways and means position of the Government, so that the revised estimates indicated by the Railways had to be drastically pruned, even though the railways had the capacity to use all the extra funds asked for during the rest of the financial year. Against this background, a cut of about 22 crores was made in the Railways' Revised Estimates under these three grants as will be observed from the above statement. That the Ministry of Railways were really able to achieve a saving of about 14½ crores over the Revised Estimates asked for by the Railways is a measure of the tight control over spending towards the end of the year. If, in this process, there were excesses of about 1 per cent or less under the individual grants, they were largely due to factors not entirely within the control of the Railway Administrations.

(iv) In the light of the experience of recent years, and particularly of 1963-64, a Committee of three Directors of the Railway Board have gone into the reasons which led in the past to excesses over the voted grants. In the light of their recommendations, the Ministry of Railways are shortly issuing suitable instructions to further tighten up control over expenditure against sanctioned allotments at various levels.

ANNEXURE I
BY AIR MAIL

BY COURIER
GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(Railway Board)

No. 63-B-4159/A&R,

New Delhi, the 17th January, 1964.

The General Managers,

Central, Eastern, Northern, North-eastern, Northeast Frontier,
Southern, Southeastern and West Railways.

The General Manager,

Chittaranjan Locomotive Works,
Chittaranjan.

The General Manager,

Diesel Locomotive Works,
Varanasi.

The Chief Administrative Officer

D.B.K. Railway Projects,
Waltair.

The General Manager,

Integral Coach Factory,
Perambur.

**SUBJECT: Revised Estimates—Demand No. 15—Open Line Works—
Additional and Replacements for 1963-64.**

The Board have fixed your Revised Estimates under Demand No. 15—Open Line Works—Additions and Replacements—for 1963-64. as shown in the enclosed statement. It is proposed to obtain a Supplementary Grant from the Parliament based on these estimates. The Board, therefore, desire that the pace of expenditure should be so regulated that the money allotted is fully utilised and there are no excesses or large savings at the end of the year.

Details of the provision included in the Revised Estimates in respect of Bulk Order items of Rolling Stock are being communicated separately.

2. The funds allotted to each Railway on account of Bulk Order Items should not be included in the Final Modification statements. If, however, any change is required therein, it should be brought out clearly in covering letter to the Final Modifications, but the change should, under no circumstances, be incorporated in the statement itself.

3. The Revised Estimates may be distributed between 'Works costing more than a lakh each' and 'Works costing not more than a lakh each' to suit actual requirements. Formal orders of reappropriation will, as usual, be issued through the Final Modifications.

4. Requirements of funds in the Final Modifications should be shown by detailed heads and explanation for variations should be furnished with reference to the Revised Estimates as now fixed.

5. The Revised Estimates herein for 1963-64 have been framed after detailed telephonic consultations with the FA & CAOs, and/or Deputy Financial Advisers concerned. The Railways' requirements of additional funds under this Demand as well as under other 'Works Grants' were generally much in excess of the Budget provision. The additional requirement for the works Grants (Nos. 13, 14, 15 and 16), comprising the 'Capital Budget', has to be "cleared" with the Ministry of Finance, within the limitations of the overall resources available, before going up for Supplementary Demands for Grants; the additional demands by the Railways have, therefore, had to be pruned down, so as to limit the overall excess to the order of about 10 per cent over the net budget provision. The general taxation levies and increase in prices admittedly have involved a post-budget effect, which is about three per cent increase in the costs; and even allowing for the speedier progress of works, etc., than allowed for in the Budget, it is considered that the increases provided in the estimates herein, represent, in the total, what can reasonably be asked for as additional to the Budget and additional to the expenditure incurred in 1962-63. The need to regulate the expenditure within the limits of the sanctioned Budget provision is obvious, and therefore the Railways could not have assumed that all the additional funds asked for would be given as a matter of course. It should not consequently be difficult for the Railways to keep the expenditure for the current year within the

enhanced limits (over and above the Budget provision) indicated in the Revised Estimates sent herewith and in the Revised Estimates for other Works Grants sent out separately.

Sd/- C. T. VENUGOPAL,
Addl. Member, Finance,
Railway Board.

DA: As above.

No. 63-B-4159/A&R.

New Delhi dated 17th Panuary, 1964.

Copy, together with a copy each of the statement referred to above, forwarded to Accounts (I) and RS(B) Branches of the Board's Office for information.

Sd/- M. RAMJI,
Joint Director, Finance (Budget),
Railway Board.

DA: As above.

ANNEXURE II.

COPY

By Air Mail

B.C. GANGULI,
General Manager.

Office of the
GENERAL MANAGER N.F. Rly.
Pandu, 7th Feb, 1964.

D. O. No. BT/Genl./63-64.

My dear Venugopal,

Re:—Revised Estimates for 1963-64 underworks
Demands No. 13 to 16.

Ref.:—(i) Board's letter No. 63-B-4158 dated
14-1-64, fixing revised estimates for the Rail-
way under Demand No. 14 at Rs. 11.66
crores.

(ii) Board's letter No. 63-B-4159/A & R
dated 17-1-64, fixing revised estimates under
Demand No. 15 at Rs. 15.78 crores.

(iii) Board's letter No. 63-B-4159/ B dated
14-1-64, fixing revised estimates under
Demand No. 16 at Rs. 2.45 crores.

(iv) Board's letter No. 63-B-4264/B dated
14-1-64 fixing revised estimates under
Demand No. 13 at Rs. 71.9 lakhs.

While fixing the revised allotments, the Board have made the following
cuts in the funds demanded by this administration:—

	Cut imposed by the Rly. Board.	Re-assessed require- ments. (Cut to be <i>restored</i>).
<i>Demand No. 14</i> . . .	Rs. 2.21 crores.	1.93 crores.
<i>Demand No. 15</i> . . .	Rs. 1.60 crores.	1.04 crores.
<i>Demand No. 16—DF(2)</i>	Rs. 29.04 lakhs.	26.29 lakhs.
<i>Demand No. 13</i> . . .	Rs. 11 lakhs.	6.69 lakhs.

After receipt of the revised allotments, the position was reviewed by calling a meeting of the Deputy Heads of the Departments and as a result of review of the progress of the works already made and commitments entered into, it will not be possible to remain within the cut allotments. Board are, therefore, requested to reconsider the matter and allot the additional funds to the extent indicated in the attached note, by approaching the Parliament, if necessary. It may be mentioned that these cuts if not restored, will adversely affect the progress of the following constructions and large Open lines works and will result in excess over allotment as commitments have already been entered into:—

- (i) New Broad Gauge Lines from Raninagar to Assam for which a token provision of Rs. 20 lakhs only was made at the budget stage, because full details were not available. This is a top priority work which has to be completed within the three working seasons.
- (ii) Construction of new B. G. Line between Farakka and New Jalpaiguri, termed as "Development of capacity for the movement of oil traffic."
- (iii) Provision of a Carriage and Wagon Shop at Bongaigaon.
- (iv) Line capacity work in connection with stepping up of ferry crossing of wagons at Farakka from 200 to 400 wagons per day.

It may be mentioned that the matter was discussed with the C.R.B. when he was here from 31st January to 2nd February, 1964 and he promised to reconsider the matter and allot the additional funds, as re-assessed now.

With kind regards,

Yours sincerely,

Sd/-

B. C. GANGULI

DA:—One.

Shri C. T. Venugopal
Additional Member, Finance,
Ministry of Railways,
Railway Board,
New Delhi.

APPENDIX VII

[Vide para 2.44 of this Report]

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS
(Railway Board)

Points arising out of the evidence tendered before the P.A.C.

Para 16—Missing and unconnected coal wagons.

Point :

A statement may be furnished showing the amount of compensation paid to the private parties on account of missing coal wagons during the years 1962-63, 1963-64 and 1964-65

Reply :

The requisite information is given below :

<i>Year</i>	Amount (in thousands of Rs.).
1962-63	45,08
1963-64	68,11
1964-65	70,94

APPENDIX VIII

[Vide para 3.9 of this Report]

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(Railway Board)

*Points arising out of the evidence tendered before the Public
Accounts Committee*

Para 18—*Extra expenditure due to delay in the finalisation of tender.*

Point:

A comprehensive note may be furnished in respect of the case mentioned in the Audit Para explaining, *inter alia*—

- (i) the delay at different stages;
- (ii) rates quoted by different parties; and
- (1) how many times ceilings for construction cost were revised in connection with this transaction.

Reply.

Before dealing with the specific points raised by the PAC the Ministry of Railways would like to clarify at the out-set that though, admittedly, there has been delay in finalising the subject tender, the reasons for which are explained in some detail in reply to the specific points raised by the Committee later in this note, the processing and consideration given to the tenders by the Tender Committee at various stages were by and large in the normal course of observing due procedural requirements. The fact that during the subject period Chinese Aggression on the NEFA border intervened, an entirely unpredictable factor which with the consequent unsettlement in the area, affected the rates for the various works, has to be duly allowed for. As would be seen from the explanations furnished, the Administration's action at each stage was conditioned by the circumstances prevailing at the time. It would seem to be a reasonable and justifiable view that even if the work had been allotted to the lowest tenderer in the initial stage he may not have completed the job at the rates quoted by him in view of the Emer-

gency. With this brief background of the case, the points raised by the Committee are explained *seriatim* below:—

- (i) A chronological statement indicating stage by stage the consideration of the case, incidentally bringing out the reasons for the delay at each stage and also explaining the background against which the decisions were taken at each stage is attached (Annexure 'A').
- (ii) A statement is attached giving the relevant information (Annexure 'B').
- (iii) At the time the tenders were invited initially the ceiling costs prevalent were those fixed in 1960 and made effective from 17th March, 1960. At the time of consideration of the tender the work relating to the revision of the ceiling cost index was in hand and it was finalised on 20th September, 1962. Subsequent to that a further revision was undertaken and made effective from 29th May, 1964. It may incidentally be mentioned that there are no definite orders from the Board specifying the period within which such revisions should take place, though the Engineering Department at their discretion, depending upon the level of prices decide on revision from time to time. However, the general question of issuing specific instructions in this connection is now under the consideration of the Board.

ANNEXURE A

The consideration of the tenders invited for construction of 100 units, Type-I and 50 units of Type-II quarters at Dibrugarh District of N. F. Railway is given below :—

First Stage Between 26-6-1962 to 7-9-1962

- (i) The tenders were opened on 26-6-1962. 26-6-62
 - (ii) 7 tenders consisting of 47 items in all were sent to 26-6-62
Tender Section of CE's office for tabulation, calculation
and preparing brief notes for placing before the Tender
Consideration Committee.
 - (iii) Time taken for tabulation, calculation and preparing 27-6-62 to
the briefing notes (15 days). 13-7-62 (ex-
cluding 1st &
8th July being
Holidays).
 - (iv) Papers were sent to FA & CAO for comparison of rates 16-7-62
in the tabulation chart and checking of calculations and
examination of complete tender papers as well as 14th & 15th
conditions of contract. July being
Holidays).
 - (v) Papers were received back from FA & CAO's Office 31-7-62
(15 days).
 - (vi) Papers were sent to Drawing Office for calculation of 1-8-62
ceiling cost of buildings as well as estimated cost for com-
parison with the rates of the lowest tenderer.
 - (vii) Papers were received back from Drawing Office. 13-8-62
 - (viii) Tender Committee meeting held at which it recom- 17-8-62
mended that the Contractors should be called for negotia-
tion as the tender rates of the lowest tenderer exceeded
the the ceiling cost of type I quarters fixed for
Dibrugarh Distt.
 - (ix) Reference was made to FA & CAO by the CE for 18-8-62
revision of Building cost Index of the entire N.F. Railway.
-

- (x) Chief Engineer accepted the Tender Committee's 23-8-62 recommendations (*vide* item VIII above).
- (xi) Call letters were issued on 28-8-62 to the contractors 28-8-62 to attend negotiations.
- (xii) Date fixed for negotiation and negotiation held on. 7-9-62
- (xiii) Tender Committee recommended for invitation of 7-9-62 fresh tenders on 7-9-62 as only the lowest tenderer who attended the negotiation did not agree to reduce his rates.

Initially upto 31st July 1962 i.e., about a month since the opening of the tenders, was taken up in evaluation and comparison of rates in consultation with Finance. The next stage of referring the documents to the Drawing Branch was taken up on 1st August 1962. This reference could not have been made earlier as the Administration was handicapped because of only one set of tender documents being available which had to be referred to the concerned department for relevant checks from technical, financial and other angles. Therefore, consideration of the tender papers could be done at successive stages and not concurrently. As the Committee had to deal with the implications of the tender value being in excess of ceiling cost by attempting negotiations, the lag between the time the material was ready for consideration by the Tender Committee (13th August, 1962) and the recommendation (7th September, 1962) arose.

Stage No. (2) From 7-9-1962 to 30-11-1962.

Before the Tender Committee's recommendation for invitation of fresh tenders could be put up to the Chief Engineer, it was noticed by the Tender Committee that the building cost index for Dibrugarh Distt. had been increased from 157 to 173. The Ministry of Railways would like to clarify in this context that the revision of building cost index involves considerable detailed examination in both the Executive and Finance Branches. On the N. F. Railway, the revision which was taken up in September 1961, was under consideration between the various District Officers (Engg.) and the Finance Branch in the headquarters office. It will be appreciated that till a revised set of indices was formally approved by the competent authority, at the intermediate stages, it will not be known at what level precisely the indices would be fixed.

Therefore, the Tender Committee while considering the matter and making a particular recommendation on 7th September, 1962, had to go by the building cost index prevailing at that time and their recommendation to call for fresh tender must be considered to be a reasonable and legitimate one. However, when, before this recommendation was put up to the Chief Engineer, revised building cost indices had been decided upon on 20th September 1962, obviously this vital change had to be taken into account by the Tender Committee. Accordingly on the basis of the enhanced building cost index the rates of the lowest tenderer both for Type-I and Type-II quarters were found within the ceiling limit and the Tender Committee, therefore, recommended on 5th October, 1962 for acceptance of the lowest tender. The Committee's decision was based on the following figures:

No. of quarters	Ceiling cost of building proper at Index 157	Cost of lowest tender 26-6-62	Ceiling cost of building proper at Index 173.
	Rs.	Rs.	Rs.
Type-I 100 (Double-storeyed)	4599	4974	5068
Type-II 50 (Double-storeyed)	8902	8304	9809

The Committee's recommendation was accepted by the Chief Engineer on 14th November, 1962. This delay was due to the absence of the Chief Engineer on tour to Lucknow between 2nd October, 1962 and 22nd October, 1962 and later due to Chinese Aggression there was a virtual standstill in the normal work of the Railway. The District Engineer, Dibrugarh was informed by the Headquarters Office by telegram on 16th November, 1962 that the tender had been accepted and the acceptance of the tender was communicated to the contractor on 30th November, 1962. Meanwhile, the contractor withdrew his offer on 16th November, 1962 without assigning any reason.

Stage (3) Between 1-12-1962 and 6-4-1963.

Notwithstanding the contractor's withdrawal of the offer he was requested to attend Chief Engineer's Office on 12th December.

1962 to sign the contract agreement on the basis of tender already accepted by the Administration. Though there was no response from the contractor for sometime, he again evinced interest as will be seen from the following chronology:—

- (i) Contractor expressed willingness to do the work provided certain new conditions introduced by him involving an additional payment of Rs. 29,107 were accepted. 21-1-63
- (ii) Tender Committee decided not to accept these conditions but call for all other tenderers for negotiations. 25-2-63
- (iii) Tender Committee decided to accept the Contractor's offer with special conditions as no contractor turned up for negotiation either on 27th February, 1963 or on 20th March, 1963 fixed by the Committee. 21-3-63
- (iv) The Contractor wrote to the Railway stating that his offer might be treated as cancelled, as the tender could not be decided by the Administration within 2½ months after the submission of his letter dated 21st January, 1963 and as the Market rates as well as labour rates had much increased during this period. 5-4-63

It is conceded that at the above stage the matter could and should have been progressed with a greater sense of urgency by the Railway Administration. The Ministry of Railways would however respectfully urge that the Tender Committee while considering the renewed offer of the contractor, attempted both to satisfy themselves about the reasonableness of the increase demanded and also to see that adequate opportunities were afforded to other tenderers to give competitive quotations. The Committee acted in good faith and in the best interest of the administration but it is unfortunate that in the result, the contractor withdrew his offer and other tenderers did not at all respond.

Stage No. (4) Between 6-4-1963 and October, 1963.

Finding no alternative the Railway Administration decided on going in for a fresh open tender and this was issued on 22nd May, 1963 and the opening date was 2nd July, 1963 but subsequently extended to 12th July, 1963. The chronology of events leading to the

final awarding of the contract in respect of this work is indicated below:—

1. Fresh tender was invited on 22-5-63 keeping opening date 12-7-63 as 2-7-63 which was subsequently extended to 12-7-63.
2. 3 Tenders consisting of 43 items of the Schedule were sent 12-7-63 to Tender Section for tabulation, calculation and briefing note.

The names of contractors together with the value worked out are given below :—

- | | |
|---------------------------------------------|-----------------|
| (a) Seth Gurdina Mall | Rs. 14,59,297/- |
| (b) M/s. Raha Engineering (P) Ltd | Rs. 10,50,252/- |
| (c) Shri R. Sarkar | Rs. 26,25,147/- |
3. Time taken for calculation, tabulation and briefing notes. 18-7-63
 4. Papers sent to Drawing Office for check 18-7-63
 5. Papers received from Drawing Office 30-7-63
 6. Papers sent to Accounts for checking 30-7-63
 7. Papers received from Accounts duly checked 13-8-63
 8. Heads of Department Tender Committee Meeting held on 3-9-63 3-9-63
 9. Contractors requested to attend negotiations 4-9-63
 10. Heads of Department Tender Committee Meeting held on 13-9-63. 13-9-63

It was decided to ask Shri Sarkar who lowered his rates to Rs.9,84,067/- against Rs. 26,25,147/-payable to him at the rates originally tendered by him to produce certificates of his experience and proof of his financial capabilities, when Seth Gurdinamall did not turn up and M/s. Raha Engineering (P) Ltd. failed to deposit earnest mrcy on some plea.

11. Contractor Shri R. Sarkar's certificates for financial capabilities were received on 24-9-63
12. A fourth party, namely, M/s. Gopal Construction & Company submitted their offer on 1-10-63 and their offer was valued at Rs. 9,11,550/- (which was lower than Mr. Sarkar's offer of Rs. 9,84,067 1-10-63.

13. Heads of Department Tender Committee Meeting held on 19-10-63 and it was considered not to entrust the work to Shri R. Sarkar but to M/s. Gopal Construction & Company who, being the working contractor under Survey and Construction Organisation at Rangapara North, was found suitable 19-10-63
14. This firm's (M/s. Gopal Construction Co.) tender was accepted on single tender basis, and acceptance communicated to the party on 7-11-1963 by express Telegram 24-10-63

Annexure-B.

Rates quoted by different parties:

The rates in regard to this case are to be compared with reference to three stages as indicated below:—

First Stage

In response to the tender Notice for open tenders for construction of 100 units Type-I (double storeyed) and 50 units Type-II (double-storeyed) quarters at Dibrugarh, which was opened on 26th June, 1962, the following tenders were received:—

	Rs.
1. Seth Hiranand	8,72,571
2. M/s Raha Engineering (P) Ltd.	8,65,050
3. Sardar Santok Singh	9,14,449
4. Shri D.D. Banerjee	11,85,077
5. Seth Gurdinamal	8,10,955
6. M/s United Construction	8,51,576
7. M/S. Sind Construction	8,35,886

Second Stage

During the consideration of the offers as received with reference to the June 1962, tender, the Tender Committee decided to accept the offer of Seth Gurdinamal for Rs. 8,10,955. During the further negotiations the tenderer came up with the proposal for an increase in his rates by Rs. 29,107|- taking his overall rate to Rs. 8,40,062|-. Even though this was accepted by the Administration, the tenderer finally withdrew his offer.

Third Stage

Tenders were called for the second time in May 1963 which were opened in July, 1963. The following 3 offers were received:—

	Rs.
1. Seth Gurdinamal	14,59,297
2. M/s Raha Engineering (P) Ltd.	10,50,252
3. Shri R. Sarkar	26,25,147

It may be mentioned that the first 2 tenderers had also tendered at the initial stage vide items (5) and (2) respectively of the Table under Stage I. It is significant to observe that these 2 tenderers had quoted a very steep increase over the previous rates. As already pointed out in Annexure-A, none of the above 3 offers could be considered and a 4th party namely M/s. Gopal Construction Company came into the picture with an offer of Rs. 9,11,550/- which was ultimately accepted and the contract awarded.

APPENDIX IX

[Vide Para 3.65 of this Report]

GOVERNMENT OF INDIA

MINISTRY OF INDUSTRY AND SUPPLY

(Department of Supply and Technical Development)

*Points arising out of the evidence tendered before the Public
Accounts Committee*

**PARA 26—Dandakaranya—Bolangir—Kiriburu Railway Project—
purchase of unsuitable Drill Steel Rods.**

Points: (i) It appears that at least some payment was not made to the firm till July, 1963 as the D.G.S. & D., had made a reference to the Law Ministry on 25-7-1963 whether they could stop the payment or not. A note explaining the position may be given.

The delivery period indicated in the A/T was 30th November, 1962. The firm completed supplies on 11th December, 1962, i.e., within the grace period of 21 days. The price of the A/T was regularised on 1st April, 1963. The consignee returned copies No. 2 and 5 of the Inspection note to the firm on 14th February, 1963. The consignee asked the Director General Supplies and Disposals in his letter dated 11th February, 1963 to withhold balance payment to the firm. The firm, had received a sum of Rs. 1,90,750/- between the 11th and 26th December, 1962 towards 90 per cent payment as per the terms of the contract. The balance payment of 10 per cent plus the Security Deposit of Rs. 10,920/- was withheld until the final decision was taken on 3rd September, 1965, regarding the disposal of the unacceptable stores and till the firm deposited in cash the value of such stores as were back-loaded to them.

(ii) The date when the Ministry of Railways (Railway Board) had sent their approval note or inspection note on the basis of which the DGS&D could make the payment may begin.

The consignee released copies No. 3 and 5 of the Inspection Note on 14-2-1963 against which the firm was entitled to the balance 10 per cent payment.

- (iii) A note may be furnished explaining why a copy of the letter of the 16th November, 1961, from the Calcutta Engineering Stores was not sent to the Inspector of the DGS&D in Tokyo.

Copy of the firm's letter dated 16th November, 1961, was not sent to the Inspector in Tokyo as in that letter the firm had merely confirmed that the stores offered by them were exactly to the specification as mentioned in the tender enquiry. It was on the basis of this confirmation that the A T was placed on the firm subsequently.

- (iv) The number of contracts given to this Indian firm after the receipt of the complaint and during the period when the matter was referred to the Law Ministry may be given.

The complaint was received under consignee's letter dated 11th February, 1963, (letter received on 15th February, 1963). On receipt of this letter, the D.G.S.&D. approached the Director of Inspection, Tokyo for complete details and took up the matter with the firm. After collecting the data, the file was referred to the Law Ministry on 25th July, 1963. The following contracts were placed on this firm during the period 11st February, 1963 to 25th July, 1963:—

Sl. No.	contract No.	Month of Issue	Value
			Rs.
1.	CAL/PR-I/23	February, 1963	34,686
2.	CAL/PR-III(i) /32021-N/79	Do.	1,212
3.	SR3/4480	March, 1963	19,301
4.	CAL/PM-III/57	Do.	4,789
5.	SMH1/6380	April, 1963	13,818
6.	CAL/PH-III/63	Do.	25,483
			<hr/> 99,298

Sd./- (N. R. Bansod)

Joint Secretary to the Government of India.

File No. 43(6) /64-PI
New Delhi, dated April, 1966.

APPENDIX X

[Vide Para 3.65 of this Report]

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(Railway Board)

*Points arising out of the evidence tendered before the Public
Accounts Committee*

**PARA 26--D.B.K. Railway Project—Purchase of unsuitable Drill
Steel Rods.**

Point:

(ii) The date when the Ministry of Railways (Railway Board) had sent their approval note on inspection note on the basis of which the D.G.S.&D. could make the payment may be given.

Reply:

The Inspection note was released by the consignee to the firm on 14th February, 1963. This release of inspection note would have normally enabled the firm to receive balance 10 per cent payment only, 90 per cent payment having already been made after inspection and on proof of despatch. However, the indenter, on 11th February, 1963 had sent a letter to the D.G.S.&D. to stop payment still due to the suppliers. Accordingly, 10 per cent payment was withheld.

In this connection, it is explained that the terms of payment in the contract were '90 per cent payment after inspection and proof of despatch and the balance 10 per cent on receipt of stores by the consignee in good condition' or alternatively, at contractor's option 'full 100 per cent payment after inspection and on receipt of stores by the consignee in good condition'. The contractor had opted for the first alternatives, i.e., 90 per cent payment after inspection and on proof of despatch and balance 10 per cent on receipt of stores by the consignee in good condition. Inspection note for the Drill Rods was issued by the Director of Inspection on 5th December, 1962. The materials were despatched by the firm in two instalments on 7th December, 1962 and 11th December, 1962. The firm

submitted their bill for 90 per cent payment on 11th December, 1962 to the Pay and Accounts Officer, Calcutta alongwith copy No. 1 of the Inspection Note. The Pay and Accounts Officer, Calcutta arranged for 90 per cent payment before 26th December, 1962 (exact date is not known and is being ascertained).

It will thus be seen that the 90 per cent payment is not dependent on the actual physical receipt and accountal of the goods by the consignee. In this case, the consignee actually received the materials on 20th December, 1962 and 23rd December, 1962 and the materials were brought to account by the consignee on 18th January, 1962. Copies No. 2, 4 and 5 of the inspection notes were sent by the firm to the consignee, D.C.O.S., Waltair at Pendurti, on 11th December, 1962 alongwith the R.R Copies No. 2 and 5 were released to the firm by the D.C.O.S., Waltair at Pendurti on 14th February, 1963, (copy No. 4 having been retained by him being office copy). The Dy. C.E., Borra had drawn the materials from the Stores Depot and subjected them to practical test and submitted a report on 7th February, 1963 directly to the Head Office of the D.B.K. Railway Projects at Waltair stating that the supplies were found defective. The D.B.K. Railway Projects Administration, Waltair thereupon wrote to the D.G.S. & D on 11th February, 1963 to stop payment still due to the suppliers.

APPENDIX XI

[Vide Para 3.85 of this Report]

**GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(Railway Board)**

Points arising out of the evidence tendered before the P.A.C.

Para 27—Northern Rly.—Overpayment to a private firm on account of incorrect supplies of steel material.

Point:

A note may be furnished giving the following information:

- (i) Whether any other Railways had dealings with the Industrial Products Corporation, Calcutta; and
- (ii) Whether the Industrial Products Corporation, Calcutta was a partnership firm, a Company or a Cooperative Society.

Reply:

(i) No other Railway had dealings with Messrs. Industrial Products Corporation, Calcutta.

(ii) The firm is reported to be a Sole Proprietorship concern.

APPENDIX XII

[Vide Para 3.121 of this Report]

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS

(Railway Board)

Points arising out of the evidence tendered before the P.A.C.

Para 29—Outstanding Claims against Shipping Companies' Agents for imported stores received short or in damaged conditions.

Point:

A statement may be furnished giving details as to how much was recovered from the shipping companies and how much was written off out of the total claims amounting to Rs. 17.67 lakhs and the number of cases cleared so far.

Reply:

The figure of Rs.17.67 lakhs referred to in Audit Para as the value of claims outstanding at the end of December, 1964 covers 260 cases. The break-up of this figure is as under:—

	Amount (In lakhs of Rs.)	No.
1. Value of claims outstanding against Bombay Port Trust but shown against Shipping Companies/Agents in the Audit Para.	0.95	34
2. Value of claims included in the Audit figure though cleared prior to 31-12-64		
(a) Amount recovered	0.09	}
(b) Amount written off.	0.06	
(c) Amount reduced due to linking of 0.26 receipts		
(d) Claims withdrawn due to discovery of an error of double entry in the general Manifest exhibited by the Steamer Agents	0.97	
(e) Claim transferred to Insurance Company.	0.08	
	1.46	19

	(Amount in lakhs of Rs.)	No.
3. Value of claims cleared between 1-1-65 to 31-10-65.		
(a) Amount recovered	1.65	} 5.54 63
(b) Amount written off being written off.	0.27	
(c) Amount reduced due to linking of receipt of material by consignees.	3.62	
4. Value of claims outstanding on 31-10-65.	9.72	144
TOTAL :	17.67	260

APPENDIX XIII

[Vide Para 3.171 of this Report]

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS

(Railway Board)

Points arising out of the evidence tendered before the P.A.C.

Para 37—Northern Railway—Encroachment of Railway land at Kanpur.

Para 38—Non-realisation of Railway dues from a private firm.

Point (Para 37):

- (a) The date when the Departmental Committee was constituted to go into the whole question and fix the responsibility on the staff involved, may be given.
- (b) A note may be furnished giving the total amount recovered from this party from time to time and if no recovery has been made, the reasons therefor.
- (c) The details of such cases of encroachment of Railway property at Kanpur, may be given.
- (d) A statement may be furnished showing:
 - (i) how many times leases were given to this party;
 - (ii) how many times notices were issued to this party to vacate the land; and
 - (iii) the steps so far taken regarding eviction etc.
- (e) A note may be given as to how many cases of encroachment were reported by the Commissioner, Kanpur to the General Manager, and what action had been taken by him.

Point (Paras 37 & 38):

Whatever additional information is available relating to these two paras may be furnished.

Reply:

1. The Audit criticism in para 37 of Railway Audit Report, 1965, is that a private firm who originally held a plot of Railway land measuring 1435 sft. on lease from September 1941 had committed encroachments on Railway land of over 27,000 sft. at different periods commencing from October 1949 and the Railway has demanded vacation of encroachment and claimed a recovery of rent and damages amounting to Rs. 95,832 in an application filed on 22nd January 1964 before the Estate Officer.

2. The Ministry of Railways while conceding that the Railway Administration had not shown the *requisite drive and promptness in pursuing the matter more vigorously, would like to submit in extenuation that the Administration all the same had been constantly pursuing the matter with the party for the payment of dues and for the vacation of the encroachment. Further the encroachment itself was of a temporary nature as it was mostly used for stacking coal and groundnuts required for the Mills after they were unloaded from the wagons with the result no date of permanent encroachment could be fixed. The area and duration covered by the materials unloaded varied from day to day, leading to the controversy about the extent of encroachment. A Committee consisting of the Dy. CE/E, Dy. CCS(G) and Dy. F.A. has been constituted to go into the question of responsibility of the staff involved in this case. Meanwhile an application for vacation of the encroachment and the recovery of the rent has been submitted to the Estate Officer and the same is yet to be disposed of.*

3. Information in respect of the specific points raised by the Committee is furnished in the succeeding paras. It would be observed from the reply to point (c) that there are some other cases of encroachment also in the Kanpur area. Though in an industrial area such as Kanpur, owing to the various factors encroachments temporary or permanent do tend to occur at various places, the Ministry of Railways are however, considering steps to prevent such encroachments taking place or in any case to ensure that *proper recovery of rent is made from the parties concerned within a reasonable time.*

Reply (Para 37):

(a) The departmental Committee comprising of Dy. Heads of the Engineering, Commercial and Accounts Departments was constituted on 23-12-1964 to investigate and fix responsibility for the lapses.

The Committee has already held two sittings, and is expected to finalise their proceedings shortly.

(b) The following amounts have been recovered from M/s. New Kanpur Flour Mills, from time to time:—

Plot/Area	Period from and to	Total amount recovered
		Rs.
(i) 1435 sft.	23-9-41 to 31-3-50	1409.23
	1-4-50 to 31-3-58	3416.45
	1-4-58 to 31-3-61	1785.60
		6611.28
(ii) 24000 sft.	15-7-55 to 31-3-58	19344.00
(iii) 3233 sft.	21-4-54 to date	These were initially encroachment cases and no licence was granted. Amount recoverable is Rs. 42850/-, Rs. 10710 and Rs. 35700/- respectively. (Total Rs. 89260)
(iv) 28797 sft.	14-8-49 to 20-4-54	
(v) 24000 sft.	1-4-58 to 31-3-63	

The reasons for non-recovery of license fee for item (i) and (ii) above after 1961 and 1958 respectively are that the licenses were not renewed after those dates, since the party neither agreed to pay up the license fee/damages, etc., claimed in case of encroachments shown under items (iii), (iv) and (v) above in spite of repeated requests nor did they vacate the land in question.

(c) A detailed statement is enclosed as Annexure 'A' showing the requisite information.

(d) (i) From the records it is evident that the licences (and not leases) were given only once, in case of plot measuring 1435 sft. in 1941, and in case of plot measuring 24000 sft. on 15-7-1955. As explained earlier, even though licenses for these two plots, were not renewed, after 31-3-1961 and 31-3-1958 the firm is still occupying them, unauthorisedly. The rest of the land i.e. plots measuring 3233 sft. and 28797 sft., was unauthorisedly occupied by the party and they still continue.

(H) 15 notices were issued out of which 2 were legal notices.

(iii) Eviction application has been filed in the Court of Estate Officer, Northern Railway, New Delhi and the same is being processed.

(e) As per records available, no such case of encroachment has been reported by the Commissioner, Kanpur. The cases detailed in Annexure 'A' were detected from time to time during the course of official inspections.

Reply (Paras 37 and 38):

II. As regards para 38, the Audit point is that another firm at Kanpur who had been allotted various plots on lease since 1940, had occupied other Railway land over certain periods unauthorisedly. A legal notice was served on the firm only in January, 1960 for paying up the arrears of rent and the Audit criticism is that no action was taken to file a suit or otherwise to get the plots vacated.

The Ministry of Railways would like to submit that this is rather a complicated case where the number of plots involved (leased or encroached) is as many as 11. The action of the Administration in regard to this case has to be appreciated against the following two important facts:—

- (i) The particular firm which is situated between Harriganj over-bridge and the Northern Railway Central Institute to the South of the washing and stabling lines is served by an assisted siding which is located on Railway land. The party had necessarily to load and unload consignments on Railway premises.
- (i) Encroachments by the party for keeping their materials on Railway land were of a temporary nature and it is difficult for the Railway Administration to prove any continuous occupation of Railway land. In that context it is also difficult to enforce the recovery of the Railway dues as would be evident from the opinion of the Law Officer of the Railway as reproduced below:

“In regard to the plots under unauthorised occupation, it may be stated that the record maintained to prove the encroachments is not conclusive. For every encroachment, there should be record to show the nature of encroachment and continuity of the same. Since some of the encroachments still exist, the Superintendent Kanpur Area was advised to initiate action against the firm

under the Public Premises (Eviction of unauthorised occupants) Act, 1958."

A suit has already been filed before the Estate Officer for Rs. 1,58,836.32. The matter has not yet been disposed of by the Estate Officer.

As already mentioned in the note relating to para 37, the Railway Board is considering what further steps should be taken to tighten up the procedure to prevent encroachments particularly in commercial area like Kanpur and where such encroachments have taken place to clear the same and effect the recovery of necessary rent.

ANNEXURE 'A'

Statement showing other encroachments on Railways land in Kanpur

Sl. No.	Location	Area of Plot	Name of the Party	Date since when encroachment exists	Action taken to evict encroachment or to regularise the same
1.	Mills siding	1206 sft.	Kallo Mal	Since 1-4-49	Notice for eviction issued. Case with Estate Officer.
2.	Do.	380 sft.	Electric Supply Co.	From 1-4-52	Notice for eviction Issued. Case with D.S., Allahabad.
3.	Do.	33550 sft.	M/s. Radhey Lal Steel Rolling Mills.	1-4-55	Case in High Court.
4.	Gatैया Siding 83 241 Param Purva, Kanpur.	200 sft.	Shri Ram Gopal	1-4-41	Being considered by D.S., Allahabad for regularising the case.
5.	Do.	221 sft.	Shri Ganeshi Lal	1-4-25	Being considered by D.S., Allahabad for regularising the case.
6.	Mills siding	0 679 Acres	Shri Nasir-uddin Ahmed	19-11-56	Case was sent to Estate Officer who has ordered that a regular civil suit should be filed in this case. The case is under consideration of the Law Officer.

APPENDIX XIV

[Vide Para 3.183 of this Report]

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(Railway Board)

Points arising out of the evidence tendered before the P.A.C.

Para 40—Loco Component Works—Varanasi.

Point:

(a) A statement may be furnished indicating what were the machines which were originally meant for the Loco Component Works Project and which were transferred later on to the Diesel Locomotive Works Project.

(b) Information about the expenditure incurred in making alterations to the structures and machinery for being used for the second project and whether any portion of the assets created for the first project is lying unutilised, may be given.

(c) Proportion of the foreign exchange sanctioned for the project actually utilised. The total value of the components manufactured in this project upto 31st March, 1962 may also be indicated.

Reply:

(a) A statement indicating the machinery and plant that were originally obtained for the Loco Component Works Project and those subsequently transferred to Diesel Locomotive Works is enclosed as Annexure I.

Alterations, if any, in assets.

(b) (i) All the Buildings and Structures erected for the L.C.W. have been utilised in setting up the D.L.W., with the exception of 0.88 mile of track. The layout of the structures and buildings for the D.L.W. was so designed that all the buildings and structures already available as a part of the L.C.W. were kept intact and formed an integrated part of the new Works. As a result of this, there was no expenditure incurred in making any physical alterations to the structures and buildings of the L.C.W. The only expenditure was in case of the track which had to be relaid to suit the movement require-

ments of the D.L.W. In this connection, it may be clarified that in a large construction programme for a Project of this size, it is quite usual to lay temporarily short railway track to facilitate a certain pattern of movement of rolling stock to suit the construction needs. When the construction work is completed, the track may have to be relaid to suit the changed pattern of movement to meet the permanent requirement of the Project.

In so far as machinery and plant are concerned, no expenditure was incurred by D.L.W. in making any alterations to the machinery and plant of the L.C.W. to make them fit for use by D.L.W. However, some second-hand machinery and plant, before commissioning had to be attended to, a requirement which in the case of second-hand machines is quite normal and would have had to be undertaken even for the L.C.W.

Utilisation of assets.

(ii) So far as the structures and buildings are concerned, there are no items lying unutilised by the D.L.W.

As regards Machinery & Plant the position is that 317 machines were procured for Locomotive Component Works. Of these, 63 were new, 44 were obtained second-hand on transfer from Railway Workshops and 210 were U.S. surplus machines. These surplus machines were obtained from the United States free of cost, the only charge paid for them being the freight, custom and handling. These machines were selected in the United States on the basis of brief particulars furnished by the Department of Defence, Excess Personnel Property, U.S.A. The time available for the selection and physical examination of these machines in the United States being very limited the selection of these machines for use in railway production units and workshops etc. had necessarily to be made on the basis of these particulars only. Subsequently these machines were allotted and despatched to the various production units and workshops etc. on the basis of their respective requirements.

Accordingly the U.S. surplus machines for the L.C.W. were also allotted on the basis of the brief particulars available, since there was no opportunity for the production units and railway workshops etc to carry out physical examination of the machinery and plant before selecting them. When subsequent examinations were carried out by the L.C.W. on receipt of the machines it was found that some of them could not be utilised as their condition and performance were not suitable for the specific purpose for which they were required. A number of these machines were also received deficient of components which could not be obtained as the machines were obsolete and

there were also defects which could not be rectified. Out of these 210 U.S. surplus machines received by L.C.W. valued at Rs. 18.06 lakhs, 77 machines valued at Rs. 6.62 lakhs have been utilised for the D.L.W. and 70 machines valued at Rs. 6.02 lakhs have been transferred to other railway workshops and utilised. The remaining 63 U.S. surplus machines valued at Rs. 5.42 lakhs have been found surplus to the requirements of D.L.W. The possibility of using these machines in other production units and workshops of the other Railways has been examined and possibility of some of them being utilised by other public sector undertakings is also being investigated.

Out of the 63 new machines which were indigenously purchased at a cost of Rs. 8.90 lakhs, 51 machines costing Rs. 7.66 lakhs have been commissioned for use by the D.L.W., two costing Rs. 1.02 lakhs have been transferred to other railway workshops. The question of utilising the remaining 10 machines costing only Rs. 22,000 in other railway workshops is being investigated. No difficulty is anticipated in utilising these machines.

Out of the 44 old machines received on transfer from other railway workshops valued at Rs. 6.22 lakhs, 20 machines valued at Rs. 4.36 lakhs have been installed for use by the D.L.W. and 5 valued at Rs. 1.26 lakhs have been returned to the railway workshops. The question of returning the remaining 19 machines valued at Rs. 60,000 to other railway workshops which may be requiring these machines is now under investigation.

(c) (i) The release of Foreign Exchange to the extent of Rs. 80 lakhs was agreed to by the Ministry of Finance in May, 1958, for the procurement of machinery and plant to cover the immediate requirement of the Project. In view, however, of the subsequent decision by the Railway Board to procure as much of the requirement of machinery and plant as possible in the form of surplus machines from United States, the actual release of the foreign exchange for the purchase of machinery and plant was not required. However, for the purchase of a few items of electrical testing and maintenance equipment, an expenditure of Rs. 12,000 only in foreign exchange was incurred.

(ii) The total value of the components manufactured by the L.C.W. at the end of March, 1962 was Rs. 2.70 lakhs.

ANNEXURE I

A. Full list of machines obtained for LCW

(i) U.S. Surplus Machines.

1. Circular Saw.
2. Cut off Saw Cross-Cut.
3. Drill Press, single spindle
4. Engine Lathe
5. Face Mill cutter grinder.
6. Fixed spindle Drill
7. Fork lifter (Battery).
8. Fork lifter (Battery).
9. Platform Truck.
10. Platform Truck.
11. Platform Truck.
12. Platform Truck.
13. Platform Truck.
14. Pedestal Grinder.
15. Pedestal Grinder.
16. Radial Drill.
17. Radial Drill
18. Radial Drill.
19. Sensitive Drill 2 spindle.
20. Shaper Vertical and Mill.
21. Tool & Cutter Grinder.
22. -do-
23. -do-
24. -do-
25. Truck Crane 10 T.
26. Carbide Tool Grinder.
27. Pedestal Grinder.
28. Press Forging.

29. Radial Drill.
30. Turret Lathe.
31. Vertical Mill.
32. Engine Lathe.
33. Milling Machine.
34. Radial Drill.
35. Vertical Turret Lathe.
36. Fixed Spindle Drill.
37. Shaper.
38. Single spindle Drill.
39. Engine Lathe.
40. Engine Lathe.
41. Engine Lathe.
42. Engine Lathe.
43. Grinder Edger.
44. Horizontal Mill.
45. Plain Grinder.
46. Planer.
47. Radial Drill.
48. Radial Drill.
49. Sensitive Drill.
50. Shaper.
51. Shaper Heavy outy.
52. Slotter.
53. Slotter.
54. 3-Spindle Drill.
55. Stationery Welder.
56. Surface Grinder.
57. Turrent Lathe.
58. Turret Lathe.
59. Shaper.
60. Turret Lathe.
61. 200A Arc Welding Set.
62. Tool Grinder.
63. Turret Lathe.

- 64. Turret Lathe.
- 65. Capston Lathe.
- 66. Centre Lathe.
- 67. Centre Lathe.
- 68. Centre Lathe.
- 69. Centre Lathe.
- 70. Shaper.
- 71. Horizontal Mill.
- 72. 300A Arc Welding set.
- 73. 200A Arc welding set.
- 74. 800A Arc welding set.
- 75. Turret Lathe.
- 76. Turret Lathe.
- 77. Shaper.
- 78—99. Lathe.
- 100—101. Gear measuring & Testing M/c.
- 102. Core Blower.
- 103. Sand Mixer.
- 104. Core Knocking M/c.
- 105. Centrifugal casting M/c.
- 106. Tumbling mill 36" dia 42" long wide.
- 107—110. Boring machine.
- 111—112. Moulding.
- 113—114. Hammer.
- 115—116. Crane Wt. Indicator.
- 117. Abrasive Cut Off Saw.
- 118—121. Furnace.
- 122.
- 123—124. Slotter.
- 125—128. Drilling.
- 129—133. Milling.
- 134—139. V. T. Lathe.
- 140. Shaper.
- 141—145. Grinder.
- 146—147. Arc Welding sets.

148. IEA Production Lathe.
149. IEA Production Lathe.
150. Gear Hobbing & thread milling.
151. Vertical Turret Lathe 34" table.
152. Hole & Worm lead measuring machine.
153. Gear Testing machine 32 $\frac{1}{2}$ ".
154. Gear Measuring machine 12" cap.
155. Gear Testing Machine 12"×48".
156. Gear Pitch & space testing machine.
157. Gear Hobber and Thread miller.
158. Precision Boring machine Cap. 8"×20".
159. Moulding machine 38"×32" table.
160. -do-
161. -do-
162. -do-
163. -do-
164. -do-
165. Tumbling machine 48"×48".
166. Hammer drop 2000 Lbs.
167. Crane Wt. indicator.
168. Furnace Bell type.
169. Furnace Box type 38 KVA.
170. Furnace forging oil fired.
171. Salt bath furnace.
172. Slotter Electric Driven 36".
173. Drilling 3 $\frac{1}{2}$ " capacity.
174. Drilling 3" capacity.
175. Radial Drilling machine 4' arm.
176. Hor. milling machine cap. 50" table travel
177. Milling machine 42" table travel.
178. Milling machine 48" table Duplex.
179. Vertical Mill double end.
180. Milling machine Hydromatic 36"×18".
181. Milling machine 48" table travel & 22" width.
182. Milling Duplex machine spline and key way.

- 183. Contour milling machine.
- 184. Contour milling machine.
- 185. Vertical Turret Lathe 32" table.
- 186. -do- 30".
- 187. -do- 32".
- 188. Buffing machine.
- 189. Internal Grinder.
- 190. Internal Grinder 11.1/4" sewing.
- 191. Tool Grinder 24".
- 192. Grinder 16"×36".
- 193. Surface Grinder 13"×36".
- 194. Arc Welding set.
- 195. -do-
- 196. -do-
- 197. Circular Saw 30" blade.
- 198. Spray Painting compressor.
- 199. Swaging machine size 1·3/4" dia. 2·1/2" length.
- 200. Hardness tester.
- 201. Pallet Truck. cap. 20,000 lbs.
- 202. Fork lifter. Cap. 30,000.
- 203. Lather Turret 2" dia bar.
- 204. -do-
- 205. -do-
- 206. -do- 6". 1/2" dia bar.
- 207. -do- 3 1/2" dia bar.
- 208. -do- 2" dia bar.
- 209. -do- 6:1" dia bar.
- 210. Centre lathe 34" swing 54 C to O.

(ii) *New machines purchased for L.C.W.*

- 1. Cobra Hack Saw.
- 2. Cobra Hack Saw.
- 3. Forg Well Hammer & Anvil.
- 4. HMT High Speed Lathe H 22.
- 5. -do-
- 6. -do-

7. HMT High Speed Lathe H22.
8. -do- CTS. LB/17.
9. HMT Hor. milling 1,100 Max 275 mm.
10. -do-
11. -do-
12. HMT Hor. Milling 1350×350 mm.
13. -do-
14. Pedestal Grinder 18"×3" E.
15. -do-
16. Power Hacksaw C.T.W.S.
17. Milling Machine.
18. Air Compressors.
19. -do-
20. -do-
21. Arbor Radial Drilling machine.
22. Arbor Piller Drill.
23. B.C.M. Lathe.
24. -do-
25. -do-
26. -do-
27. Bench Grinder 112"×14"×7'8".
28. Bench Grinder 1. H.P.
29. 14 BMC Piller Drill.
30. -do-
31. Bench Hammer.
32. Bell Press No. 2.
33. Cooper Shaper.
34. Cutter Grinder.
35. Cobra Hack Saw.
36. Excel Netal Cutting B. Saw.
37. Electric Welding Set.
38. -do-
39. -do-
40. -do-
41. -do-
42. -do-

43. Floor Grinder.
44. Horizontal Band Saw.
45. Investa Lathe.
46. Praga Pillar Drill $\frac{1}{2}$ " Cap.
47. Paraga Milling machine Hor. P.M. 002.
48. -do- 020.
49. Shearing Machine.
50. Sheet Bending Machine.
51. Vertical Band Saw.
52. Maw Chrompressor 500 Cuft.
53. -do- -do-
54. Hand Shearing Press.
55. -do-
56. Garlick Horizontal metal cutting Band Saw.
57. Pipe bending machine Hyd.
58. Pipe Bending machine. Cap. $\frac{1}{2}$ " to 3".
59. Blower high pressure
60. -do-
61. PHC Welding set (German).
62. Ind. Arc. Transformer Welding set.
63. -do-

(iii) *Machines received by L.C.W. from other Railways.*

1. D.E. Grinder.
2. Butler shaper 26" stroke.
3. Shaper 18" stroke.
4. Slotter Ormard 12".
5. Forging Furnace oil fired.
6. -do-
7. Forging m/c covmac No. 6 main.
8. Vertical Turret (W.O.).
9. Westman Furnace oil fired.
10. Wagner scrawing m/c. Cap. 3".
11. Table Saw Bench Rise & Fall.
12. Cooper 20" stroke shaper.
13. Pne. hammer 10 Cwt.

14. Pnc. hammer 5 Cwt.
15. Churchill Redman Centre Lathe.
16. Hor. Milling machine "Wanderer".
17. Planner.
18. Screwing Cap. 2".
19. Arbor Press.
20. -do-
21. Beche Pnc. Hammer.
22. Pneumatic Hammer 7 Cwt.
23. Pneumatic Hammer 10 Cwt.
24. Asquith radial drill.
25. Roots Blowers.
- 25A. Vertical Turret.
26. Asquith—Drilling machine 1½" Cap.
27. Radial Drill 3' arm.
28. Twist Drill Krinder 1" to 2½" dia.
29. Bar Reeling machine.
30. Hilger Thread Projector without profile plate.
31. Black smith hearth complete.
32. -do-
33. -do-
34. -do-
35. Blowers Wester Work.
36. Ward Capston lathe cone pulley drive.
37. -do-
38. Herbert Universal Grinding machine 6"×3/4".
39. Standard Sand Mill.
40. Pug. Mill.
41. 1/2" Ton Cupola.
42. Cupola 36".
43. Blower.

List of machines which were originally obtained for L.C.W. and subsequently transferred to D.L.W.

(1) U.S. Surplus machines

1. Circular Saw.
2. Cut off Saw Cross-Cut.

3. Drill Press, single spindle.
4. Engine Lathe.
5. Face Mill cutter grinder.
6. Fixed spindle Drill.
7. Fork lifter (Battery).
8. Fork lifter (-do-).
9. Platform Truck.
10. -do-
11. -do-
12. -do-
13. -do-
14. Pedestal Grinder.
15. -do-
16. Radial Drill.
17. -do-
18. -do-
19. Sensitive Drill 2 spindle.
20. Shaper vertical & Mill.
21. Tool & Cutter Grinder.
22. -do-
23. -do-
24. -do-
25. Truck Crane 10 T.
26. Carbide Tool Grinder.
27. Pedestal Grinder.
28. Press Forging.
29. Radial Drill.
30. Turret Lathe.
31. Vertical Mill.
32. Engine Lathe.
33. Milling Machine.
34. Radial Drill.
35. Vertical Turret Lathe.
36. Fixed Spindle Drill.
37. Shaper.
38. Single Spindle Drill.

39. Engine Lathe.
40. -do-
41. -do-
42. -do-
43. Grinder edger.
44. Horizontal Mill.
45. Plain Grinder.
46. Planer.
47. Radial Drill.
48. -do-
49. Sensitive Drill.
50. Shaper.
51. Shaper Heavy Duty.
52. Slotter.
53. Slotter.
54. 3-Spindle Drill.
55. Stationary Welder.
56. Surface Grinder.
57. Turret Lathe.
58. Turret Lathe.
59. Shaper.
60. Turret Lathe.
61. 200A Arc Welding set.
62. Tool Grinder.
63. Turret Lathe.
64. -do-
65. Capston Lathe.
66. Centre Lathe.
67. -do-
68. -do-
69. -do-
70. Shaper.
71. Horizontal Mill.
72. 300A Arc Welding set.
73. 200A Arc Welding Set.

- 74. 800A Arc Welding Set.
- 75. Turret Lathe.
- 76. Turrent Lathe.
- 77. Shaper.

(ii) *New machines purchased.*

- 1. Cobra Hack Saw.
- 2. Cobra Hack Saw.
- 3. Forge Well Hammer & Anvil.
- 4. HMT High Speed Lathe H 22.
- 5. -do-
- 6. -do-
- 7. -do-
- 8. -do- C.T.S. LB/17.
- 9. HMT Hor. Milling 1000 Max. 275 mm.
- 10. -do-
- 11. -do-
- 12. HMT Hor. Milling 1350×350 mm.
- 13. -do-
- 14. Pedestal Grinder 18"×3" E.
- 15. -do-
- 16. Power Hacksaw C.T.W.S.
- 17. Milling Machine.
- 18. Air Compressors.
- 19. -do-
- 20. -do-
- 21. Arbor Radial Drilling machine.
- 22. Arbor Pillar Drill.
- 23. B.C.M. Lathe.
- 24. -do-
- 25. -do-
- 26. -do-
- 27. Bench Grinder 112"×14"×7/8".
- 28. Bench Grinder I.H.P.
- 29. 14 MBC Pillar Drill.
- 30. -do-

31. Bench Hammer.
32. Bell Press No. 2.
33. Cooper Shaper.
34. Cutter Grinder.
35. Cobra Hack Saw.
36. Excel Metal Cutting B. Saw.
37. Electric Welding Set.
38. -do-
39. -do-
40. -do-
41. -do-
42. -do-
43. Floor Grinder.
44. Horizontal Band Saw.
45. Investa Lathe.
46. Praga Pillar Drill 4" Cap.
47. Praga Milling machine Hor. P.M. 002.
48. -do-
49. Shearing Machine.
50. Sheet Bending Machine.
51. Vertical Band Saw.

(iii) *Machines received from other Railways*

1. D. E. Grinder.
2. Bulter Shaper 26" stroke.
- 3 Shaper 18" stroke.
4. Slotter Ormard 12".
5. Forging Furnace oil fired.
6. -do-
7. Forging m/c. covmac No. 6 main.
8. Vertical Turret (W.O.).
9. Westman Furnace oil fired.
10. Wagner Screwing m/c. Cap. 3".
11. Table Saw Bench Rise & Fall.
12. Cooper 20" stroke shaper.
13. Pne. hammer 10 Cwt.

14. Pnc. Hammer 5 Cwt.
 15. Churchill Redman Centre Latha.
 15. Churchill Redman Centre Lathe.
 17. Planer.
 18. Screwing Cap. 2".
 19. Arbor Press.
 20. -do-
-

APPENDIX XV
[Vide Para 3.193 of this Report]

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(Railway Board)

Points arising out of the evidence tendered before the P.A.C.
Para 43—South Eastern Railway—Mahanadi Bridge Project.

Point:

(i) A statement may be furnished indicating in how many cases contracts above 10 lakhs in value had been given without tenders and in the case of the Hindustan Construction Co. in how many cases contracts had been awarded without tenders and the total foreign exchange allotted to this firm in respect of different contracts, though some of them might have been given in open tenders. (The information may be given since the contract for the Ganga Bridge up to this time. Particulars of the case of Rihand for which open tenders were invited in 1962 may also be included).

(ii) Information may also be given as to what were the original quotations given by the Hindustan Construction Co. and the extent to which the rates were reduced as a result of negotiations.

Reply:

Information is given in the enclosed statement.

*Statement indicating further information asked for by Public Accounts Committee in connection with Para 43 of Audit Report
(Railways), 1965.*

		<i>Details</i>		
(a) Number of cases of bridge works in which contracts above Rs. 10 lakhs in value had been given without tenders, during the period 1954 (when Ganga Bridge contract was awarded) to 1965 (up to date).		6—(i)	Virur Nullah bridge (C. Rly.)	
			(ii) Diana Bridge (N.F. Rly.)	
			(iii) Brahmaputra Bridge (N.F. Rly.)	
			(iv) Jia Bhareli Bridge (N.F. Rly.)	
			(v) Mahanadi bridge (S.E. Rly.)	
			(vi) Rupnarayan bridge (S.E. Rly.)	
(b) In how many cases out of (a) above, the contracts were awarded to M/s. Hindustan Construction Co. Ltd.		6—As above.		(Rs. in lakhs)
(c) The total amount of foreign exchange allotted to M/s. Hindustan Construction Co. Ltd. in respect of different contracts awarded on the basis of tenders or without tenders during the period 1954 to 1965.	Rs. 63 26 lakhs—	(i)	Brahmaputra Bridge (N.F. Rly.)	24.47
		(ii)	Jia Bhareli bridge (N.F. Rly.)	2.00
		(iii)	Contract for eleven bridges on B. G. Constn. Project (N.F. Rly.)	4.00
		(iv)	Bridge work and earth work for additional yards at Jhansi and Babina (C. Rly.)	2.00
		(v)	Bridge works, earthwork, tunnels etc. on Kottawalasa-Bailladilla Project (DBK.)	9.53
		(vi)	Mahanadi bridge (S.E. Rly.)	12.60
		(vii)	Rupnarayan bridge (S.E. Rly.)	7.29
		(viii)	Thema and Kanhar bridges and earthwork on Robertsganj-Garhwa Road Project (N. Rly.)	1.16
		(ix)	Rihand and Gopad bridges (N. Rly.)	0.21

(d) Particulars of the case of Rihand bridge on Ogra-Singrauli rail link.

Details

In November, 1961, the Northern Railway invited Open Tenders for the construction of a bridge comprising 12 Nos. of 150' spans and 2 Nos. of 60' spans. Only 2 firms viz. M/s. Hindustan Construction Co. Ltd. and M/s. Noorullah Ghazanfarullah Khan submitted tenders which were opened on 4-4-62. But on the request of the Uttar Pradesh Govt. who wanted to locate a new Thermal Station in the area a new site for rail bridge was finally decided in June, 1962. The change in site resulted in the changes of bridge spans also and it was decided to provide 5 Nos. 250' and 2 Nos. of 100' spans at the new site. For such a large bridge pneumatic sinking of the wells was to be done and as far as known at that time there were only 3 firms in India which could be considered for the award of this contract. M/s. Uttam Singh Duggal were at that time constructing other railway bridges at Delhi and Patharkot and did not have spare capacity to undertake any more work for the next few years. It was presumed that for the same reasons they did not submit tender for this work also. Therefore, only limited tenders were called from M/s. Hind Const. Co. Ltd. and M/s. Hindustan Const. Co. Ltd. M/s. Hind Const. Co. Ltd. did not submit their tender for this work presumably because they possessed only a small sized air locking equipment and steam compressors which were not suitable for sinking well foundations of large sized-wells as those of the Rihand bridge. Only M/s. Hindustan Const. Co. Ltd. sub-

mitted their tender and that Tender was accepted on 3-9-62. While accepting their tender no commitment was made regarding release of foreign exchange but subsequently because of pressing necessity a small amount of foreign exchange i.e. Rs. 1,500 was released as a special case for purchase of Riken gas indicator.

(e) (i) Original quotation of M/s. Hindustan Construction Co. Ltd. for Mahanadi bridge.	168.00 lakhs
(ii) The reduction effected in the quoted rates as a result of negotiation.	3.00 lakhs.

APPENDIX XVI

[Vide Para 4.27 of this Report]

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS

(Railway Board)

Points raised in Lok Sabha Secretariat's Office Memorandum No. 2/IX/7/65/PAC dated 11-3-1966

Points:

Delay in finalisation of tenders and placing of orders for purchase of material.

Two cases of delays in the finalisation of tenders and processing of indents were reported to the PAC (1959-60). These cases were commented in paras 14 to 17 and 36 of the 21st Report (Second Lok Sabha). Another case of loss due to the inability of the Ministry of Railways to place orders for the purchase of stores before the last date of the validity of offer was reported to the Committee in 1960-61. The Committee expressed their concern over the recurrence of such cases in the Railway Administration. They then expressed the hope (para 13 of 33rd Report) that in the light of instructions issued by the Railway Board such cases will be avoided.

Subsequently the Public Accounts Committee (1962-63) came across further instances where delays in the acceptance of tenders had resulted in additional expenditure on the Central and Eastern Railways. They decided to watch the effects of the measures adopted by the Railway Board in this regard. When further cases were reported to the Committee, they in para 18 of their 13th Report (Third Lok Sabha) desired that the Railway Board should take steps to tighten up the procedure to avoid such delays in future, specially when dealing with urgent requirements.

The Public Accounts Committee (1964-65) were, however, informed by Audit vide Audit Report (Railways), 1964 that delays in the finalisation of tenders still continued to occur on the Railway Administration. The Committee observed that mere issue of instructions will not serve any purpose until their compliance is insisted

upon in all cases and the defaulters are suitably dealt with. They decided to watch the implementation of the assurance given to them by the Ministry in this regard.

Reply:

In Lok Sabha Secretariat's O.M. of 11-3-1966, the Sub-Committee of P.A.C. constituted to review the action taken by the Government on their recommendations have referred to their earlier reports of 1959-60, 1960-61, 1962-63 and 1964-65 in which instances were given of delays in finalisation of tenders and desire to be furnished with the following information:—

- (i) What are the reasons for the recurrence of these lapses/irregularities?
- (ii) Have any further cases of the same type come to light? If so, what action has been taken in those cases?
- (iii) What remedial measures, if any, have been taken or are proposed to be taken by the Ministry of Railways (Railway Board) to avoid recurrence of such cases?

The remarks of the Railway Board against each of these points raised above are given below:—

(i) Railway Administration deal with roughly 1 lakh tenders every year. Of these, about 95 per cent are finalised within the period of their validity. Even in respect of remaining 5 per cent, extension of the validity period is asked for in time from the tenderers, and in most of the cases tenderers agree to the extension. It is only in a very few cases that firms do not agree to extend the validity of the offers at the same price—and on the same terms and conditions, as were originally offered by them. Although all efforts are made to complete finalisation of tenders within validity period, delays do occur sometimes due to the following reasons:—

- (a) Some of the firms, even at the initial stage, do not keep their offers open even for the period specified in the call for tenders when market conditions are fluctuating, and specify much shorter period. In fact, for items like non-ferrous metals and alloys, tenderers generally keep the offers current only for a few days and in some cases only for a few hours. The Purchase Officer concerned handles such cases personally at all stages to ensure

finalisation within the validity period. But it will be appreciated that in order to finalise a tender case, some time, however short, is essential, to complete the technical scrutiny of tenders, their tabulation for comparison and its check by Finance and their examination and discussion by the Committee of Officers who have to make their recommendations and the approval of the competent authority.

- (b) Cases where the tenderers have submitted samples cannot be decided unless test reports against all the samples are made available to the Purchase Officer.
- (c) In certain cases, when tenderers whose prices are competitive and attractive, are completely new in the field and the Railway Administration has not dealt with them in the past, it becomes necessary in order to ensure proper compliance with the contract, if awarded, to ascertain their financial stability and their ability to execute the contract by reference to the DGS&D and other Railway Administrations and sometimes with the tenderers themselves or their bankers. On the other hand, in view of the financial advantage involved, it would be imprudent to reject outright merely in order to deal with the tenders within their validity period.
- (d) There are certain cases in which offers received from tenderers are vague and technically not clear and clarifications are required to be obtained either by correspondence or by personal discussions.
- (e) For purchase of items like machinery, plant and specialised equipment the technical scrutiny of the tenders has to be carried out in detail by the Technical Officers who may belong to one or more departments, and in some cases tenders have to be sent out to the place where the Technical Officers are posted. This obviously takes time.
- (f) There are also a number of cases in which the lowest tenderers have not complied with conditions like the deposit of earnest money or the submission of a current income-tax clearance certificate etc. Reference back to the firms becomes necessary in such cases before the offers can be considered or finally ignored.
- (g) Again certain firms do not accept one or more of the important standard conditions of tender like Payment

terms, the Liquidated Damages Clause, the Risk Purchase Clause, the Arbitration Warranty Clause etc., and it becomes necessary to enter into correspondence with them to attempt to persuade them to accept these conditions. This takes time.

- (h) It may also happen that there is inadequate response to a tender and the prices offered are unreasonably high and prudence indicates that an attempt should be made to get competitive offers either by retendering or through negotiation while tenderers who have already quoted are asked to extend the validity suitably in order to safeguard against a further increase in prices in the fresh tender. It may be mentioned that on many occasions substantial savings have been secured as a result of retender or negotiation.
- (i) Where offers are received of imported as well as of indigenous products and the price of the latter is considered unreasonable, an attempt has to be made to secure a more competitive price for the indigenous product in view of the scarcity of foreign exchange.
- (j) Where, however, release of foreign exchange is inescapable, the case is scrutinised in detail with a view to reduce the requirement, if possible, and thereafter the release of foreign exchange is asked for. For this purpose, sometimes approval of Director General, Technical Development and the Ministry of Finance has to be sought for before purchase can be finalised.
- (ii) In the circumstances stated above, delay in the finalization of some tender cases is unavoidable in spite of the best efforts. The course of action on each case where the validity of offers expires is decided on merits.
- (iii) The Railway Board have already impressed on Railway Administrations the importance of eliminating avoidable delays in finalising tenders and placing contracts. Compliance with these instructions is also being watched by the Board through quarterly reports. A summary of the position is also reported to the Cabinet Secretariat periodically. The attention of the Railway Administrations has again been drawn recently to the standing instructions that:
 - (a) contracts should be placed within the period of validity of the offers;

- (b) extension of the validity period should be asked for only when inescapable and well ahead of the expiry of the offers;
- (c) the date of expiry of the offers should be indicated prominently at every stage of notings on the purchase file;
- (d) the period for which offers are required to be kept open by tenderers should be fixed keeping in view the time required by the Administration to arrive at a decision and this period should be clearly indicated when calling tenders;
- (e) When tenders are put up for consideration during the extended validity period, offers with qualified extensions of validity period subject to price increase or other stipulation regarding delayed delivery etc. should be brought prominently to notice along with the date of expiry of the offers;
- (f) While examining the technical suitability of the tenders, the Officers concerned should bear in mind, the validity period of tenders and finalise them in time, and
- (g) Railway Administrations should intensify their efforts to ensure prompt finalisation of tenders, and undertake periodical reviews to locate and eliminate the causes of delay and also take suitable disciplinary action where avoidable delays occur.

APPENDIX XVII

[Vide Para 4.34 of this Report]

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS

(Railway Board)

*Points raised in Lok Sabha Secretariat's Office Memorandum
No. 2/IX/7/65-PAC, dated 11-3-1966*

Instances where inspite of observations of the Public Accounts Committee and the assurances given by the Ministry of Railways (Railway Board) similar irregularities or lapses have continued to recur.

Point:

Delay in recovery of rent in respect of Railway Land leased to outsiders:

In paras 15—17 of their 15th Report the Public Accounts Committee (1958-59) dealt with a case of heavy arrears in recovery of rent from leasees on three stations of the South Eastern Railway. The Committee observed with regret the laxity shown by the Railway Administration in the matter of prompt recovery of rent. Audit Report (Railways), 1962, disclosed that the position in respect of two of the three Stations had in fact deteriorated. The Committee, expressed their regret to observe that despite their comments in the earlier Report and the assurance given to them by the Ministry of Railways, the position regarding recovery of rent from private parties continued to be unsatisfactory.

Reply:

All the cases to which the Sub-Committee has referred are of lease of land on the S. E. Railway, and for only one of the variety of purposes for which the Railway land is leased. The cases on the S.E. Railway related to the lease of Railway land to private parties for stacking goods meant for onward movement of merchandise by rail. Brief particulars of the S.E. Railway cases are given in the attached annexure including those of arrears of rent outstanding

for recovery. Other Railway Administrations also lease plots of Railway land surplus to the Railways' current requirements for temporary periods to private parties for the same purpose. The basic procedure in regard to fixation of rent, its recovery in advance and the action to be taken in the event of non-payment of such rent are clear, and, by and large the Railways are following them. In such transactions while Railways could certainly ensure that bills for payment are preferred in time and the necessary remedial process is set in motion, it would be appreciated that, when the private party fails to pay the rent promptly and the Railway Administrations have to resort to civil proceedings either in a Court of Law or before an Estate Officer on the basis of the "Public Premises (Eviction of Unauthorised Occupants) Act, 1958", the accumulation of arrears of rent cannot be altogether avoided. Against this general background, the following remarks are offered on the points raised by the Sub-Committee:—

- (i) *What are the reasons for the recurrence of these lapses/irregularities?*

The accumulation of arrears of rent is mainly due to:

- (a) procedural delay in revising rent, which, according to rules, has to be refixed periodically (generally after every five years) on the basis of the prevailing market value of the land as assessed by Local Revenue authorities. It has been the experience of Railways that, inspite of continuous efforts at all levels, there is considerable delay in obtaining the necessary information from the Revenue Authorities.
- (b) procedural delays in enforcing recoveries of rent where defaulters do not pay it and recourse has to be taken to a Court of Law or to the Estate Officer.

- (ii) *Have any further cases of same type come to light and, if so, what action has been taken in those cases?*

A few recent instances on the Northern Railway have been reported in Paras 37 and 38 of the Audit Report (Railways) 1965, and in the reply to the list of points raised by the Public Accounts Committee, particulars regarding these cases were furnished *vide* Railway Board's O.M. No. 65-B(C)-PAC/Genl. 5(i), dated 22nd March, 1966. In order to answer this point, detailed information will have to be collected from the Railways, who in their turn will have to collect it from their Divisions or districts. It would, however, be appreciated that the Railways cannot altogether avoid such cases of outstandings of rent on land leased.

(iii) *What remedial measures, if any, have been taken or are proposed to be taken up by the Ministry of Railways to avoid recurrence of such cases?*

In order to overcome delays in getting information from the Revenue authorities regarding the assessment of the value of the land, which is making it impossible to review the rent periodically, instructions have been issued recently to the Railways to take up this question with the Revenue authorities sufficiently in advance of the date on which the periodical revision of rents/licence fee is due. If, in spite of this advance action, delay in assessment still persists, the Railways have been advised to fix the rent provisionally on the basis of local enquiries and to intimate to the lessee accordingly.

Further, in order to effect prompt recovery and accountal of railway dues on account of the rent or licence fee of land or other railway premises leased or licensed to outside parties, instructions have also been issued to the Railways to recover twelve months' occupation fee as security deposit in advance.

In view of the fact that the realisation of the rent/licence fee through law courts is both expensive and time consuming, the Ministry of Railways have under consideration a proposal to recover from parties one year's occupation fee in advance in addition to one year occupation fee as security deposit.

These measures, it is hoped, will lead to improvement in future in regard to this aspect.

ANNEXURE

Following are the brief particulars of the instances quoted by the Sub-Committee:—

1. S.E. Railway—Heavy arrears in the recovery of rent for Railway land leased to outsiders (Para 9 of Railway Audit Report—1957).

(a) Outsandings of Rs. 2.05 lakhs on account of rent for Railway land in station areas at Shalimar, Garden Reach and Cuttack leased to private parties for use in the movement of their merchandise by rail were reported by Audit, even though the agreement provided for recovery of occupation fees monthly/half yearly in advance and for the appropriation of security deposit towards amounts due from them.

(b) The Public Accounts Committee commenting on the laxity shown by the Administration observed that action to forfeit the

Security Deposit should have been taken when the lessees defaulted consistently for years and that the Railways should ensure the prompt recovery in all such cases in future.

(c) Apart from reporting to the Committee on the progress made in the recovery of rent, the Railway Board also issued a circular letter to Railway Administrations on the 29th June, 1959, instructing them particularly on the need to ensure that the licence agreements provide for payment of occupation fees monthly in advance, for security deposit equal to a reasonably adequate number of months' occupation fees (say 12 months' fee) which would be liable to forfeiture in the event of non-payment of fees say for 2 or 3 months consecutively and for imposition of penalty or for giving ejection notice in the event of non-payment of charges promptly. The Committee was also informed that with the enactment of fresh legislation namely, Public Premises (Eviction of Unauthorised Occupants) Act, 1958, the position will improve and that it may be readily possible in future to secure the eviction of defaulting lessees, which will obviate accumulation of arrears of rent.

2. Para 29 of Railway Audit Report, 1962:

(a) The Audit reverted to the subject and reported that the position in respect of two out of the three stations had deteriorated and that the total outstandings on account of rent from lessees on 21 stations of the S.E. Railway amounted to Rs. 7.99 lakhs at end of December, 1960. Reference was also made to the delay in the revision of rent which was to be done periodically on the basis of market price.

(b) The Public Accounts Committee commenting on the unsatisfactory position regretted that despite their earlier comments and the assurances given by the Railway Ministry, the position had not improved and that the explanation for the time taken by the Railway for obtaining information, regarding the market value of the land from the Revenue authorities for realising the rent was not satisfactory.

(c) In a memorandum submitted to the Public Accounts Committee in March, 1965, it was brought out that the rent for the various stations have been fixed and had been accepted by the parties concerned also. It was also reported that the amount outstanding on all 21 stations was only Rs. 1.62 lakhs on 31st December, 1963, which was also being recovered. The latest position in respect of

the 21 stations on the S. E. Railway is that the corresponding amount outstanding for recovery on 1st March, 1966 has come down to Rs. 1.15 lakhs for the recovery of which proceedings have been instituted in the Judicial Courts or in the Court of the Estate Officers under the provisions of the Public Premises Act, 1958.

APPENDIX XVIII

[Vide Para 4.45 of this Report]

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS

(Railway Board)

Points raised in Lok Sabha Secretariat's Office Memorandum No. 2/IX/7/65/PAC., dated 11-3-1966.

Instances where in spite of observations of the Public Accounts Committee and the assurances given by the Ministry of Railways (Railway Board) similar irregularities or lapses have continued to recur.

POINT: *Engineering works undertaken without proper investigations and or assessment of requirements.*

A diesel locomotive shed constructed by the Western Railway at Radhanpur during the year 1955 remained unutilized. The Public Accounts Committee (1959-60) expressed the view that it was not only an error of judgment on the part of the Administration but a case of complete lack of foresight and planning.

The Public Accounts Committee (1962-63) also came across several such instances in which engineering works were started by the Railways without proper scrutiny. In para 36 of their First Report the Committee observed "the above paragraphs betray a tendency on the part of the Railway Administration to start engineering works involving heavy expenditure of capital nature without properly scrutinising the justification therefor. The Committee trust that the Railway Board will take note of this and obviate the recurrence of such infructuous expenditure."

In reply to this recommendation of the Committee the Ministry of Railways stated that the necessity for a careful review of the justification for any scheme in the prevailing circumstances at the relevant time will be reiterated to Railway Administration.

In the next year, the P.A.C. (1963-64) came across another case of infructuous expenditure on construction of additional loop at Gandhigram despite the fact that the abandonment of the station

was being considered. They concluded that the commencement of earth work on the loop was ill-advised and not based on proper assessment of the situation. The Audit Report, 1964, further disclosed such cases of infructuous expenditure. In the case of construction of barracks by the Southern Railway the Committee felt that the constructions were sanctioned without proper planning. In the other case of N.E. Railway also the Committee came to the conclusion that the work was taken up without considering all pros and cons. They desired that instructions may be issued to the Railway Administration that proposals for construction works involving huge amount should be properly scrutinised by competent authority to avoid such losses.

Reply:

The Ministry of Railways fully appreciate the importance of the need (stressed by the Committee) for the most careful scrutiny at the time of formulation of the various proposals for works before they are accepted and included in a programme and again before actually undertaking them. They would, however, like to submit that at least in respect of a few of the instances referred to by the Committee, there were circumstances in the light of which the initial decision to undertake those works could not be said to be completely unwarranted. Further, every effort was made subsequently either to put them to equally advantageous alternative use or to dispose of the surplus materials elsewhere.

It may be observed that the procedure obtaining on the Indian Railways, where the magnitude of civil engineering works during a year is of the order of Rs. 250 crores, is fairly elaborate and each work is carefully scrutinized from the divisional level upto the Railway Board and Government level depending upon the cost of individual works, taking in the process the appropriate advice of the corresponding Finance wing also. However, the most important factor to be appreciated in an undertaking of the type of the Indian Railways is that it is not only a commercial undertaking in the sense that it has to plan its works on the basis of the developing trend of traffic and the needs of industry and agricultural, but also that as a public utility concern, it has to sponsor works in order to satisfy the demands of the travelling public as voiced through their various representative institutions. If, after the justification for a work is accepted in the light of the various factors relevant at the time, a work is undertaken and later due to circumstances which could not be foreseen, it has to be abandoned or modified or deferred, alternative measures have inevitably to be adopted to make the best use of the work carried out. Against this

general background, the specific points raised by the Sub-Committee are answered below:—

- (i) *What are the reasons for the recurrence of these lapses/irregularities?*

As would be observed from the brief particulars given about each of the items mentioned by the Sub-Committee, vide Annexure 'A' attached, the abandonment of the works, was on considerations which could not have been foreseen or was a result of an error of judgment.

- (ii) *If any further cases of the same type have come to light. If so, what action has been taken in those cases?*
- (iii) *What remedial measures have been taken or are proposed to be taken by the Ministry of Railways (Railway Board) to avoid recurrence of such cases?*

The Ministry of Railways regret to observe that there have been a few cases of the kind commented upon by the Committee. Two such cases have already been reported, in para 31 and item 4 of Annexure I of para 34 of Railway Audit Report 1966. Full details relating to these cases will be furnished to the Public Accounts Committee during the oral evidence on the Audit Report. However, the Ministry of Railways have arranged to draw the attention of the Railway Administrations once again to the Sub-Committee's observations and reiterate in the light of instructions already issued, the need to exercise utmost care when considering the justification for any work, so that repetition of such lapses is obviated.

ANNEXURE 'A'

Following are brief particulars of the instances quoted by the Sub-Committee:—

1. Western Railway—*Premature Construction of a Locomotive Shed. (Para 21 of Railway Audit Report).*

- (a) A diesel locomotive shed was constructed at Radhanpur during 1955 at a cost of Rs. 3.37 lakhs on the expectation that 5 out of 45 locomotives to be imported to meet the traffic requirements of Palanpur-Gandhidam Section would be housed at Radhanpur, the other 40 being housed at the Gandhidam Shed. Actually only 20 diesel locomotives were imported and the shed remained unutilized.
- (b) It was admitted that it was an error of judgment on the part of the General Manager in this case. The PAC commented that the construction was premature especially when facilities already existed at Gandhidam to

handle 40 diesel locomotives (vide para 31 of 21st Report of PAC, 2nd Lok Sabha).

(c) The materials and equipment rendered surplus at Radhanpur shed were, however, utilized elsewhere.

2. (a) Southern Railway—*Infructuous expenditure on the construction of catch sidings (para 15 of Railway Audit Report 1962).*

(i) Pursuant to the recommendations of the Government Inspector of Railways, the Southern Railway proceeded in 1959-60 with the work for provision of catch sidings at stations with long and steep gradients falling towards them without prior clearance from the Railway Board. The Railway Board, however, decided in 1961 that the provision for catch sidings should be deferred till the necessity for them had been reviewed and pending this revision these should be provided only at those stations where these are considered absolutely essential in the interest of safety. This decision led to 8 out of the 9 sidings being pulled out resulting in an infructuous expenditure of Rs. 90,000 in all.

(ii) *Conversion of a halt into a crossing station (Para 17 of Railway Audit Report, 1962).*

In January 1956, the halt at Pasivedala was converted into a crossing station at an estimated cost of Rs. 3.97 lakhs and in November, 1959, it was decided to reconvert the crossing station into a halt as this was expected to lead to a saving of Rs. 22,000 per annum in maintenance. Allowing for credits for released materials, there was an avoidable net expenditure of Rs. 79,000/-.

(b) The PAC observed that these two cases betrayed a tendency on the part of the Railway Administration to start engineering works involving heavy expenditure of capital nature without properly scrutinizing the justification therefor, and that this should be taken note of and recurrence of such infructuous expenditure obviated [vide para 38 of First Report of PAC (Third Lok Sabha)].

(c) The special circumstances in which the particular works were undertaken were explained to the PAC. The Ministry of Railways at the same time issued instructions to Railways on 25th April, 1963 drawing their attention to the PAC's observations and emphasising the need for the utmost care in drawing up the justification for any scheme in circumstances prevailing at the relevant time and in the light of all known and foreseeable factors.

3. Western Railway—Infructuous expenditure on an additional loop at Gandhigram (para 23 of Railway Audit Report, 1963).

(a) An infructuous expenditure of Rs. 27,211 was incurred on earthwork done in connection with the work for the provision of an additional loop as the Administration failed to take note of the State Govt's suggestion for a realignment and diversion of the Railway line outside the Gandhigram area and consequent abandonment of the station.

(b) The P.A.C. observed that the commencement of the earthwork on the loop was ill-advised and not based on proper assessment of the situation [*vide* para 24 of Thirteenth Report of P.A.C. (Third Lok Sabha)].

(c) In a detailed memorandum the Ministry of Railways explained how the situation was really uncertain and the difficulties in day-to-day operation compelled the Administration to make some arrangement to meet the increase in traffic. An important development subsequent to P.A.C.'s observation on this case was that the proposal for the diversion of the Railway line has been given up, reviving the need for an additional loop at Gandhigram.

4. Southern Railway—Non-occupation of barracks built for Railway Protection Force.

(a) In pursuance of the Railway Board's policy directive of June 1956, the Southern Railway completed 20 barracks at 10 stations at a cost of Rs. 7.28 lakhs by May 1961 to accommodate Railway Protection Force Staff. As the barrack type accommodation was not popular among the Rakhshaks, only one of the completed barracks was occupied by the R.P.F. immediately after construction and as a result of stoppage of work on three partly finished barracks, an expenditure of Rs. 26,481 already incurred was rendered infructuous.

(b) The P.A.C. expressed the opinion that the construction of the barracks was sanctioned without proper planning and there was inordinate delay of one to four years in putting the barracks to alternative use. [*vide* para 52 of 32nd Report of P.A.C. (3rd Lok Sabha)].

(c) In a memorandum to the Committee the Railway Ministry explained how the initial approach to the provision of barrack accommodation on the Southern Railway was very cautious and how in the first instance the proposal was for 24 barracks for 1200 men out of 4000 such R.P.F. Class IV staff. When the unfavourable

reaction to the barrack type accommodation became evident after the construction of the first few barracks further construction was stopped. Except seven which were utilized by the R.P.F. as barracks the rest handed over for alternative use as social welfare centres, schools, subsidised hostels, etc.

5. N.E. Railway—Non-utilisation of newly constructed service buildings.

(a) Service buildings (such as booking office at MAU Jn., Parcel Office godown, parking area at MAU Jn., Goods Shed at CHILH station and transhipment platform at Samastipur Jn.) constructed at a total cost of Rs. 91,800 were reported to be lying as unused for long period on the Railway.

(b) The P.A.C. pointed out that this is another instance when construction work was undertaken without considering all the pros and cons and recommended that instructions may be issued to Railway Administration that proposals for construction work involving huge amounts should be properly scrutinised by the competent authority to avoid such losses.

(c) The P.A.C's. observations were brought to the notice of all Railway Administrations on 19-4-65 with the direction that it must be impressed on all officers concerned with the formulation, scrutiny and acceptance of the works programme that, before proposing works and again before actually undertaking them, they should satisfy themselves about the necessity of the works in the light of the latest known circumstances and facts, and that all avoidable delays in putting these to use when they are completed should be eliminated.

APPENDIX XIX

Summary of main conclusions/recommendations of the 53rd Report of the Public Accounts Committee on Appropriation Accounts (Railways), 1963-64 and Audit Report (Railways), 1965

Sl. No.	Para No.	Ministry Concerned	Conclusions/Recommendations
1	2	3	4
1	I 6	Railways	The Committee are glad to note the improvement in the figure of 'Operating Ratio' for the year 1963-64.
2	I 12	Do.	While the Committee appreciate the problems involved in assessing the trends of traffic both goods and passenger and estimating the income therefrom, they nevertheless feel that the difference between the budget estimates and the actual receipts during the year 1963-64 was quite substantial. The Ministry of Railways (Railway Board) would be well advised to review the system of framing the estimates of revenue in the light of experience gained and evolve some suitable methods to minimise this gap.
3	I 29	Do.	From the facts placed before them, the Committee note that out of the six railway lines referred to in the Audit Para (owned by Companies District Boards and Port authorities etc.) Nanjangud-Chamrajnagar Railway has since been purchased by the Railways and Tenali-Repalle Railway was to be taken over from 1st April,

1966. The ownership of three Railways viz. Central Provinces Railway, Katakhal Lalabazar Railway and Chaparmukh-Silghat Railway is still in private hands. The Cochin Harbour Railway is owned by the Ministry of Transport. Besides there are four branch lines owned and worked by private companies under a guarantee of minimum return of 3½ per cent on the paid share capital. While the Committee appreciate that the remunerativeness of these privately owned railways is an important factor which weighs with the Ministry in deciding to purchase them, they would reiterate the recommendation made in their earlier reports (para 15 of First Report and para 10 of Thirteenth Report—Third Lok Sabha) that besides purely commercial considerations, factors like efficient management and better public service should also be taken into account in reaching a final decision on this question. The Railway Board should take into consideration the future growth of traffic on the railways in the context of all round development under the five year plans. The Committee desire that serious efforts should be made to purchase the privately owned railways after negotiations with the owners taking into consideration the depreciated value of the assets instead of their book value. The Committee are glad to note that the Nanjangum-Chamranagar railway was purchased in 1964 at a negotiated price of Rs. 4.88 lakhs (based on the depreciate value of the assets) against the book value of Rs. 12.22 lakhs.

The Committee also desire that pending taking over of the privately owned railways, accounts of their working expenses should be maintained by the Railways separately in order to have a correct picture of their financial working.

1	2	3	4
4	2.4	Do.	<p>The Committee would, reiterate their recommendation contained in para 5 of 32nd Report (Third Lok Sabha) and suggest that the reasons for such inaccurate assessment particularly on the Northern Railway, year after year, should be looked into and suitable steps taken to improve the position.</p>
5	2.11	Do.	<p>The Committee feel that in such cases where supplementary provisions were to be obtained early in the year and trend of the expenditure could not be known precisely the Ministry of Railways should have sought the approval of Parliament for commencing the work by taking a 'token' grant. Later on they could ask for a supplementary grant, if necessary, on the basis of the trend of expenditure.</p>
6	2.14	Do.	<p>The Committee do not agree with the view expressed by the Ministry of Railways that efficiency of the budgetary control has to be judged with reference to the variation under each grant as a whole and not with reference to the supplementary grants. While the overall percentage of savings compared to the total grants may not be significant, the Committee feel that the fact that supplementary funds were obtained inspite of clear savings goes to indicate that the progress of expenditure was not being properly watched. The Committee trust that the Ministry of Railways will take suitable steps to further improve the position.</p>

Railways

The Committee are not happy to note that the communication from the Southern Railway was not promptly examined in the Railway Board. Instead of taking a final decision in the matter and giving a firm reply to the Railway, the Railway Board allowed the matter to remain in suspense. The Southern Railway in the meanwhile went on with its commitments and works programmes. It is, therefore, obvious that expenditure in excess of the funds voted by Parliament was incurred in this case not because of any error of estimation as it was said in evidence, but due to the omission on the part of the Railway Board to pay due and prompt attention to a clear warning from the concerned Railway that expenditure was going to exceed the budget allotment. The Committee would like the Railway Board to exercise greater caution to avoid such 'excesses'.

Subject to the above observation the Committee recommend that the excesses referred to above be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.

Do.

The question of heavy outstandings under suspense account and consequent risk of losses occurring through overpayments to suppliers and losses of stores has been engaging the attention of the Committee for quite some years. In paras 18-19 of their First Report (1962-63), the Committee stressed the necessity of firmly tackling the chronic problem of suspense balances and suggested the feasibility of constituting a departmental committee for the purpose. Pursuant to this recommendation the Railway Board issued necessary instructions in April, 1963. The Board however left to the individual railway administrations to consider whether they desired to

have standing committees for the purpose, consisting of senior Deputy Manager, F.A. & C.A.O. and Controller of Stores or C.P.O. or other head of deptt. as the case may be. The Committee however feel concerned to find that there has been no perceptible improvement in the position in that large amounts of unlinked debits and credits which are several years old are still outstanding. The Committee desire that the Railway Board should review the effectiveness of the measures already taken by the various railway administrations with a view to finding out what further steps should be taken to liquidate the old outstandings and prevent heavy accumulation in future. The Railway Board should also consider the feasibility of setting up a departmental Committee on each Railway to keep a constant watch over the progress made by the various railways and resolve the difficulties in this regard. 16

Do.

The Committee are glad to note that some improvement has been effected in locating the missing coal wagons and linking the unconnected ones and that the percentage of missing wagons to the total number of wagons booked has come down from 7½ per cent in 1962-63 to 2½ per cent in 1964-65. They also note from evidence that machine-linking is going to be introduced shortly. The Committee would like to be informed whether there has been any further improvement as a result of the introduction of machine-linking and if

so, to what extent. In regard to the location of missing wagons, the Committee would suggest that a special study be made to ascertain whether there is disproportionately high incidence of missing wagons in relation to those booked from a particular group or groups of collieries. They note that a pilot project using modern tele-communication equipment is proposed to be started for sending messages regarding the number and other particular of wagons booked. The Committee would like to be informed whether this project has been started and if so, whether it has resulted in any appreciable reduction in the number of cases of missing or unconnected wagons.

2.44

Railways

From the note furnished at Appendix VII the Committee note that the amount of compensation paid to private parties on account of missing coal wagons has been rising from year to year since 1962-63. They hope that with the introduction of machine-linking and the Pilot Project using modern tele-communication equipment, the payment of compensation for missing coal wagons will be reduced.

10

3.10

Do.

The Committee are not convinced by the explanation given by the Ministry regarding the delay in finalising the tender, which has cost the exchequer an extra amount of Rs. 1 lakh and odd. In their opinion, this extra expenditure was avoidable.

A careful perusal of the facts of the case shows that the tender could have been finalised within the last date for its acceptance i.e.

25th September, 1962. The Committee observe that 1½ months after the receipt of tenders, i.e. in June, 1962 it became clear that all the tenders received including the lowest were above the ceiling limit. The Committee believe that in that case there was still sufficient time to finalise the deal by the prescribed date after completing various checks, comparison etc. before the contractor withdrew his tender on 16th November, 1962.

3.11

Do.

They are surprised to note that though on 5th October, 1962, the Tender Committee informed the Chief Engineer that the lowest quotation received in June, 1962 should be reconsidered in view of the revised ceiling limit, intimation regarding acceptance of his quotation was sent to the contractor on 30th November, 1962, after he had withdrawn his tender on 16th November, 1962. They also regret to note that because of the absence of any response from the Railway Administration to the second offer made by the same contractor on 21st January, 1963 to undertake the work at an extra expenditure of Rs. 29,107 the contractor withdrew his offer on 5th April, 1963. The Committee would like to be informed whether this contractor was called or informed before the contract was awarded to another contractor on single tender basis and whether the latter completed the work in time.

3.12

Do.

The Committee are perturbed to note that there was unusual delay at every stage in this case. They feel that if the matter had

been dealt with with a greater sense of urgency, the delays could have been avoided or at least minimised. They cannot accept the assumption made in the Note furnished by the Ministry (Appendix VIII) that if the work had been allotted to the lowest tenderer in the initial stage, he would not have been able to complete the job at the rates quoted by him in view of the Emergency. The Committee would urge that while observing all procedural requirements, the processing and consideration of tenders should be stream-lined in such a systematic manner that no undue delay occurs at any stage.

11

3-16

Railways

The Committee are unable to appreciate the Ministry's contention that this deal did not result in any extra expenditure. While the supplies were taken in stacks at the Sikandara siding, for which the rate in the Schedule of Rates was Rs. 14 per 100 cft. the payment was actually made at the rate of supplies at Railway Workshops, yards, colonies etc. i.e. at Rs. 25 per 100 cft. The Committee are of the opinion that this confusion took place because the description of work as set out in the tender document and the contract Agreement was misleading and the correct place of supply was not indicated. The incorrect description given in the tender might also have resulted in a substantial number of tenders being precluded from tendering because they had no transport arrangement. The Committee hope that steps would be taken to avoid such lapses in future.

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3-25

Do.

The Committee are unable to understand why greater discretion was not exercised while the contract was given to a party whose

quotations were ridiculously low and whose capacity to complete the work seemed to be in doubt from the very outset. The Committee would also like the Ministry to inquire what supervision, if any, was exercised by the Railway Administration over the progress of work. It appears that supervision was somewhat slack and the work was prolonged much beyond the stipulated date. The Committee are surprised to note that consequent on the failure of the contractor to complete the work, it was decided in October, 1958 on the advice of the Chief Engineer to execute the work departmentally, even though the lowest quotation received in 1958 was under consideration. The Committee consider it most unfortunate that the Railway decided to undertake the work itself without having any previous experience of this kind of work. It also appears that proper care was not exercised in preparing the estimate of departmental cost. The Committee would like to be informed whether any enquiry has been made to determine the causes of the excessive departmental cost and whether any lack of proper control over expenditure or want of proper supervision was noticed. The Committee desire that the circumstances in which the departmental cost substantially exceeded the estimates prepared by the Chief Engineer may be properly investigated and the result communicated to them.

The Committee consider it unfortunate that an extra expenditure of Rs. 61,489 had to be incurred on a small culvert soon after its construction. If the foundation soil had been investigated carefully

and exhaustive tests had been carried out before construction, such a contingency could be avoided. The Committee feel that such costly calculated risks, such as the one taken in this case, are hardly justified.

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|----|------|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 14 | 3.39 | Railways | <p>This is yet another case in which there has been inordinate delay on the part of the Railways at every stage in the finalisation of plans. A scrutiny of the sequence of events shows that there was delay of (i) nearly 3 months in communicating the acceptance of the tender, (ii) 6 months in settling the final drawings, (iii) 3 years in terminating the contract, (iv) nearly one year and 8 months in completing a part of the work departmentally, (v) more than a year in preferring the claim against the contractor, (vi) 3 years in completing the entire work. The Committee feel that no satisfactory explanation has been given by the Ministry for any of the delays mentioned above. They also feel that the representations made by the contractors from time to time were not given proper attention they deserved. The Committee would also like the Railway Board to undertake a proper examination of the reasons why a majority of cases referred to arbitration go against the Railways and take suitable remedial measures.</p> |
| 15 | 3.46 | Do. | <p>The Committee feel that in the present case, the Railway Administration was not prompt in taking action for the recovery of dues from the contractor. They would like to be informed of the latest position regarding the recovery of the balance.</p> |
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The Committee are surprised that the contractor was able to get away with stores worth more than Rs. 12,000 in spite of the watch that is required to be kept by the Railway supervisory staff. They would like to be informed whether the matter has been reported to the police and whether the latter have been able to take any effective action. The Committee would also like the Railway Board to examine whether there is any lacuna in the existing procedure for issue of stores to the contractors for the works entrusted to them, and take remedial measures.

16

3-51

Railways

The Committee would like to be informed of the latest position regarding the realisation of the amounts outstanding. They trust that the arrears would be cleared in the course of 2 years as decided. They are glad to note that both the Madras and Andhra Governments have assured the Railways that such cases would not arise in future.

17

3-67

Do.

Supply &
Technical
Development

The Committee are unhappy at the manner of placing the contract in this case by the Director General, Supplies and Disposals, which resulted in the purchase of unsuitable stores at a cost of Rs. 2.18 lakhs excluding sales tax involving a foreign exchange element of Rs. 1.96 lakhs. There was failure on the part of the officer responsible for the purchase to mention in the accepted tender the primary requirements of the indenter that the drill steel rods should be "suitable for drilling in hard rocks." In view of the fact that the

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description of the store given in the firm's tender was not entirely identical with that in the tender enquiry, the officer should have consulted the indenter, before obtaining a clarification from the firm. Moreover, having obtained a clarification from the firm that specifications given in the tender would suit the requirement, the officer should have acted in a business-like manner and made a reference to this in the accepted tender.

g.68

Railways

Another failure of the officer was that he did not inform the Director of Inspection in Tokyo about the clarification given by the firm. The Director of Inspection, on the basis of whose inspection report, 90 per cent of the payment was to be made, was thus precluded from satisfying himself about the suitability of the stores for drilling in hard rocks before passing them. The fact that on receipt of the indenter's complaint later, the Director of Inspection was able to verify from the manufacturer that the rods of the particular quality were not meant for drilling in hard rocks, indicates, that if the officer had been posted with the requirement of the indenter he would have been effective in the inspection of the stores. The Committee desire that the necessary action should be taken against the officer concerned for the lapses.

3.69

Do.

The Committee are surprised that even after the receipt of the complaint from the indenter on the 11th February, 1963, regarding the unsuitability of stores, six more contracts of the value of Rs. 99,298 were placed on the same firm before the matter was referred to the Law Ministry for advice. The firm was later suspended

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for one year. In view of the fact that a wrong statement was made by the firm, the Committee feel that its suspension for one year was not adequate punishment. The Committee suggest that the D.G.S.&D. should consider the question of blacklisting the firm.

3.70

Railways

In the opinion of the Committee, the Railways cannot also escape responsibility in this case that they failed to check from the copy of the accepted tender sent to them that the description of the stores mentioned therein did not conform to their requirement. The Committee are surprised at the contention of the Railway Board that there was no obligation on the part of the indenter to ensure that the description given in the A.T. coincided with that in the indent. They desire that necessary instructions should be issued by the Board that the Railways should invariably check from the copies of accepted tenders received by them that the stores order conformed to their requirements.

3.71

Do.

The Committee also find from the note furnished by the Railway Board that as a result of a practical test of the drill rods, the Deputy Chief Engineer submitted a report on the 7th February, 1963 to the Head Office of the D.B.K. Railway that the supplies were defective and the latter wrote to the D.G.S.&D. on 11th February, 1963 to stop the payment still due to the suppliers. But on the other hand the D.C.O.S. released the inspection notes direct to the firm on the

14th February, 1963, which entitled them to claim the balance 10 per cent of payment. The Committee cannot view with equanimity this lack of coordination in the same railway administration. They desire that procedure regarding testing of newly received goods and release of inspection notes should be streamlined.

18	3.80	<u>Railways</u> <u>Iron & Steel</u>	The Committee are not convinced of the explanation for making 90 per cent payment not on the basis of the provisional rates mentioned in the supply order but on the basis of assured prevailing market rate. In view of the fact that the provisional rates were fixed on the basis of the lowest rates prevailing at the time, the Committee feel that 90 per cent of payment should have been made on the basis of these rates to safeguard the interests of Government, pending fixation of final rates by the Iron and Steel Controller. In case the provisional rates are unrealistic the remedy lies in improving the machinery for fixing them.
19	3.83	<u>Railways</u> <u>Iron & Steel</u> <u>Supply & Technical Development</u>	The Committee regret to note that this is another case where 90 per cent of payment was made on the proof of despatch of goods, although the goods were found to be on receipt not according to specifications. They desire that the present system of making advance payments should be revised in consultation with the Iron and Steel Controller and D.G.S.&D. to ensure that interests of Government are adequately safeguarded in case of defective supplies.
20	3.90	<u>Railways</u>	The Committee are unhappy over the failure of the officer concerned to follow the proper procedure in calling tenders and over

his recommending the particular firm for placing the order. According to the procedure, limited tenders should have been called for from approved or recognised registered dealers. The Committee are surprised how the officer happened to invite tenders from the particular firm in question, the credentials of which were not verified and with which neither the Northern Railway nor any other Railway had dealings in the past. The Committee, therefore, cannot rule out the possibility of collusion of the officer with the firm. They note that the officer has been prematurely retired on the basis of his whole record of service. The Committee, however, suggest that action should also be taken against the officer who approved the tender finally. They also hope that necessary remedial measures have been taken to prevent the recurrence of such cases.

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3-91

Railways

It is also disquieting that the early period of delivery which was an important consideration for placing the order on the firm was actually not adhered to by the firm in making deliveries. The Committee suggest that imposing of some penalty on the firm on this account should also be considered.

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3-94

Do.

The Committee are constrained to observe that this was yet another failure in this case that further payment was not stopped after April, 1957 when a Departmental Enquiry was appointed to investigate whether the material was imported. In view of the facts that the firm had not furnished the manufacturer's test certificates as

stipulated in the purchase order, the samples sent to Railway Metallurgist had not passed the test, and 90 per cent of the money had been paid on earlier consignments, the officers should have stopped payments in respect of further consignments. It is regrettable that the officers concerned were not watchful about the financial interest of Government. The Committee desire that responsibility should be fixed for this lapse.

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3-97

Railways

Iron & Steel

The Committee are not satisfied over the tardy manner in which the matter has been pursued since the Departmental Enquiry Committee concluded in October, 1957 that material supplied by the firm was actually of indigenous origin. The case was referred to the Iron & Steel Controller only in February, 1958 and authorisation for the return of the material was taken from him only in March, 1959. In view of the financial difficulties expressed by the firm and their failure to deposit the amount by April, 1960, a formal demand on the firm to produce the original shipping documents was made by the Iron and Steel Controller in February, 1961, but the firm having failed to do so, the rate as for untested indigenous steel was fixed by him in October, 1961. In view of the fact the Contract provided for fixation of the final rate by the Iron and Steel Controller, the Committee cannot help observing that there was avoidable delay of about four years in enforcing the provision in the agreement. They would like to know about the recovery made of the balance of Rs. 32,000 out of Rs. 77,000 payable by the firm.

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	3-98	Do.	The Committee would also like to know about the outcome of the criminal proceeding launched against the firm by the Special Police Establishment.
23	3-113	Railways	<p>From the evidence, the Committee find that while locomotive coal is despatched from the collieries by weight, there is no system of weighing the same at the loco sheds and the quantity indicated in the railway receipt is taken as the quantity received at the loco shed. While the receipts are according to weight, the issues from the loco sheds are made on a volumetric basis.</p> <p>The Committee, however, find it difficult to accept this as a valid reason for physical shortages. They are of the view that the conversion ratios should be fixed scientifically on the basis of test weighments for each grade of coal and should be reviewed frequently to ensure that it is reasonably accurate.</p>
	3-114	Do.	<p>In the opinion of the Committee, the most important reason and the most disturbing factor leading to these shortages was the frequent pilferages from yards, loco sheds and during transit. The Committee would like the Railway Board to pay their sustained attention to this problem, and tighten up the security arrangements to eliminate pilferage of coal. The other two factors responsible for shortages detected were stated to be (i) overloading of coal on the engines of the crack trains and (ii) mixing up of different grades of</p>

coal in the shed. The Committee feel that these factors can be easily eliminated by better local supervision and control.

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| | 3 115 | Railways | The Committee desire that the Railway Board should issue instructions to the local administration to take suitable measures to ensure that the physical shortage found during stock verifications do not exceed the permissible limit of 2 per cent. |
| 24 | 3 125 | Do. | From the note furnished by the Ministry (Appendix XII) the Committee find that out of 260 cases the value of claims outstanding on 31 October 1965 was Rs. 9.72 lakhs and the number of cases involved was 142. The Committee hope that earnest efforts would be made to settle these cases without any undue delay. They would also like the Ministry to consider whether any uniform policy could be evolved in regard to insuring railway goods from risks. |
| | 3 126 | Do. | The Committee are also of the view that 12 months is a sufficiently long period to arrive at a settlement of the claim, failing which prompt steps should be taken to file the suit to recover the claim. |
| 25 | 3-132 | Do. | The Committee are glad to note that a substantial amount of arrears of electric charges has been liquidated. They trust that the new procedure for recovery of charges will be worked out with adequate caution so as to avoid such accumulation of arrears occurring in future. The Committee would like to watch the position through future Audit Reports. |
| 26 | 3 141 | Do. | The Committee consider it rather surprising that a private party could instal a crane within the premises of the railway goods shed |

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not only in contravention of the rules but also in total disregard to the Administration's refusal to lease the land to the party. Far from being penalised, the occupation of the plot was regularised in 1959 and the party could bring in another crane in 1962. Even though the Ministry were well aware of the fact that the party concerned was having a corrupting influence on the staff, they had to put up with the party till such time as it could procure another crane and the party continued to enjoy the lease of the plot.

The Committee were informed during the course of evidence that from the public service point of view as well as from the Railways' own point of view the presence of this crane and its operation in the goods shed at that particular time was beneficial because the railway's cranes were not sufficient to deal with the heavy cargo traffic. Even if that was so, the position must have materially altered by bringing another additional Railway crane. The Committee would like the Railway Board to have an independent quantitative assessment made to see whether the present number of Railway cranes at the goods shed is adequate to meet fully the requirement of traffic without causing detention to wagons. If the present number of Railway cranes is found inadequate, then only the operation of the private crane may be permitted after making adequate administrative arrangements to ensure that no malpractices creep in. If the operation of the private crane is considered necessary it should be

strictly according to the rules and regulations in force. The Committee would like to be informed of the final outcome of the case.

27 3-150 Railways

The Committee are of the view that much of the loss in this case could have been avoided if only the Railway Administration had dealt with the issue relating to the other parties separately and the original order for effecting recovery from other firms was not cancelled. They feel that greater care and caution should be taken while issuing orders which are likely to have financial bearing. They further feel that both the Administration and the Railway Board had taken unduly long time in considering and deciding the various issues involved. They trust that the Ministry should take steps to ensure that such delays are scrupulously avoided in future.

28 3-156 Do.

The Committee hope that suitable instructions have been issued to the Railway concerned that all papers/registers relating to house rent/recovery etc. are maintained in such a manner that there should be no other occasion where the recovery of dues is delayed or made difficult for non-availability of papers.

29 3-164 Do.

The Committee are constrained to observe that it had taken the Railway Administration nearly 5 years to finalise the revised rates of rent because the Administration had to depend on local authorities for collection of information regarding the prevailing market rent and also because the matter was not pursued vigorously. They further find that the original agreement was defective inasmuch as it did not include any provision for periodic revision of rent. As a result; though the notice was issued in 1958, stipulating that

the revised rents would be implemented with retrospective effect, it would not be enforced under legal advice.

The Committee hope that in all future agreements, a suitable clause regarding periodical revision of rent would be added, as agreed to by the Financial Commissioner.

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3-173

Railways

The Committee are amazed to find the gross indifference with which the Railway Administration have been pursuing the case. Even though the fact of encroachment came to the notice of the Administration in October, 1949 no effective action except issuing notices and reminders was taken between 1950 and 1954. It is all the more surprising that in July, 1955, the firm managed to obtain lease of the same plot of land in the name of another person and paid the rent but no follow up action was taken to recover the rent for the period prior to July, 1955. And even though the lease was terminated in April, 1958, the firm continued to be in unauthorised occupation despite notices and it was only in 1964 that the Railway filed an application before the Estate Officer for eviction and recovery of rent and damages. During the course of evidence, it was stated that, ".....even if we had compelled this firm to vacate this strip of land many years ago, the net result of this would be that the land would have remained vacant and no one else can probably use it."

3-174

Do.

The Committee consider this to be rather a strange way of trying to cover up delays. They feel that while granting the lease of plots the antecedents etc. of a firm are not verified or at least these were not done in this case though the firm was a habitual offender. The repeated offences of the same nature committed by the firm impunity lead the Committee to infer that such a thing is possible only with the connivance of the officials. The Committee, however, expect that the Department should show greater initiative and ensure that such cases are finalised without any loss of time. They trust that the Enquiry Committee will finish their work more expeditiously. It is also necessary that the procedure of granting licenses for the private use of Railway land is gone into with greater care and all loopholes (as occurring in this case) are plugged so as to prevent recurrence of similar cases. The Committee were informed that the machinery to check and prevent cases of encroachment is being strengthened. They hope that similar machinery will also be introduced, if not already in existence, in all such industrial areas where the cases of encroachment are frequent. The Committee would like to be informed of the findings of the Enquiry Committee and the action taken thereon.

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3-185

Do.

The chequered history of the Loco Component Works Project and the fact that the Project had ultimately to be abandoned in 1962 indicates that sufficient care and thought were not bestowed at the time of starting the Project. The Committee fail to understand how the Railway Board could decide in March, 1957 when they

reviewed the Project in the background of the policy of progressive dieselisation to go ahead with the Loco Component Works project on the grounds of operational necessity although the Ministry of Finance did not regard this project as of sufficiently high priority for release of foreign exchange. The fact that the requirements of locomotive components are being met partly from the existing workshops and partly from the private sector, shows that the Railway Board's decision in March, 1957 to go ahead with the project in the face of the accepted policy of progressive dieselisation lacked justification. It is also unfortunate that the work of the project had to be suspended from February, 1959 to June, 1960 due to difficulties in arranging adequate power supply, and again from May, 1961 to February, 1962 due to difficulties in settling the design of some shops. In regard to the supply of power, the project authorities did not maintain proper liaison with the local authorities, and relying on a general assurance given by the Chief Minister of U.P. before the project was approved, they did not even ascertain from the Electric Supply Company at Banaras whether power would be available and as a result of all these, the work had to be suspended for 25 months. In the note furnished subsequently which is at Appendix XIV, the Committee find that out of 317 machines procured for the Locomotive Component works, 210 were received free of cost and only the charges for freight, customs and handling had to be paid. When subsequent examina-

tions were carried out by the LCW on receipt of the machines it was found that some of them could not be utilised as their condition and performance were not suitable for the specific purpose for which they were required and a number of machines were also received deficient of components which could not be obtained as the machines were obsolete and there were also defects which could not be rectified. Of the 210 machines, 63 machines valued at Rs. 5.42 lakhs had been found surplus to the requirements of LCW.

The Committee are surprised to note that these machines were accepted without any physical examination and they were accepted only on these basis of brief particulars furnished by the supplying authorities. The Committee would like to be informed whether 63 machines valued at Rs. 5.42 lakhs which were found surplus have been put to any alternative use, and if so, where.

3.186

Railways

From all these factors, the Committee cannot but come to the conclusion that the whole scheme was envisaged on the basis of probabilities and its execution during the short period it survived, lacked the "attention for details", as a result of which it had to be abandoned. The Committee would like the Railway Board to work out the infructuous expenditure incurred due to abandonment of the project, after taking due credit for the assets transferred to the D.L.W. Project.

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Do.

The Committee hope that the abandonment of the Loco Component Works Project would serve as an object lesson to the Rail-

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way Board, and that in future, greater degree of care, thought and co-ordination with different agencies will be bestowed before launching a project of this magnitude.

32 3 198 Railways

From the evidence tendered and the notes furnished by the Ministry, the Committee are surprised to learn that 6 contracts of bridge works including the Mahanadi bridge Project above Rs. 10 lakhs each were awarded to M/s. Hindustan Construction Co. Ltd. without tenders during the period 1954 (when Ganga Bridge Contract was awarded) to 1965. Also during the same period the total amount of foreign exchange allotted to this company for importing equipment for these contracts amounted to more than Rs. 63 lakhs. The contention of the Ministry that "The well foundations proposed to be utilised in the case of Mahanadi Bridge were of such a nature that it was felt that no other firm would be able to do the job within the time available" does not appear to be correct in view of the fact that no tenders were invited. Since 1954 the only firm which was awarded contracts without tender for bridge works above Rs. 10 lakhs was the Hindustan Construction Co., and even in November, 1961 when the contract of the Mahanadi Bridge was given to them, the Railway Board did not even think that after a lapse of about 7 years there might be some other firm/firms who also could do the job equally well. The Committee cannot but deprecate the tendency of awarding contracts for huge sums of money (including substantial amounts of foreign exchange) without inviting tenders. They desire that such a practice should

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not be resorted to in future except in cases of emergency and the normal healthy convention of inviting tenders should be followed.

3-199

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The Committee are also perturbed to learn that the Railways had to pay a sum of Rs. 8.92 lakhs to the Hindustan Construction Company for providing and keeping one pneumatic set as stand-by at the site of the work when the estimated cost of such a set was only Rs. 12 lakhs. They regret to learn that the question of purchasing this equipment by the Railways themselves was only considered when Mahanadi Bridge single tender was being negotiated. If the Ministry had given careful consideration to the purchase of such a set earlier they would not only have saved this sum of Rs. 8.92 lakhs spent on hire charges etc. but would also have possessed the set for similar work elsewhere and the question of purchasing two such sets of equipment now costing Rs. 38 lakhs (of which foreign exchange element would be Rs. 12 to 15 lakhs) would not have arisen. The Committee would, therefore, like to stress that the Railways should devise ways and means of undertaking some advance planning with a view to effect savings over a long period.

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3-206

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The Committee are perplexed to learn during evidence that "officers examined the files but found that neither the Bihar Government Gazette nor circular was traceable anywhere and they could not fix any responsibility on any particular individual" and that there were lapses at every stage of this case. They are of the opinion that the manner in which the case has been dealt with leaves much scope for improvement in the procedure laid down by the Railway Administration to tackle such issues. They, therefore, desire that

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the official procedure should be streamline with utmost speed so that lapses may not recur in future.

3-207

Railways

The Committee are surprised that a warrant of attachment of the station earnings was issued by the Certificate Officer, Muzaffarpur for the realisation of Rs. 59,969. The propriety of such an action is open to question. The Committee suggest that this case may be brought to the notice of Bihar Government at the highest level and that certain healthy conventions laid down for settlement of issues between State Govt. and Central Govt. by correspondence and/or discussions at appropriate levels.

34

3 217

do.

The Committee are distressed to find that due to the non-observance of the prescribed procedure a Pay Clerk could misappropriate a sum of Rs. 94,561. The main points of abuses, in this case were:

- (i) There was no Inspector of Pay Clerks to inspect the work of this pay clerk while all other pay clerks were under an Inspector;
- (ii) The work of this pay clerk did not come under accounts check even during the five months when "normally a pay clerk should come under accounts check once in three months;"
- (iii) The pay clerk could escape the inspection of Additional Divisional Accounts Officer on a plea of making payment

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outside and it was not checked up at that time for afterwards whether the plea was genuine or not; and

- (iv) Even when the lacuna came to light, the department did not freeze the books and accounts of the clerk and instead allowed him time to complete the books when the conduct of this man was grievously wrong and there was an adverse report from SPE.

From all these, the Committee feel that the present procedure should be tightened up so that such incidents do not recur. They further feel that the time taken by the Department to finalise departmental investigation, to fix responsibility on the individual officials and to take disciplinary action against the guilty persons is unduly long. The Committee would like to be informed of the final outcome of the case.

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3-220

do.

The Committee regret to find that even though more than three years have elapsed, the Railway Administration have not been able to finally determine the amount of loss involved in this case. During these years, two investigations had been conducted and in both the cases the figures of verification differed widely.

The Committee are inclined to feel that much of the difficulty had arisen because the P.W.I. despite his poor health was burdened with work which, according to evidence, should have been shared by two P.W.Is. The Committee feel that the investigations should be completed quickly and adjustments made from the dues of the deceased which have been withheld. They are also of the opinion that

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the Administration while allotting additional work to employees should also provide them with adequate staff as otherwise difficulties are likely to arise in regard to maintenance of accounts which may result in a loss. The Administration should also consider whether in case of officials whose cases of retirement are finalised, the verification of stocks held by them could be started at least six months before the time of superannuation instead of waiting for the verification being done immediately before retirement.

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4.2

Railways

In the following cases the Committee note that the replies furnished by the Ministries are of interim nature. They would, therefore, await a further report thereon:

1. Serial No. 67 of Appendix XX (para 69) to 32nd Report (3rd Lok Sabha)
2. Serial No. 72 of Appendix XX (para 75-item 3) 32nd Report (3rd Lok Sabha).
3. Serial No. 72 of Appendix XX (para 75 item 4) to 32nd Report (3rd Lok Sabha)

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4.5

do

The Committee are not convinced that the local authorities had acted with the best intentions in undertaking the earthwork and would, therefore, urge that the matter should be further investigated and responsibility fixed as already recommended earlier.

- 38 4 7 do. The Committee are surprised to learn that no enquiry was held in regard to the loss of 21,014 bags. They would like that an enquiry should be held to ascertain the circumstances leading to the loss, before the amount is written off.
- 39 4 9 do. The Committee desire that the final decision in the matter may be expedited and communicated to them.
- 40 4 15 do. The Committee are not satisfied with this brief reply from the Ministry of Railways as it does not fully answer their queries. It is also not clear from the reply whether "liability registers" are now being properly maintained or not. They desire that the Ministry of Railways should furnish a Railway-wise analysis of the position at present regarding maintenance of these registers.
- 41 4 19 do. In this case also it is not clear from the reply whether the procedure is being properly followed or not and what is the periodicity of the Reports sent by the Purchase Organisations abroad to the Railway Board. The Committee desire that the intervals at which the information is being supplied by the Purchase Organisations, the nature of the Reports (whether they contain upto date information or not) and the number of Reports received by the Ministry in the last six months of the financial year 1965-66 may be intimated to them. They would also like to know if the Ministry of Railways have formulated any plans/proposals for the improvement of the existing procedure and if so the details thereof may be furnished.
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42	4-27	Railways	The attention of the Railway Administrations had again been drawn recently to the standing instructions. The Committee would like to watch the effects of the instructions issued by the Ministry of Railways through future Audit Reports.
43	4-32	do.	The Committee may be furnished with a copy of the instructions issued by the Railway Board referred to in para 4.31. They trust that besides issuing instructions, the Railway Board would also look into the cases of non-observance of the orders and take suitable action against officials at fault.
44	4-35	do.	The Committee would like to watch through future Audit Reports the effect of the measures adopted by the Railway Board to improve the position of recovery of rent in respect of Railway land leased to outsiders.
45	4-45	do.	The Committee are constrained to note that such lapses have again occurred on the Railway Administration. These cases may be examined in detail at the time of consideration of the Audit Report 1966 by the next Committee.
46	48	do.	The Committee would watch the results of the measures adopted/proposed to be adopted by the Railway Board through future Audit Reports.

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