ADVANCE REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR

THE YEAR 1979-80

UNION GOVERNMENT (RAILWAYS)

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2	32	2 (below table)	Rs. 202.87 crores	Rs. 282.87 crores
3	36	18-19	procurement**	procurement** of
4	36	19	1.26 lakhs	1.26 lakh
5	43	20	case of of	case of
6	47	11	1st December	31st December
7	51	2	avaialable	available
8	59	Table	July 1971*) March 1972)	July 1971) March 1972) *
9	70	9	Railways,	Railways'
10	72	22	equipment	equipments
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22	123	32	Rs. 32,49 lakhs	Rs. 32.49 lakhs
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PREFATORY REMARKS

This Report has been prepared pending submission of the Appropriation Accounts of the Union Government (Railways) for the year 1979-80. The Appropriation Accounts of the Union Government (Railways) for the year 1979-80 are under preparation/finalisation by the Ministry of Railways (Railway Board). Since their submission is likely to take a little more time, this advance Report is being submitted.

2. This Report relates mainly to points arising from audit of the financial transactions of the Railways. The matters reported are among those which came to notice in the course of test audit during the year 1979-80 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1979-80 have also been included, wherever considered necessary. These include, among others, Wagon availability on the Railways, Replacement of assets on the Railways, Remodelling of Mughal—sarai Yard, Heavy detention to wagons inside departmental yards, Non-observance of routing and rating instructions and Immobilisation of Railway coaches consequent on fire during shooting of "The Burning Train".

3. The points brought out in this Report are not intended to convey or to be understood as conveying any general reflection on financial administration by the Ministry of Railways (Railway Board).

CHAPTER I

RAILWAY BOARD

WAGON AVAILABILITY ON THE RAILWAYS*

1. Introduction

1.1 The Indian Railways carry about 67 per cent of originating tonnage and 82 per cent of tonne km of the total inter-regional movement of freight traffic in the country and thus constitute the main artery of the nation's inland transport. Freight traffic is also the main source of their earnings and nearly 97 per cent of it is in wagon loads.

1.2 The unit of rail transport for freight traffic is the wagon. The number of wagons required is assessed by the Ministry of Railways (Railway Board) in consultation with the Planning Commission and the main users, taking into account the anticipated traffic under major commodities, the turn-round time of wagons, i.e., interval between two loadings, and the average lead, i.e., distance of haul, in the light of past trends and likely future developments. The requirements of wagons so assessed are distributed into various types and included in the Rolling Stock Programme (Budget) and ordered on the wagon builders each year by the Railway Board.

1.3 The Railways had 4,90,817 wagons** towards the end of the Fourth Plan, which according to the Ministry of Railways (Railway Board), were adequate*** to meet a traffic level of 235 million tonnes or 148 billion net tonne km in the last year (1973-74) of the Fourth Plan. However, the traffic carried in that year was only 184.9 million tonnes or 122.3 billion net tonne km, which meant a capacity utilisation of 83 per cent. The average turn-round of wagons in that year had increased from the assumed level of 11.9 and 8.8 days to 15 and 12.5 days for broad gauge (BG) and metre gauge (MG) wagons, respectively.

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*A detailed draft review was issued to the Ministry of Railways (Railway Board) on 6th November 1980; it was finalised in the light of discussions with the officials of the Ministry of Railways (Railway Board) on 24th December 1980.

**Wagons are reckoned in terms of four wheelers unless otherwise stated.

***Railway Convention Committee, 8th Report, 1973.

1.4 For the Fifth Five Year Plan (1974-75 to 1978-79), the Railway Board were as per the revised targets of traffic, to procure 54,024 wagons including 16,500 wagons on replacement account for carrying an estimated originating freight traffic of 250 million tonnes. Cognisance was taken of the need for better utilisation of the existing track and rolling stock capacity and higher operational efficiency by maximising movement in block rakes and reducing turn-round time (to a level of 12.1 and 10.5 days for BG and MG respectively).

1.5 By 1976-77, the total holding of BG and MG wagons had increased to 5,20,114. The turnround of wagons had also come down, with improved operating efficiency from 15 and 12.5 days during 1973-74 to 13 and 11.1 days for BG and MG respectively during 1976-77. The Railways were, as a result, able to load 239.1 and 237.3 million tonnes during 1976-77 and 1977-78 which meant a capacity utilisation of 96 per cent in terms of rolling stock.

1.6 By 1978-79, against the Fifth Plan provision of 54,024 wagons, the actual procurement of wagons was 59,338. Accordingly, the total wagon holdings increased further from 5,20,114 in 1976-77 to 5,32,072 in 1978-79 and 5,34,517 at the end of 1979-80. However, the traffic tonnage carried, especially under coal and cement, declined from 1977-78, as under :

Year	Total wagon holding	Traffic tonnage carried			Total Traffic in NTKM (in billions)
		Coal (in million tonnes)	Cement (in million tonnes)	Total traffic (in million tonnes)	
1976-77	520114	82.3	13.7	239.1	156.8
1977-78	527863	83.8	13.6	237.3	162.6
1978-79	532072	77.9	12.3	223.4	154.8
1979-80	534517	75.8	10.0	217.8	155.9

II. Position after 1976-77—Wagon shortage

1.7 The preceding para would indicate that wagon capacity to load 247—250 million tonnes of traffic had been created and traffic of 239.1 and 237.3 million tonnes had been moved in the years 1976-77 and 1977-78; further, that with lesser traffic in the subsequent years the Railways should have had more wagons than what the traffic moved needed. However, the factual position turned out to be different, as indicated below :

1.8 A review by Audit of the operating position from 1976-77 to 1979-80 on the Central, Eastern, Northern, Southern, South-Central, South Eastern and Western Railways, which together account for 90 7 per cent of the total tonnage carried by the entire Railway system, indicated shortage of both covered as well as open wagons. The following is the result of a survey to gauge the extent of outstanding indents for wagons (average monthly outstanding indents for one month in the lean period—April to September and one month in the peak period—October to March):

Year	Outstanding indents (average per month)		
	BG	MG	
1976-77	10,143	4,807	
1977-78	23,480	14,065	
1978-79	1,03,839	57,970	
1979-80	2,44,368	82,885	
1980-81	1,92,256	46,594	(June 1980 only)

1.9 A further analysis of the outstanding indents to the end of June 1980 showed that the oldest date of registration was November 1978 in respect of BG and March 1979 in respect of MG wagons on the Eastern and Northern Railways, respectively.

1.10 A review by Audit of the procurement of wagons as also of the factors responsible for reducing the wagon availability during recent years revealed the following :

(As the BG accounts for 89 per cent of the freight traffic, this review deals mainly with the position on the BG).

III. Procurement of Wagons

Imbalance in wagon holding between open and covered

1.11 A comparative study* of the wagon holding position at the beginning of the Fifth Plan (i.e. as on 1-4-1974) with that at the end of 1977-78 (when the Railways carried the maximum traffic, achieving 96 per cent capacity utilisation), analysed into open and covered stock, revealed as under :

	Percentage increase in wagon capacity (tonnes) from 1973-74 to 1977-78	Percentage increase in traffic in commodities for which generally covered/open wagons are indented, from 1973-74 to 1977-78	Variation
BG			
Covered	17	29	(—)12
Open	52	43	9
MG			
Covered	0.3	21	(—)20.7
Open	(—)3	7	(—)10

1.12 The above analysis brings out that the increase in covered stock was not commensurate with the increase in traffic in commodities (cement, foodgrains, fertilisers and other commodities) for which generally such wagons are indented. Even in the case of open wagons, the apparent higher capacity was not genuine, firstly, because the increase was largely in special type wagons (for carrying iron ore, other raw materials for steel plants, long length finished steel items, etc.) rather than general purpose (open) wagons and, secondly, the general purpose (open) wagons had to be used for transport of commodities even where covered wagons had been indented.

Inadequate provisioning of MG wagons

1.13 The MG wagon holding position having indicated a surplus of 591 wagons when the Railway Board assessed the requirements of wagons for the Fifth Plan period, mainly because

*This comparative study does not take note of the effects of turnround and lead on the wagon availability.

of projects for conversion of MG track into BG, no provisioning of MG wagons on additional account was made in the Rolling Stock Programmes of 1975-76 to 1977-78. The slowing down of execution of MG to BG conversion projects (on the Western, North Eastern and Southern Railways), however, delayed the release of MG wagons from the sections to be converted into BG and, as a result, there was practically no net addition to the MG wagon fleet during the period from 1974-75 to 1978-79 to handle the increased traffic in the MG sections.

Excess provisioning of special type wagons

1.14 A type-wise analysis of the 59,338 wagons procured during the years 1974-75 to 1978-79 disclosed that as many as 15,154 special type wagons, (besides 25,307 covered wagons and 16,199 general purpose open type wagons*) had been procured. Further, some of the types of special wagons procured during this period were not of the types generally in demand by trade and industry.

1.15 The special wagons, as for instance, BRHT (6,438 Nos.) for carrying long length finished steel products from steel plants, BOY (3,300 Nos.) for transporting iron ore for export in closed circuit sections of the South Eastern Railway and BOBS (2,010 Nos.) for transport of raw materials to the steel plants, had been procured in excess in relation to the traffic that materialised; but these could not be diverted to meet the traffic demand for general purpose, open or covered, wagons. Similarly, there had been excess provisioning (1,101 Nos.) and excess procurement (506 Nos.) of brake vans during this period.

1.16 Even of the wagons ordered, a substantial number, though manufactured by the wagon builders, could not be taken over from them and put on line for traffic use but had to be kept stabled in their workshops for want of wheelsets and roller bearing axle boxes. These fittings which were required to be supplied to wagon builders as free supply items could not be arranged

*Excludes 2678 brake vans procured during 1974—79.

by the Railway Board in adequate numbers to match the delivery schedule of wagons. During 1978-79 and 1979-80, on an average, 839 and 784 wagons per day, out of 12,056 and 10,827 wagons, respectively, built for the Railways, had to be kept stabled on this account. The loss to the Railways as a result was 3,06,235 and 2,86,160 wagon days, respectively, during the two years.

IV. Factors affecting wagon availability

1.17 Even the fleet of wagons on line could not be put to maximum utilisation due to various operational and non-operational factors within the control of the Ministry of Railways (Railway Board), as brought out hereunder :

Inspection, sorting, etc. of empty wagons and adjustment of loads in Railway yards.

1.17.1 The empty wagons are required to be cleaned, inspected and sorted into covered and open wagons and tanks in the marshalling yards prior to their despatch to the bulk loading points (*viz.* collieries, steel plants, cement and fertiliser plants, etc.). Similarly, proper loading of wagons upto their carrying capacity is required to be ensured and adjustment of loads made so as to avoid underloading or overloading. It was noticed by Audit during the course of a review of coal loaded wagons despatched from collieries that the Railways had not been adhering to the prescribed rules and procedures in this regard, with the result that empty wagons sent to the collieries from the marshalling yards had either been left behind unloaded (atleast until the next pilot) or hauled empty. The number of wagons so left behind ranged between 1,043 and 1,336 and the wagons hauled empty ranged between 60 and 136 per day during the years 1975-76 to 1979-80. There were also cases of overloading leading to damage to wagons*.

1.17.2 Further, due to the general shortage of covered wagons, loading of foodgrains, fertilisers and cement, in open (BOX) wagons covered with tarpaulins was permitted by the Railway

*Specific illustrative cases of damage noticed by Audit are given in the Annexure.

Board in November 1978, subject to these wagons being booked for short distances and over routes not likely to be affected by rain. These conditions were, however, not observed by the Railway staff and open wagons with the above commodities were despatched to distant places thereby retarding availability of open empties for loading of coal at the collieries. As a result, the inter change commitment to supply open empties from Northern Railway to Eastern Railway at Mughalsarai for loading coal came down from 1,748 in 1978 to 1,506 in 1979, per day.

1.17.3 Coal accounts for 32–33 per cent of the originating tonnage on the Indian Railways and the Eastern and South Eastern Railways carry between them over 90 per cent of the total coal tonnage carried. As a result of the above factors contributing to reduced availability of open wagons, there was a setback in the daily wagon allotment* and coal loading, as indicated below :

Year	Offer/ indents	Allotment (Number	Loading of Wagons)	Production in million tonnes (Coal India only)
1976-77	10367	8734	8172	89.48
1977-78	10701	9218	8379	88.96
1978-79	10230	8124	7540	90.06
1979-80	9979	7646	7160	91.39

1.17.4 While the Ministry of Railways (Railway Board) attributed the reduction in the loading of coal to failure of the collieries to organise their labour, etc. for loading of wagons within the free time, the Ministry of Energy (Department of Coal), on behalf of the collieries, attributed (February 1978) this to, apart from less availability of wagons, unscheduled supply of wagons resulting in (colliery) labour being kept idle at times for the whole day; improper sequencing of rakes resulting in the collieries not being able to load coal properly; and supply of empties with defects and without cleaning, etc.

*Data from "Sales and Traffic Review" of Coal India Ltd., 1979-80.

1.17.5 Such differences are required to be sorted out at co-ordination meetings between the collieries and the Railway officers at the local level as well as at the level of Ministry of Railways and Ministry of Energy (Department of Coal). Nevertheless, the position had deteriorated over the years as seen from the above figures.

Wagon shortage due to wagons being held up in sidings of major Railway users

1.18.1 *Steel Plants* : Wagon availability for trade and industry is affected also owing to wagons being held up in the sidings or yards of major Railway users, *e.g.* steel plants, Food Corporation, Port Trusts, etc., which are not worked by the Railways. The number of wagons handled in such sidings has been of the order of 25,000—26,000 in recent years, of which 16,000—17,000 are at the six major steel plants for their inward and outward traffic. Despite liberal free time upto 48 hours for single operation of loading or unloading as against 5 hours allowed to trade, detentions to wagons in the yard of the steel plants were much higher, as revealed during test check of records of December 1979, undertaken by Audit, as indicated below :

Type of wagon	Name of Steel Plant	No. of wagons detained	Detention per wagon (hours)
BOX	Bokaro	1391	72
	Rourkela	1178	64
BFR	TISCO	172	80
	Durgapur	128	93
BRH	Bokaro	140	250
	Rourkela	82	186
Ordinary covered wagons	TISCO	281	55
	Bokaro	229	321
	Rourkela	362	153
	Durgapur	115	142
Ordinary open wagons	Durgapur	216	110
Tank Wagons	Durgapur	88	92

According to the Ministry of Railways (Railway Board), the yards of the steel plants having been built on certain assumptions and the situation having changed with the passage of time, there were hold ups of wagons.

In this connection, the Khandelwal Committee had recommended in 1973 a series of measures and works to be implemented mutually by the Railways and the steel plants for reducing the detention to wagons inside their yards. However, not all the recommendations of the Committee have been implemented so far; according to the records made available to Audit by the Ministry of Railways (Railway Board), the Railways had implemented 75 out of 97 recommendations concerning them and the steel plants 56 out of 149 concerning them (September 1980).

Departmental users

1.18.2 The free time allowed for traffic wagons inside departmental workshops and sidings is as it is much in excess of the normal free time of 5 hours, ranging from 48 to as high as 216 (reduced to 144 from 1-8-80) hours per wagon on the Eastern, South Central and Southern Railways. Even then, the actual time for which wagons were held up was much in excess of even this liberal free time, mainly owing to non-execution/delayed implementation of measures to improve loading/unloading facilities inside the workshops. (see para 3).

Wagon shortage due to overaged and sick wagons

1.19 Another factor affecting wagon availability during recent years has been the increased percentage of overaged and sick wagons under or awaiting repairs on the line.

1.19.1 The number of overaged wagons was as follows :

At the end of	Numbers		Percentage to total on line	
	BG	*MG*	*BG*	*MG*
1973-74	12054	10464	4.15	11.31
1977-78	18917	10381	6.18	11.66
1978-79	19014	9777	6.17	11.04
1979-80	20245	10109	6.49	11.46

1.19.2 The number of sick wagons was as follows :

At the end of	Numbers		Percentage to total on line	
	BG	*MG*	*BG*	*MG*
1977-78	14660	4057	3.98	3.91
1978-79	16255	4364	4.34	4.14
1979-80	16812	4973	4.43	4.73

The extent of overaged wagons would appear to be one of the reasons for the high percentage of wagons in workshops and sick lines (and also detention to rakes in yards and on the line), thus reducing their availability for traffic.

1.20 *Coupler incompatibility*

Another reason for the large number of sick wagons is the problem of coupler incompatibility. All the new (BG) wagons procured after 1973–74 are fitted with centre buffer couplers (CBC)), while the older wagons on line have the conventional screw couplings and the two cannot be readily coupled. A transitional device, known as 'transitional coupling,' to enable the two to be coupled is. therefore, being used. However, this device, attached to the CBC fitted wagons and stated to be rather weak, has often been getting damaged in the marshalling yards while humping due to inadequate observance of the prescribed drill. Further, there has also been reportedly largescale 'pilferage' of this device in the marshalling yards, more particularly since 1977-78. The consequential increased requirement of the device could not, however, be met due to its limited production in the country, the supplies during the period April 1977 to June 1980 having been only 96712 as against the requirement of 208123, resulting in wagons being put out of commission.

According to the standing instructions in force and reiterated by the Ministry of Railways (Railway Board) in August 1980, CBC wagons should as far as possible move in block rakes. In this connection, the Ministry of Railways (Railway Board) observed (December 1980) that "As regards closed circuit rakes where this problem did not exist it had to be seen whether the country can really afford this".

Turn-round as a factor affecting wagon availability

1.21.1 The turn-round time of a wagon comprises (i) the time to load/unload a wagon at the terminals, (ii) the time spent at the marshalling/transhipment/repacking sheds and (iii) its run time. These operations are within the control of Railways and it is imperative to keep the turn-round near about the assumed level so that the demand and availability of wagons are evenly matched.

As already stated, the Ministry of Railways (Railway Board), while working out the wagon requirements for the Fifth Plan period, had assumed that the turnround would be brought down to 12.1 days on BG (for MG 10.5 days). It was expected that the investment in line capacity works, in yard facilities, in the number of rolling stock, etc. would improve the turnround through better speed, rationalised movement (block rakes) etc.

1.21.2 The actual turn round of wagons on the BG and MG has, however, been as follow :

Year	Turn round	
	BG	*MG*
1973-74	15.0	12.5
1974-75	14.6	12.0
1975-76	13.5	11.6
1976-77	13.0	11.1
1977-78	13.3	11.5
1978-79	14.3	12.8
1979-80	15.1	14.1

As a result of the higher turnround, the wagon availability became less. The following are the results of an analysis of the effects/causes of the increase/decrease in turnround on BG wagon availability: (the position on MG is similar and has hence not been brought out here).

(i) At the level of wagon holding in 1973-74 and 1974-75, increase in turnround by 0·5 day meant shortfall in availability of wagons for loading to the extent of about 700 to 1000 per day.

(ii) In 1976-77 and 1977-78, when the wagon turn round was brought down to 13.0 and 13.3, the efficiency indices were the best, as detailed below :

Details of efficiency indices of wagon utilisation

BG	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
1. Turnround (days)	15.0	14.6	13.5	13.0	13.3	14.3	15.1
2. Wagon Km per wagon day	67.2	70.3	77.8	81.1	81.9	75.9	73.3
3. Net tonne Km per wagon day	837	907	982	1019	1045	976	972
4. Speed (All traction) (Km per hour)	18.3	18.4	18.8	20.1	19.7	19.6	19.5

(iii) A study of the statistics, compiled by the Railway Board, of wagons dealt with and their detention during a period of two selected months (one peak month—December, and one lean month—June) in all important marshalling yards and terminal point s (all located in BG/MG trunk routes) for the years 1976-77, 1977-78, 1978-79 and 1979-80 indicated the following position :

	1976-77	1977-78	1978-79	1979-80
Important Marshalling Yards (BG)				
1. No. of Yards	47	47	47	47
2. No. of wagons dealt with (per month)	1633604	1571252	1441538	1318210
3. Detention in hours (per wagon)	26.5	29.4	30.5	30.45
Terminal Yards BG				
1. No. of Yards	24	25	25	25
2. No. of wagons loaded, unloaded, re-loaded etc. (per month)	62150	88480	84040	75023
3. Detention in hours (per wagon)	39.8	39.4	49.0	67.5

It would be observed that even though the number of wagons dealt with in the marshalling yards had come down by 19.3 per cent from 1976-77 to 1979-80, the detention to wagons had gone up by 14.9 per cent during the same period. The increase in detention to wagons in the yards, despite the additional facilities provided, was stated to be due to factors such as wagons becoming unfit/damaged owing to deficient coupling, lack of power, late materialisation of stock, etc., besides inadequate capacity in the reception lines of the central yards which receive and despatch through goods trains.

It would also be observed that both the number of wagons dealt with in terminal yards and the detention to them during the years 1976-77 to 1979-80 registered respectively an increase of 20.7 per cent and 69.6 per cent. The abnormal increase in detentions at the terminals was due to inadequate terminal facilities for receipt and clearance for loading and unloading of terminating wagons and growth of passenger traffic, most terminals being common to goods and passenger traffic.

This problem had been dealt with by the Railway Board by revising upward the target of detention time (September and October 1978) without analysing in detail the reasons for the increase and without considering any remedial measures for bringing the detention to the previous levels (e.g. in Mughalsarai Marshalling yard the target was raised from 23.0 to 35.0 and in Carnac Bridge Terminal yard from 28 to 40 hours).

(iv) Normally, as per extant operating instructions and marshalling orders, a wagon in its round trip (or turnround) would be dealt with, maximum, at 3 marshalling yards* and 2 terminal yards**, after it is loaded. If a wagon has to be dealt with in more than 3 marshalling yards, it would indicate a trend towards deterioration in efficiency. Assuming that a wagon is dealt with in its round trip in 3 or at the most 4 marshalling yards

*First, immediately after loading second, immediately before unloading; and third, possibly, for haulage as empty.

**One for loading and one for unloading.

(one extra marshalling being allowed for unforeseen contingency), the wagon turnround of 14.3 days during 1978-79/15.1 days during 1979-80 can be accounted for as follows :

1976-77	1977-78		1978-79	1979-80
Days	Days		Days	Days
2.28	2.40	1. Run time on the basis of wagon km per wagon day (of effective stock) and average speed.	2.41	2.47
3.30	3.28	2. Time spent by wagon at the two terminals on the basis of weighted average detention for all terminal yards	4.08	5.62
3.32/ 4.42	3.68/ 4.90	3. Time spent by wagon at 3/4 marshalling yards on the basis of weighted average detention for all marshalling yards***	3.81/ 5.08	3.81/ 5.08
0.18	0.18	4. Time spent by wagon at transhipment points on the same basis as (3) above with reference to the transhipment tonnage percentage.	0.18	0.18
0.06	0.06	5. Time spent at repacking sheds.	0.06	0.04
0.42	0.42	6. Free time 5 hours at each terminal (Total : 10 hours)	0.42	0.42
3.44/ 2.34	3.28/ 2.06	7. Time unaccounted, wagon being stabled/empty, in goods train short of junctions, in transit from or to sick line or in sidings or in sections awaiting clearance***.	3.34/ 2.07	2.56/ 1.32
13.00 days	13.30 days		14.30 days	15.10 days

***Figures for three/four marshallings.

It would be seen from the above analysis by Audit (on the pattern of a similar study undertaken by the Railway Board in June 1979) that the main factors of the high turnround time were the detentions at terminals, marshalling yards and *en route*. In other words, a reduction in the time spent by a wagon in its

round trip under any of these factors namely, at the terminals, in marshalling yards or even by reduction in the number of marshallings (i.e. by block rake movement), quicker marshalling through mechanisation of hump, and reducing hold ups of wagon *en route* i.e. short of important junctions, terminals, way-side stations etc. (through provision of bye-pass lines, loops, extra reception lines/facilities in marshalling and terminal yards), would improve its availability.

Further, although as per the analysis conducted by Audit, traffic *via* the transhipment points (there are 97 such points on the Indian Railways) amounts to 11 to 12 per cent of the total traffic and the detention time to a wagon is hardly 0.2 day in the turnround time, lack of handling facilities such as cranes, non-availability of matching MG wagons, etc. had caused bottlenecks and led to wagon hold-ups both at transhipment points and short of the transhipment points.* The holdups were mainly due to lack of handling and reception facilities and adequate matching MG wagons at the transhipment points.

V. Traffic facilities for improving the wagon turnround

1.22 These broadly comprise facilities at terminals, in marshalling yards and on en-route sections to facilitate movement of traffic as far as possible at the booked speed and to remove congestions in busy yards, etc.

1.23 The Fourth and the Fifth Plans' total allocation of funds for traffic facilities and line capacity works was Rs. 315 crores and Rs. 500 crores, respectively (out of a total plan outlay of Rs. 1525 and Rs. 2350 crores, respectively). While the budget allotments year to year totalled Rs. 238.5 crores in the Fourth Plan and Rs. 326.5 crores in the Fifth Plan, the expenditure was only Rs. 210.7 crores and Rs. 299.5 crores, respectively. Out of the budget allotments, nearly 60 per cent of the allocations for "Traffic facilities", viz. Rs. 145 crores in the Fourth Plan and Rs. 182 crores in the Fifth Plan, had been appropriated for gauge conversion and doubling works

*Details of an illustrative case given in Annexure.

in patches. As a result, the amount allocated for yard remodelling and attendant facilities out of the total plan outlay was only Rs. 65 crores (4%) and Rs. 117.5 crores (5%) during the Fourth and Fifth Plan, respectively.

1.24 The line capacity works, which were carried out, did lead to creation of more section capacity and made possible running of more Q.T.S. trains, block rakes and passenger trains over the years from 1969–70 to 1978-79. However, during this period, the growth of passenger traffic was more pronounced than that of goods traffic—while the utilisation of track by goods services increased by 16.6 per cent, that by passenger services went up by 76 per cent. Further, for lack of matching allocations for facilities at marshalling and terminal yards, there were congestions and detentions to goods trains.

1.25 It was noticed during the course of a review of some of the yard remodelling projects and line capacity works on the Eastern, Northern, Southern, South Central, South Eastern, and Western Railways, undertaken to ease congestion and reduce detentions to wagons and goods trains, that these had either not been planned/executed in a manner that could relieve congestion or been taken up after considerable delay and the pace of their execution had been slow.

The following works of traffic facilities executed/or under execution by the zonal Railways are mentioned as illustrative examples :

Eastern Railway—Mughalsarai Yard

1.25.1 As pointed out in para 18, while executing the work of remodelling of the Down Yard, adequate reception facilities in the Central Yard, which handles through trains, block rakes and trains not requiring much shunting operations, had not been created. As a result, while the additional humping and marshalling yard facilities created might not be put to effective use (as about 70 per cent of the goods trains interchanged were through trains not requiring marshalling), detention to wagons in the Central yard and to Northern Railway trains had showed no improvement (1979–80).

Northern Railway—Lucknow yard

1.25.2 Apart from handling terminating/originating traffic from/in different directions, Lucknow yard deals with through loads coming from and going to Mughalsarai (14/15 through goods trains in Up and Down directions on an average per day). The yard has a total of 20 reception lines (9 in the Up and 11 in the Down Yard) but these are not adequate and, as a result, wagon detention in Lucknow marshalling and terminal yards has been on the increase, as indicated below :

	Detention hours per wagon	
	1969-70	1979-80
Marshalling yard	24.3	30.9
Terminal yard	30.2	48.5

Though in the 1980-81 Works Programme the Board had approved the provision of a bye-pass line for through goods traffic to ease the congestion in Lucknow marshalling and terminal yards at a cost of Rs. 4.69 crores, no progress in the execution of the work has been made so far (December 1980).

South Central Railway

Bye-pass for Hyderabad/Secunderabad terminals

1.25.3 Another example of delayed traffic facility work is the case of construction of a chord line (length 22 km) connecting Maula Ali and Sanatnagar to avoid the busy terminals of Hyderabad/Secunderabad. This work was found necessary since 1970 for speedy movement of diesel hauled through goods trains from and to Kazipet side on the G.T. route and to and from Wadi side. The average detention per train on these lines recorded as early as in 1972 was :

(a) Bye-pass trains	3.15 hours
(b) Pilots	3.13 hours
(c) Originating/terminating trains	3.70 hours

Nevertheless, final decision to include the chord line in the works programme could not be taken till 1978-79 owing to the inability of the South Central Railway Administration to work out the financial savings accruing from this project, necessary for allocation of funds to capital. The project was finally sanctioned by the Railway Board in June 1979 at a cost of Rs. 4.24 crores (net) chargeable to Capital and is due to be completed by December 1981.

1.26 The Public Accounts Committee, in their 11th Report (Sixth Lok Sabha), had recommended a comprehensive study of the major yards with a view to streamlining their working. Though the Railway Board had called upon the zonal Railways to make a systematic appraisal in this regard, effective action in this regard yet remains to be taken as evident from the continuing detentions in the yards.

VI. Lead of traffic as a factor affecting wagon availability

1.27 The average lead of traffic hauled over the Railway system, the other constituent of the turnround time, has been on the increase as shown below :

	Year	Lead assumed in the two Plan periods (combined lead for BG and MG, with the lead for BG which accounts for over 4/5th of the total traffic given in brackets)		*Actuals*	
		km.		km	
IV Plan	1969-70	630		617	(585)
	1973-74			662	(630)
V Plan	1974-75	678	(642)	686	(655)
	1976-77			656	(626)
	1977-78			686	(659)
	1978-79			693	(663)
	1979-80			717	(691)

1.28 According to the Ministry of Railways (Railway Board), the present wagon shortage is attributable to a significant extent to this increase in lead, over which the Railways have no control,

as extra time is needed for the wagon to cover the additional distance and, further, the wagon may have to be hauled over additional intermediate yards involving extra detention enroute.

It may, however, be observed from the data given earlier that while the average lead on the BG had increased by 37 km during 1976–77 to 1978–79 and further by 28 km in 1979–80, the turnround during the same period had increased disproportionately from 13 to 14.3 days and 15.1 days.

Further, the traffic, especially of bulk commodities, has been increasingly moving in block rakes, thereby eliminating the need for marshalling at intermediate yards between the forwarding and the destination stations as indicated below :

	1969-70	1976-77	1977-78	1978-79	1979-80
	(Percentage of wagons loaded in block rakes to the total number of wagons loaded on BG)				
Coal	67.0	86.2	87.0	82.0	*72.2
Iron Ore	100.0	100.0	100.0	100.0	100.0
Manganese	..	83.0	96.0	100.0	100.0
POL	68.0	90.0	92.4	93.0	91.7
Cement, Fertilizer, Food grains	Not available separately but included under other commodities.				
Other commodities	7.7	23.3	29.0	32.0	*24.0

In the circumstances, detention to wagons in marshalling yards enroute should have been minimal and the overall turnround of the wagons should have been expected to improve rather than deteriorate despite increased lead of traffic; but this was not the case.

1.29 Audit also conducted a review of the position of increase in the leads of the major commodities transported by rail on the BG since 1974-75 to analyse and verify how far the increase

*Deterioration in 1979-80 was both the cause and the result of deterioration in turnround.

in lead had led to increase in the turn round time of wagons. The following facts are relevant :

1.29.1 Details of the leads of major commodities yearwise since 1976-77 :

Commodity	Lead assumed in V Plan for calculation of wagon requirements	Actual lead (BG traffic only)				Increase in lead 1978-79/1979-80 (percentage with reference to best year 76-77 or 77-78)
		1976-77 (Best year)	1977-78	1978-79	1979-80	
1	2	3	4	5	6	7
			(in km)			
1. Coal						
(a) For steel plants	250	305	310	314	318	1.3/2.6
(b) For others	800	729	737	706	718	(—)4.2/(—)2.6
2. Steel plants traffic						
(a) Finished product	970	983	1046	1083	1100	3.5/5.2
(b) Raw materials	198	238	203	207	215	2.0/5.9
3. Iron Ore for export	645	690	689	682	685	(—)1.2/(—)0.6
4. Cement	655	633	651	723	759	14.2/19.9
5. Food grains	1050	879	1137	1193	1253	35.8/42.5
6. Fertilizers	750	823	893	961	1081	16.8/31.3
7. Other commodities	800	815	840	860	889	2.4/5.8
Overall (BG) lead	..	626	659	663	691	

Note : Comparison of lead in 1978-79-1979-80 is with reference to 1976-77 in respect of cement, fertilizers and food grains, and with reference to 1977-78 for all other commodities on the consideration that the effect of instructions of the user Ministries/Departments authorising diversion of short lead traffic in respect of cement and fertiliser to road was felt mainly during 1977-78.

1.29.2 The above commodity-wise analysis shows that the increase in lead in recent years has been confined mainly to commodities for transport of which covered wagons are generally

indented, procurement of which has not been adequate (as brought out in para 1.11 above). In respect of coal for steel plants and other users, which constitutes by far the major item of the goods traffic, there has been a very small increase only as compared with the lead in 1976-77.

1.29.3 A further analysis of the factors which affected the increase in lead in respect of the three commodities, cement, fertilisers and food grains, disclosed the following position :

*Cement**

The number of wagons loaded against the indents placed by the cement industry was 99 and 93 per cent during 1976 and 1977 respectively. Following the deterioration in turnround in the subsequent years, the number of wagons loaded against indents fell to 71.3 and 64.5 per cent during 1978 and 1979. This was the period when the availability of covered wagons deteriorated, leading the Cement Controller, with the concurrence of the Railway Board, to decide that, effective from 1st July 1978, all movements of cement from factories upto a distance of 250 kms for all categories of consignees would be by road only, the extra expenditure on road haulage being taken into account in the fixation of the sale price of cement. Consequent on the shift of short lead traffic to road, the quantity carried by rail fell from 12.86 million tonnes in 1976 to 10.07 million tonnes in 1979 and the overall average lead for cement went up from 633 km in 1976-77 to 741 km in 1979-80.

Fertilizers

During 1976-77 and 1977-78, the loading was 7.78 million tonnes and 8.21 million tonnes with a lead of 929 km and 991 km respectively. For 1978-79, the demand for loading having been stepped up by the Ministry of Agriculture to 11.5 million tonnes, and in view of the shortage of covered wagons, it was agreed that the imported fertilisers should be moved by road upto 500 km and indigenous fertilisers upto 1000 km by subsidising the additional cost on road haulage; the distance upto which

*Data from Annual Report on 'Cement Production' and despatches of the relevent years of the Cement Controller, Ministry of Industry.

imported fertilisers were to be moved by road was also subsequently stepped upto 1000 km in May, 1979. Consequent on the shift of short/intermediate lead traffic to road, the haulage by rail during 1978-79 and 1979-80 was 8.6 million tonnes (90%) and 8.2 million tonnes (65%), the average lead having increased to 1038 km and 1122 km, respectively.

According to the Ministry of Agriculture, the programme for movement of fertilisers was drawn up in co-ordination meetings with the Railway Board; but in view of the inability of the Railways to provide the required number of wagons at ports close to the consumption centres, they were compelled to move fertiliser from distant port locations in the South which inevitably added to the lead of the fertiliser movement.

The decision to divert all short/intermediate lead traffic of cement and fertiliser (even upto 1000 km in the case of the latter) to road, which inevitably led to an increase in their lead was, thus, itself the result of the inability of the Railways to meet the requirement, in turn due to shortage of wagons caused by deterioration in operational efficiency. 'Lately, even coal has been moving long distances by road.....,' as pointed out by the National Transport Policy Committee (May 1980).

Foodgrains

The pattern of foodgrains traffic, which was largely from the ports to the godown points in the interior in the earlier years, gradually changed with large scale movement from Punjab and Haryana to stations on the Southern Railway involving a longer lead over saturated routes. The loading during 1976-77, 1977-78, 1978-79 and 1979-80 was 19.96, 19.45, 16.7 and 18.35 million tonnes with a lead of 940, 1181, 1229 and 1279 km respectively. Thus in the case of foodgrains traffic the increase in lead has not only been very significant but also for reasons over which the Railway Board had little control.

While, according to the Railway Board, attempts had been made by them to rationalise the movement of foodgrains in block rakes, timely remedial measures such as provision of adequate siding facilities at the godowns to facilitate quick loading/unloading had not been taken by the Ministry of Food and Agriculture/Food Corporation. Consequently, block rake loading at stations in Punjab and Haryana had to be done by blocking running lines resulting in detention to wagons and affecting their turnround. There was also reportedly lack of response from the Ministry of Food and Agriculture to a proposal to move foodgrains intended for Southern States upto Kandla and Vizag by rail and thereafter by coastal shipping.

1.29.4 It would appear that the Railway Board and the concerned Ministries had not been able to co-ordinate their efforts to organise the movement of bulk commodities, especially cement, fertilisers and foodgrains, and even coal, so as to achieve optimum rail-cum-road haulage in a planned manner involving reasonable levels of lead of traffic for the Railways.

It may be mentioned that, in a study on the movement of fertiliser in the country by the RITES in 1978, it had been concluded that under a rationalised pattern of movement, the average lead of the traffic should be only 472 km (as against 1122 km in 1979-80) but there had apparently been no concerted effort to work out the modalities for attaining this optimum.

1.29.5 The Railway Convention Committee, 1977 had recommended that the question of laying down firm criteria for determining the total freight carrying capacity of the Railways on an acceptable basis so as to arrive at optimum leads in each case should be gone into critically. Effective action in this regard also yet remains to be taken, as is evident from the uncoordinated traffic movement of foodgrains and fertilisers.

VII. Results of high turn round time

Fall in originating traffic

1.30 The overall effect of the deterioration in the turnround time of wagons from 1976-77 has been the continuing shortage

of wagons for trade and industry. The deterioration in turn-round by 1.3 days in 1978-79 and 2.1 days in 1979-80 as compared to 1976-77 meant a loss of 2350 and 3491 wagonloadings per day, respectively, on the BG alone even after taking into account the longer lead of traffic. The result is reflected in the fall in traffic carried from 239 million tonnes in 1976-77 to 223 million tonnes in 1978-79 and 218 million tonnes in 1979-80, coupled with ten-fold and, seventeen-fold increase in the outstanding indents for wagons during the same period.

Diversion of goods traffic from rail to road

1.31 Due to non-availability of wagons, there was also considerable diversion of traffic from rail to road, which not only resulted in the Railways losing revenue but also in some cases in haulage over long distances by the costlier road transport, as indicated below :

In respect of coal, over the years from 1976-77 to 1979-80, despite the aggregate wagon holding on the BG (which carries the entire originating coal traffic) going up by 2.67 per cent, the Railways lost traffic by 8 per cent and the traffic transported by road increased from 13.23 million tonnes to 23.2 million tonnes *i.e.* by 76 per cent.

In the case of cement, over the years from 1976 to 1979, the traffic carried by rail dropped by 22 per cent and correspondingly that transported by road increased from 4.54 million tonnes to 7.69 million tonnes i.e. by 69 per cent.

In the case of fertiliser, the traffic carried by rail dropped to 90 per cent in 1978-79 and 65 per cent in 1979-80. The loadings by rail in respect of other commodities also fell in 1979-80 as compared to 1976-77 to the extent of 11.8 per cent.

Following a Government decision, fertiliser has been moving even upto 1000 km by road on a subsidised basis. According to the National Transport Policy Committee, movement by road beyond 200—300 km is not economic in relation to rail

movement. In the case of coal, which has also been moving long distances by road, the Committee has urged that the position needs to be rectified. These considerations become all the more significant in the context of the rising oil prices.

Fall in efficiency of wagon utilisation

1.32 As a concomitant of the fall in traffic carried by the Railways, the wagon utilisation, as measured by wagon km per wagon day and net tonne km per tonne of wagon capacity, also fell from 81.1 and 16754 in 1976-77 to 73.3 and 16119 in 1979-80 respectively on the Broad Gauge.

Performance in 1980-81

1.33 The performance in the matter of loading, turnround etc. worsened in 1980-81 as indicated below (for BG) :

	1978-79	1979-80	1979-80 (upto October 1979)	1980-81 (upto October 1980)
Turnround (days)	14.3	15.1	(14.4)	16.3
Originating loading (in million tonnes)	223.4	217.7	(108.7)	105.2

The Ministry of Railways (Railway Board), while assessing the wagon requirements during the Sixth Plan period, had proposed (in February-June 1980) to revise upward their norms of turnround adopted for the purpose from 12.1 to 14.4 days for BG. As may be seen from the above, considerable improvement in wagon utilisation, by means within the control of the Railways, and otherwise, would be required even to achieve the proposed higher norms.

VIII. *Summing up* :

1. (i) The Indian Railways, with a total holding of 520114 wagons (in terms of 4 wheelers), had been able to carry 239 million tonnes of freight traffic during 1976-77, which meant a capacity utilisation of 96 per cent in terms of rolling stock. Yet, with a total wagon holding of 532072 and 534517 wagons (in terms of 4 wheelers) in 1978-79 and 1979-80, they were able to

carry only 223 and 218 million tonnes, involving a capacity utilisation of 89 per cent and 87 per cent respectively.

(ii) The outstanding indents for wagons, which used to be of the order of 10143 on BG and 4807 on MG in 1976-77, had gone up to 2,44,368 on BG and 82,885 on MG at the end of 1979-80; in other words, despite the increase in the number of wagons, their availability for traffic had gone down due mainly to the increase in turn round time (interval between two loadings) from 13.0 days on BG and 11.1 days on MG in 1976-77 to 15.1 days on BG and to 14.1 days on MG in 1979-80.

(iii) The wagon holding had also become somewhat imbalanced,as amongst the various types, in that there had been comparatively more pocurement of open wagons than covered wagons (31353 open and 25307 covered wagons during 1974-79). Of the open wagons, as many as 15154 were special purpose wagons suitable only for certain special types of traffic; besides, there had been inadequate procurement of MG wagons.

A substantial number of wagons ordered had also remained stabled with the manufacturers for want of free supply items by the Railway Board during the years 1978-79 and 1979-80.

(iv) Even in regard to wagons available for loading, non-observance of prescribed rules and procedures for sorting, cleaning and inspection of empties and omission to detect under/over loading, had contributed to a large number of wagons being either left behind, drawn empty, under-loaded or over-loaded, the last one contributing to damage and consequent sickness also.

Wagon availability had also been affected by heavy detentions in the yards of steel plants and various private sidings as also in departmental workshops and sidings of the Railways themselves, mostly due to lack of adequte yard capacity, loading/unloading facilities, etc.

(v) The number of overaged wagons on line had increased from 22518 in 1973-74 to 30354 in 1979-80. As a result, the number of sick wagons (both in workshops and

on sick lines in the yards) had also increased from 18717 in 1977-78 to 21785 in 1979-80. In part, this was also due to the problem of coupler incompatibility consequent on the failure of the Railways to take adequate preventive measures to reduce the extent of damage to couplings of the wagons through correct observance of maintenance instructions and guard against large scale pilferage of this item in their yards after 1977-78.

(vi) A serious cause of non-availability of wagons for traffic has been the increase in detentions to wagons at terminal yards, in marshalling yards (particularly in the central yards meant for through traffic) and enroute, due mainly to works for increasing the capacity of the yards and the reception lines therein having received comparatively lower priority, in terms of provision of funds and time taken to execute them, than doubling and gauge conversion works.

Of the turn-round time of 13/15.1 days in 1976-77/1979-80, 3.3/5.6 days were contributed by detentions in terminal yards, 4.4/5.1 days by detentions in marshalling yards and 2.3/1.3 days by unaccounted time due to detentions in transit or short of junctions.

(vii) A comparatively smaller factor of the increase in turn-round time was the increase in lead from 656 km in 1976-77 to 717 km in 1979-80. This increase had, however, been mainly contributed by the much longer average lead in respect of food-grains, fertilisers and cement, due partly to cross-country traffic and partly to diversion of short/intermediate lead traffic to road (because of the inability of the Railways to cope with the demand). A co-ordinated approach to rationalise the movement of these commodities, to put the available wagon capacity to the best use, is yet to be evolved and finalised in consultation with the Ministries concerned.

(viii) Consequent on the inability of the Railways to move the traffic offered, and following a Government decision or otherwise, there has been considerable diversion of traffic, particularly

in the case of fertilisers and coal, to road, over un-economic long distances. This should be a matter for concern, particularly in the context of the oil crisis and the fact that, as pointed out by the National Transport Policy Committee, the 'Railways are an energy efficient mode' of transport.

(ix) The inability of the Railways to carry the available traffic, as evidenced by the large number of outstanding indents for wagons, is directly traceable to the decline in operating efficiency, as reflected in the various operating indices, more particularly at the terminal yards, marshalling yards and enroute, which, in turn, was due to a significant extent to the imbalanced pattern of investment in the various traffic facilities.

(x) Increase in the turnround time had adversely affected the availability of wagons for loadings to the extent of 2350 in 1978-79 and 3491 in 1979-80 per day (on the BG) as compared to 1976-77. The position worsened in 1980-81, the turnround time on BG having increased from 15.1 days in 1979-80 to 16.3 days upto October 1980.

(xi) Considerable improvement in wagon utilisation, by means within the control of the Railways, and otherwise, would be required even to achieve the norms of turnround time adopted by the Railway Board (14.4 days on BG) for assessing the requirement of wagons during the Sixth Plan period.

2. According to the Ministry of Railways (Railway Board) (December 1980) :

(i) The number of outstanding registrations did not correctly indicate the unfulfilled demand in view of the practice of 'bogus' registrations by indentors.

(ii) More open wagons than covered wagons had been procured as the former were more economical.

(iii) The existing line capacity and facilities available at marshalling and terminal yards were adequate.

(iv) The deterioration in turnround was due to :

(a) Large number of wagons by-passing large marshalling yards, resulting in the number of wagons waiting to be despatched going up; and

(b) Non-release of wagons by steel plants due to holdups in their yards and by trade due to inadequate facilities like roads outside the Railway premises, etc.

3. The following are relevant in connection with the above :

(i) No data/statistics in support of the contention regarding 'bogus' registrations were made available. If, however, there have been 'bogus' registrations, the existing arrangements regarding registration fee for wagon indent (Rs.70/-per BG wagon/Rs. 150-since September 1980) would call for a review (e.g. by enhancement of fee, forfeiture, etc.).

(ii) It is not in doubt that trade and industry have been experiencing acute shortage of wagons, both covered and open, and that there is also a general preference for covered wagons due to security and immunity to damage.

(iii) Even in the better years, there have been heavy detentions in the yards and unaccounted time, clearly indicating (see para 1.21.2(iv)) that there is considerable scope for reducing detentions in the yards, short of junctions and at wayside stations so as to improve the availability of wagons for movement of traffic.

(iv) The holdups of wagons in the yards of steel plants, etc. were due mainly to inadequate yard and terminal facilities consequent on these not having been streamlined to cope with the changing needs.

Moreover, much also yet remains to be achieved, in consultation with the major users, for securing a co-ordinated and rationalised movement of traffic, particularly in bulk commodites.

Replacement of assets on the Railways*

2.1 For replacement of assets, the Railways maintain a Depreciation Reserve Fund (DRF), which is financed by transfers from Revenue in terms of the recommendations periodically made by the Railway Convention Committee of Parliament (RCC) after considering the memoranda submitted by the Ministry of Railways (Railway Board).

2.2 For the period 1966-71, the RCC, 1965 had recommended a total contribution to DRF of Rs. 650 crores, mainly to meet the replacement needs of overaged steam locos, wagons etc., the arrears in track renewals having been mostly made up by then. The quantum of contribution had not taken into account the arrears of replacements, which were later assessed at Rs. 860 crores as at the end of 1967-68. However, due to financial constraints, the actual contribution from Revenue made during 1966-71 was Rs. 485** crores only.

The contribution during the period 1971—74 was, as recommended by the RCC, 1971, Rs. 330 crores.

2.3 In view of past under provisioning, the RCC, 1971 had recommended that the technique of assessing the depreciation requirements be refined and suggested the constitution of a working group for this purpose. The Working Group entrusted with this task evolved*** (December 1974) three alternative methods for providing depreciation, in terms of which the provisions for the period 1974-79 worked out to Rs. 730 crores, Rs 658 crores and Rs. 750 crores respectively. Adopting the second of the three alternative methods, on the recommendation of the Ministry of Railways (Railway Board) that it was the most convenient, the RCC, 1977 fixed the contribution for the Fifth Plan period

* A detailed draft review on the subject was issued to the Ministry of Railways (Railway Board) on 17th December 1980; it was finalised in the light of the discussions held with the officials of the Railway Board on 8th January 1981.

**Inclusive of contribution from production units and interest on fund balances, Rs. 516.92 crores during 1966-71 and Rs 360.91 crores during 1971-74.

***Report of the Working Group on DRF, 1975.

(1974-79) also at Rs. 650 crores. The actual contribution from Revenue made during this period was also Rs 650* crores despite the unprecedented price increases since 1970-71**.

Having regard to the arrears of replacements, the Ministry of Railways (Railway Board) stepped up the contribution to DRF during 1979-80 to Rs 200 crores.

2.4 According to the Ministry of Railways (Railway Board), the contributions to the DRF were based on the minimum requirements for replacements as determined during Plan discussions. However, even the contributions made to the DRF had not been utilised in full as indicated below :

(Rs in crores)

Period	Contribution from Revenue	Total contribution inclusive of contribution from production units and interest on balances in DRF	Amount spent on renewal of assets	Saving
1969-74 (5 years)	525	572	494	78
1974-79 (5 years)	650	722	616	106
1979-80	200	219	187	38

*Inclusive of contribution from production units and interest on fund balances, Rs 721.80 crores during 1974-79.

**The All Commodities price index had gone up from 181.4 (base 1961-62) in 1970-71 to 310.7 in 1976-77 and 336.5 in 1978-79.

The amounts actually budgeted and utilised for replacement of overaged assets during the period 1974-79 and 1979-80 were as follows :

	Replacements			
	As budgeted		Actuals	
	1974—79 (Rs in crores)	1979—80	1974-79 (Rs. in crores)	1979—80
1. *Rolling Stock :*				
Locos (Diesel/Electric to replace overaged steam)	92.88	34.35	77.76	7.35
Coaches	88.46	22.27	116.56	16.87
Wagons	146.49	47.89	137.50	57.29
2. *Track renewals*				
Primary (Main lines) and Secondary (Branch lines)	206.00	88.38	167.30	88.53
3. Plant & Machinery	24.55	10.00	26.76	6.10
4. Other items	103.90	2.11	90.12	11.31
Total	662.28	205.00	616.00	187.45

In the event, the unutilised balances in the DRF amounted to Rs. 175.74 crores, Rs. 2 2.87 crores and Rs. 313.07 crores at the end of 1973-74, 1978-79 and 1979-80 respectively. One of the reasons for this high balance was that the extent of credits for released materials on condemnation/renewal of assets (Rs. 222 crores from track renewals alone during 1969—79) had not been anticipated realistically and taken into account in planning the outlay on replacements.

2.5 As a result of the inadequate contributions to as well as under utilisation of the DRF, there were heavy short falls in

replacement of assets during the quinquennium 1974—79* as indicated below :

Assets	Target for replacement **	Actual replacement **	Short fall	Percentage	Arrears of replacement of assets taking into account further arisings upto 31-3-1979***
Rolling Stock :					
Locos	923	363	560	60.67	892
Coaches	3537	1662	1875	53.00	3014
Wagons	24475	20476	3999	16.34	31706
Track :					
Primary renewals (in km)					
Rails .	8000	3655	4345	54.31	7788
Sleepers	10000	5061	4939	49.39	
Secondary Renewals					
Rails .	2000	1497	503	25.15	5260
Sleepers	2000	1297	703	54.20	

While the provision needed for replacement of overaged plant and machinery during the Fifth Plan (1974—79) was Rs. 350 crores, the budget provision made and the actual expenditure were only Rs. 24.55 crores and Rs. 26.76 crores respectively. As a result, by the end of 1978-79, the percentage of overaged plant*** and machinery in the mechanical workshops was 77, that in production units, 53 and that in loco sheds and sick lines, 46.

2.6 As regards the under provisioning as well as under utilisation of the DRF, the Ministry of Railways (Railway Board) had explained in their memoranda to successive RCCs the constraints arising out of the Railways' difficult financial position since 1966-67.

*Complete data in respect of 1979-80 not yet available (December 1980).

** RCC VIII Report, Pages 116—119

*** Report of the Working Group, Sixth Plan, 1980—85.

2.7 The financial position of the Railways in the years from 1966-67 to 1979-80 is indicated below :

(Figures in crores)

	Annual Plans 1966—69 Yearly average	IV-Plan 1969—74 Yearly average	V-Plan 1974—78 Yearly average	1978—79	1979—80
(a) Revenue receipts	828.81	1071.30	1842.55	2161.30	2404.41
(b) Working expenses including DRF & Misc. expenses	706.5	935.25	1627.62	1900.47	2177.12
(c) Dividend to General Revenues	141.53	160.93	205.30	224.16	293.53
(d) Net surplus/ deficit	(—)19.22	(—) 24.85	9.63	36.66	(—)66.24

Even during the years 1974—78 and 1978-79, when the Railways financial position showed a surplus, the contribution to DRF had not been stepped up keeping in view the rising replacement costs, the need to replace overaged assets etc. Realistic provisioning would have necessitated raising more revenue through adjustment of tariffs or economising in ordinary working expenses or both.

Underutilisation of the DRF was stated to be due to constraint of overall resources for the Plan. In this connection it was seen that, despite the codal provision that renewals should precede additions to rolling stock, the stock procured was taken partly to replacement account and partly to additional account even when the additional traffic generated during the relevant period did not justify additions to rolling stock to that extent.

A review by Audit disclosed that the number of overaged BG wagons originally programmed to be replaced during 1969—74 was 21344*. However, of the total number of BG wagons procured** during 1969—74, *viz* 47945, only 16809 were taken to replacement account and 31136 to capital account. As a result,

* RCC VIII Report 1973 Page 118.

**Monthly Wagon Production Review.

as many as 12054 BG overaged wagons remained on line unreplaced as on 31-3-1974. (The total number of overaged wagons of all gauges then was 26085).

During the Fifth Plan (1974—79), while 59338 wagons were procured only 20476 were taken to replacement account and the balance (38862) to capital account ; as at the end of 1978-79, the number of overaged wagons of all gauges was 31706 (33249 at the end of 1979-80).

Similarly, a number of BG steam locos in use for main line goods services had been rendered surplus as a result of dieselisation/electrification. Though, on the basis of the traffic materialisation from year to year, withdrawal from service of as many as 1119 and 965 steam locos during the Fourth and the Fifth Plan periods respectively was warranted, the number actually withdrawn was only 726 and 383 steam locos respectively, apprehending shortage of locos for meeting the traffic build up. At the end of 1978-79, as many as 371 BG overaged steam locos were still to be replaced (248 at the end of 1979-80).

The continued retention of overaged wagons and locos on line as also plant and machinery in the workshops and the arrears of track renewals meant more sick wagons, more steam locos than needed, increase in the cost of repairs and maintenance,speed restrictions and accidents due to rail breakages, in turn affecting the financial position of the Railways.

2.8 The estimate* of the Ministry of Railways (Railway Board) for replacement of assets during the Sixth Plan period (1980—85) is Rs. 1630 crores comprising Rs. 600 crores for arrear replacements and Rs. 1030 crores for current replacements, despite the arrears of replacements having been estimated at Rs. 860 crores as early as in 1968.

2.9 According (January 1981) to the Ministry of Railways (Railway Board):

— The outlay on replacements was dependent on the funds made available as part of the overall planning process.

* The RCC 1977 II Report.

— The actual expenditure on replacements was subject to the limitations set by the production capacity in the country for rails, wagons etc.

— Overaged wagons, locos etc. had to be retained in service and could not be condemned in view of the requirements of traffic etc.

2.10 In connection with the above, the following may be noted :

— As brought out earlier, the needs of replacement of overaged assets had not been adequately provided for. Further, even the funds provided under the DRF had not been fully utilised over the years.

— As for the limitations of availability of materials, the procurement of wagons and rails had been most uneven. Thus, the number of wagons procured* (all indigenous) was 14918 in 1969-70, 8532 in 1971-72, 10958 in 1974-75, 12176 in 1975-76, 12022 in 1978-79 and 10,827 in 1979-80. Similarly the procurement** (all indigenous) rails was 1.26 lakhs tonnes in 1969-70, 2.29 lakh tonnes in 1972-73, 0.63 lakh tonnes in 1975-76 and 1.20 lakh tonnes in 1977-78, 1.48 lakh tonnes in 1978-79 and 1.80 lakh tonnes in 1979-80. It would appear that there had not been adequate co-ordination in the matter of utilisation of capacity for wagons and rails in the country.

— Considering the extent of overaged wagons, locos and plant and machinery as also the arrears of even primary (main line) track renewals, the economics of retaining these assets in service with due regard to the available financial and physical resources, do not seem to have been adequately considered.

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* Monthly Wagon Production Review for the relevant months (total for the year).

** Statement No. 8 : Note on Supply Position of Permanent way materials of the relevant periods/years. Figures of Actuals 1979-80, as appearing in this Review are provisional.

CHAPTER II

ROLLING STOCK

3. Eastern, South Central and Southern Railways—Heavy detention to wagons inside departmental yards

3.1 While commenting on the excessive detention to wagons (on an average 18 days) in the departmental workshop/stores yards at Perambur (Southern Railway) due to improper layout of the yards, non-availability of cranes and shunting engines and poor maintenance of track, the Public Accounts Committee in their 224th Report (5th Lok Sabha) had recommended streamlining of Railway operations in the departmental yards of the Southern and other Railways. The Ministry of Railways (Railway Board) had thereupon issued instructions (October 1974) to fix, after a proper time study, free time for all traffic wagons dealt with inside their departmental yards as was done in the case of private and assisted sidings.

3.2 Reports received from the Northern, North Eastern, Northeast Frontier, South Eastern and Western Railways show that free time for loading and unloading operations of wagons has been fixed in most departmental yards, after time study, at not more than 24 hours or on the basis of pilot to pilot system (which also meant a period of a day or 24 hours as normally pilot engines make one trip in a day unless otherwise notified). However, in the following

departmental workshop/stores yards free time exceeding 24 hours has been fixed :

Railway	Name of Workshop/ Stores Depot Yard	Free time fixed/allowed (in terms of hours)
Central	Workshop and Stores Depot, Parel/Matunga	48 (for all operations) 32 (for single operation) 56 (for double operation)
Eastern	Liluah Workshop and Stores Yard	42 (for single operation) 72 (for double operation)
	Belur Scrap Yard	36 (for single operation) 60 (for double operation)
South Central	Workshop & Stores Depots, Lallaguda	192 (for all operations) (Revised to 144 hours from 1-1-78).
Southern	Loco & Carriage-Workshop, Perambur	192 (for all operations) (Revised to 96 hours from 1-8-80)
	Integral Coach Factory (ICF), Perambur	216 (for all operations) (Revised to 120/96 hours for furnishing/ shell unit from 6-8-80)
	Golden Rock Workshop, Tiruchirapalli	168 (for all operations) (Revised to 72 hours from 1-1-80).

3.3 A review by Audit of the justification for higher free time and of detentions to traffic wagons after 1978 in the above mentioned workshop/stores yards on the Eastern, South Central and Southern Railways disclosed the following :

Eastern Railway

3.3.1 Liluah Workshop and Stores Yard

Traffic wagons carrying materials for workshop and Stores Depot suffered detention ranging from 141 to 146 hours during the period from 1974-75 to 1977-78. The following factors were found to be responsible for the heavy detentions by a committee of officers, which also had suggested (June 1977) remedial

measures necessary to bring down the detention to wagons, as indicated below :

Reasons for heavy detention	Remedial measures
(i) Workshop yard was being used as transportation yard for stabling loaded wagons intended for other consignees.	— A detailed procedure of operations between transportation yards and workshop yards was to be introduced.
(ii) Limited unloading capacity at unloading points.	— Provision of a separate departure line for coaching stock to increase the fluidity of wagons in the yard.
(iii) Accumulation of a large number of condemned wagons affecting mobility of wagons in the yard due to delay in their despatch for auction and cutting-up work.	— Regular despatch of 60/80 condemned wagons per month to the cutting-up yard. — The auction and cutting-up work to be shifted to an adjacent location at Dankuni which could be served by the same pilot serving Liluah Workshop.

Belur Scrap Yard

3.3.2 This yard receives wagons containing scrap materials for disposal. The operational constraints noticed in this yard and the remedial measures suggested (June 1977) were as indicated below :

Reasons for detention	Remedial measures
(i) Irregular supply of pilot engines.	— Coordinated efforts by the Operating and Depot staff to rationalise the working of the pilot and the loading and unloading operations.
(ii) Dearth of crane power.	— Provision of new cranes etc.
(iii) Poor condition of the track inside the yard.	— Rehabilitation of the track inside the yard.

3.3.3 Nevertheless, heavy wagon detention continued in the above two yards during 1978-79 and 1979-80, as indicated below:

Year	No. of wagons handled	No. of wagons detained beyond the liberalised free time	Percentage of wagons detained	Average detention per wagon (in hours)
1. *Liluah Workshop & Stores Yard.*				
1978-79	2009	2009	100	136
1979-80	2007	1958	97	220
2. *Belur Scrap Yard.*				
1978-79	3446	1432	42	88
1979-80	2864	1465	51	89

In this connection it was noticed by Audit (December 1980) that except for provision of crane handling facilities, there had been little progress in the implementation of the remedial measures listed above to bring down the detention to wagons inside both the departmental yards.

This para was issued to the Administration on 4th September 1980; its reply is awaited (January 1981).

South Central Railway

3.4 Workshop and scrap depot at Lallaguda

Traffic wagons were being deployed for carriage of scrap arisings from the workshop to the scrap depot located at a distance of about 250—300 metres from the workshop; this involved loading, haulage over rail for a distance of 7 km and unloading each wagon taking 64.6 days on an average (during 1975-76). The abnormal detention to the wagons was examined by a study

team, whose findings and the remedial measures suggested by it were as follows :

Reasons for detention	Remedial measures
Lack of direct approach road or rail link between the workshop and the scrap depot separated by a distance of 1/4 km (250—300 metres).	— Construction of a road inside the scrap yard/shop and of a rail track between the workshop and the scrap depot.
Movement of wagons through a number of loading/unloading points and yards for 7 km between the workshop and the scrap yard.	— Provision of a gantry and hoist and arranging movement of scrap by tippler van, road tractors, etc. by road.
Inadequate handling facilities and availability of only one pilot engine for all operations inside the workshop and scrap yard.	

While in August 1977 free time of 192 hours (8 days) was fixed due to the constraints of yard lay out mentioned above, it was revised to 144 hours (6 days) from January 1978. However, detention to traffic wagons in the workshop continued during 1978-79 and 1979-80, as indicated below :

Year	No. of wagons handled	No. of wagons detained beyond the liberalised free time	Percentage of wagons detained	Average detention per wagon (in hours)
1978-79	943	317	33.61	212.90
1979-80	573	93	16.23	104.99

The practice of transporting scrap in wagons from the workshop to the scrap depot (involving haulage over a distance of 7 km) was also continuing (1980). 118 wagons being utilised for this purpose during January—June 1979, each taking an average of 71.6 days for the journey.

The Railway Administration stated (December 1980) that, to mitigate the situation, certain works had been included in the preliminary works programme for 1981-82. These works have, however, not been finally approved by the Railway Board (December 1980).

Southern Railway

3.5. Loco and Carriage Workshop, Perambur, ICF, Perambur and Golden Rock Workshop, Tiruchirapalli.

The free time of 192 hours for Loco ond Carriage Workshop, 216 hours for ICF and 168 hours for Golden Rock Workshop, fixed from January 1979, pursuant to the Railway Board's instructions of October 1974, was required to be further reviewed and reduced by streamlining the operations inside the workshop and by modernisation of the handling facilities etc.

However, heavy detention to wagons in the above three departmental yards continued during 1978-79 and 1979-80, as indicated below :

	Year	Number of wagons handled	Number of wagons detained beyond the liberalised free time	percentage of wagons detained	Average detention per wagon (in hours)
Loco & Carriage	1978-79	3258	517	15.87	354
Workshop, Perambur.	1979-80	3314	1253	37.81	435
Integral Coach Factory, Perambur	1978-79	798	208	26.10	396
	1979-80	721	291	40.36	388
Golden Rock	1978-79	3607	976	27.1	257
Work shop	1979-80	3576	365	10.2	362

The Southern Railway Administration stated (November 1980) that the free time had been reduced from August 1980 to 96 hours per wagon at the Loco and Carriage Workshop, Perambur and 96—120 hours per wagon at ICF and, from January

1980, to 72 hours per wagon at the Golden Rock Workshop. Further measures to bring down the detention to wagons such as strengthening of track, reducing the number of unloading points inside the shop area, provisioning of cranes, truck lifts, etc., were stated to be still under consideration (November 1980).

3.6 The following comments arise in this case :

(i) The free time (target for detention) fixed, per wagon at the various departmental yards referred to above, is still excessive as compared to the normal free time of 5 hours for the general trade/24 hours under the pilot to pilot system for others allowed by the Zonal Railways.

(ii) The constraints already identified as leading to heavy detention were required to be overcome or minimised through improvement in layout, track, siding facilities, handling facilities, etc., so as to release wagons for use of the general public; however, the progress achieved in the implementation of these measures by the Zonal Railways had been slow, despite the Public Accounts Committee's recommendations to this effect as early as in 1974. In the case of of the South Central Railway, the minor works and facilities required to overcome the constraints due to layout of the shops and scrap yard were being included in the works programme of 1981-82 only.

(iii) Reduction of nearly 50 per cent in the free time (to 72—120 hours for all operations) had been achieved by the Southern Railway by streamlining the operations inside their workshop area without providing additional facilities on a large scale, which would indicate that the excessive free time per wagon permitted at the workshops referred to above on the South Central and Eastern Railways could also have been brought down more significantly.

(iv) The loss of earnings in terms of wagon days lost due to excessive detentions in the workshop area beyond even the latest liberal free time would work out to Rs. 68.21 lakhs during the years 1978-79 and 1979-80.

(v) In respect of 118 wagons on the South Central Railway (referred to in para 3.4), the loss of earnings was of the order of Rs. 13 lakhs during January to June 1979. A test check of 43 of these 118 wagons indicated that each of them had, on an average been loaded only to the extent of 46 per cent of its carrying capacity, thereby adding further to the loss of available capacity for general traffic.

4. Southern Railway—Detention to wagons at sidings

A wagon Exchange Book/Vehicle Register is required to be maintained at each station/marshalling yard to record and watch the transit of each wagon passing through the station/yard. Besides, the placement and removal of wagons is required to be recorded through siding vouchers also.

Under the system of pilot to pilot placement of wagons in operation for placement of wagons between the Tondiarpet Marshalling Yard (Madras) and the Madras Refineries Ltd. siding, a batch of 26 open empty wagons was shunted by a pilot train into the refinery siding, against pending demands for empty wagons, for loading on 25th January 1979. These wagons, though loaded within the permissible free time were held up for 20 days in the siding i.e. upto 14th February 1979, when these were moved by an outgoing pilot train.

During the period October 1978 to September 1979, there were 29 similar other cases of detention involving as many as 172 wagons which, after loading, had been detained for a period ranging from 6 to 9 days. Two more oil sidings in the same area are also served by the same yard, viz Burma Shell (Bharat Petroleum Company) oil siding and Caltex siding (Hindustan Petroleum). A review of their records also revealed similar

cases of detention to tank wagons ranging from 4 to 15 days. The loss of earnings due to avoidable detention to wagons in all these cases during the period October 1978 to December 1979 amounted to Rs. 1.46 lakhs.

In respect of the first case, the Railway Administration stated (May 1979) that restriction on the movement of steam engine into the 'fire zone' area of the siding without suitable number of empties to act as buffer was mainly responsible for the detentions as sufficient number of empties were not available.

The following comments are made in this case :

(i) The serving station/yard, Tondiarpet, being a major marshalling yard in this area, about 370 to 1128 empties per day were always available in the marshalling yard to serve as dummies. This being so, the plea that sufficient number of dummies etc. was not available does not appear convincing. Clearly the available dummies etc. had not been utilised in a planned manner to minimise detention to stock shunted to the sidings.

(ii) The wagon Exchange Book/Vehicle Register had not been correctly maintained at the Tondiarpet Marshalling Yard and reviewed; the detention in all cases had occurred due to defective implementation of the procedure prescribed for maintenance of the Book/Register.

(iii) The requirement of watching despatch and release of wagons to and from sidings through issue of siding vouchers etc. to the siding owners was not being observed by the staff of the yard.

The Ministry of Railways (Railway Board) stated (December 1980) that it was now proposed that the operations in major yards should be entrusted to a gazetted officer posted at the yard.

5. Eastern Railway—Damages to and deficiencies in wagons delivered to a steel plant

With a view to detecting damages and deficiencies caused to /in wagons while in the custody of steel plant authorities, the Ministry of Railways (Railway Board), in January 1964, prescribed a joint check of all wagons in the exchange yard by the staff of both the Railways and the steel plant concerned. Based on this check, the cost of the damages and deficiencies is to be recovered from the steel plant authorities.

In the case of Durgapur Steel Plant (DSP), however, according to the procedure settled at the Administration level in July 1961, and in force since February 1962, only six (which also were low valued) items out of the usual 22 items of wagon fittings were being subjected to a joint check at random in three phases of five days each every six months. The unit cost of damages and deficiencies per wagon so arrived at was applied to all the wagons interchanged during the period of the previous 6 months in order to work out the amount to be recovered from the DSP.

In response to a request (May 1967) from DSP for continuance of the random check system in relaxation of the prescribed procedure, the Ministry of Railways (Railway Board) informed the steel plant authorities (July 1968) that the correct method of assessing the damages to and deficiencies in wagons was the continuous joint check system prescribed in 1964. This was reiterated by the Railway Board in 1970. The matter was also discussed between the Administration and DSP authorities in May 1976 but the latter expressed inability to implement the continuous joint check system because of saturation of the steel plant exchange yard and the DSP yard, absence of line capacity and extra expenditure on deployment of additional staff required for such check. As a result, the *status quo* was maintained.

Later, during a random check exercised jointly from 1st March to 5th March 1976, while the Railway representatives extended the scope of the check from 6 items to all the 22 items, the DSP representatives did not agree to check additional items.

beyond the 6 items checked hitherto. The unit cost of damages and deficiencies per wagon, on the basis of the check of 22 items, was assessed at Rs. 7.82, as against 49 paise assessed in the previous year based on 6 items of wagon fittings. The former rate was, however, not accepted by the plant authorities on the ground that the number of items checked had been unilaterally raised by the Railway from 6 to 22. Consequently, claims, based on 6 items of wagon fittings only, were raised by the Railway (January 1977) on DSP at 72 paise per wagon for the period 1st January 1976 to 30th June 1976 and at 56 paise per wagon for the period 1st July 1976 to 1st December 1976.

Computed with reference to the unit cost of damages and deficiencies based on random check of all the 22 items during the period from January 1975 to December 1977, short recovery from the DSP would work out to Rs. 29.66 lakhs per annum on an average.

In this connection it may be mentioned that the system of continuous joint check is in vogue in the steel plants at Bhilai and Rourkela, and the cost of all damages and deficiencies detected during such joint check is recovered from the steel plants concerned.

The Ministry of Railways (Railway Board) stated (June 1980) that the question of compensation for the damages and deficiencies detected had been in correspondence with the steel plant authorities who had repeatedly expressed their inability to introduce continuous joint check due to non-availability of line capacity and saturation of exchange yard at DSP, and even to carrying out random check in respect of all the 22 items instead of 6 items of wagon fittings.

In October 1980, the Administration stated as under :

(i) The Ministry of Railways (Railways Board) had since decided (June 1980) that billing should be done for damages and deficiencies noticed during random joint check in respect of all the 22 items.

(ii) The Ministry of Steel and Mines had been requested to issue suitable instructions to DSP on the same lines, but its reply was still awaited; meanwhile, the existing procedure was continuing.

Short recovery of damages and deficiencies to/in wagons, last assessed in 1978 at Rs. 29.66 lakhs per annum, is consequently continuing (November 1980).

The Ministry of Railways (Railway Board) added (December 1980) that the matter would be pursued with the Ministry of Steel and Mines at the Secretary level.

6. **Western Railway—Immobilisation of Railway coaches consequent on fire during shooting of "The Burning Train"**

On 22nd November 1977, a film company of Bombay approached the Ministry of Railways (Railway Board) for facilities to shoot a film, The Burning Train, involving scenes and sequences of fire on a superfast train. The proposal also envisaged providing the company with 8 coaches from the Rajdhani rake or coaches set aside for condemnation, to be painted and refitted to look like the Rajdhani coaches.

On 24th November 1977, the Ministry of Railways (Railway Board) directed the Northern, Central and Western Railways to extend necessary facilities to the film company for shooting the film on payment of normal charges under the extant policy (in force since September 1973), which specifies a licence fee per shooting day per station and usual charges for rolling stock and other facilities made available at full tariff rates. Even though exposure of rolling stock to fire hazard etc. was involved, the question of prior settlement of the terms and conditions with the company was not specifically considered in the Ministry of Railways (Railway Board).

The Western Railway Administration allocated (December 1977) 8 coaches running in superfast express trains, after getting them painted to the Rajdhani colour scheme, and handed them over (January 1978) to the film company for use in connection with the film shooting.

Detailed terms and conditions for use of the coaches, particularly in view of the fire hazard, were not settled in advance by the Administration also.

During the shooting of various sequences of the film between 6th March 1978 and 15th March 1978, five (3 passenger coaches and 2 dining cars) of the eight coaches got damaged but the damage was not surveyed immediately thereafter for assessment of the repairs required. Instead, all the eight coaches, including those damaged, were sent to the workshop for repairs/ periodical overhaul on 20th March 1978.

A joint enquiry was held in April/May 1978 to assess the damage and, meanwhile, the film company was requested to pay an amount of Rs. 2.50 lakhs provisionally to cover the cost of repairs. The company deposited Rs 1 lakh in cash and furnished a guarantee bond for Rs 1.50 lakh on 9th March 1979, the validity of which was later got extended upto 27th February 1981.

Three out of the eight coaches, which were not damaged, were overhauled and sent out for passenger service after a period of 18 days to one month (*i. e.* in April 1978). However, the five damaged coaches were kept awaiting repairs for a period of more than 9 months (reasons for which could not be stated by the Administration) and the repair/rectification of the damage took a further period of five to ten months; one coach was still in the workshop undergoing repairs (August 1980). The loss of earning capacity of the three damaged passenger coaches, after excluding the period for which they were loaned to the film company for shooting and also after making allowance of a month for the POH period, works out to Rs. 7.68 lakhs.

While the initial estimate for the rectification work to be done on the coaches was Rs. 4.23 lakhs, this was later re-assessed at Rs. 1.95 lakhs as per the latest estimate of the Railway Administration in March 1980. A claim for Rs. 5.25 lakhs towards repairs (Rs. 1.95 lakhs), revised additional shooting charges (Rs. 2.30 lakhs) and loss of earnings from these coaches

(Rs. 1 lakh for the extra time taken for POH of the damaged coaches) was preferred against the film company on 28th March 1980. Against this, the Railway Administration held Rs. 1 lakh deposited by the company and the guarantee bond for Rs. 1.5 lakhs valid up to 27-2-1981.

The film company, on 31st March 1980, repudiated the Railway's claim stating *inter alia* that :

(i) The claim towards cost of damage to coaches had been preferred without necessary data to enable a cross check and ensure that the bills being raised against the company related only to the damage sustained to the coaches during the shooting of the film.

(ii) The consequential loss of earning capacity due to damage to rolling stock was not to be borne by the company as this aspect had not been made known to the company earlier.

As the company sought arbitration for settlement of the Railway's claims, the Railway Administration referred the matter to a sole arbitrator in May 1980. The arbitrator (Chief Workshop Engineer Western Railway) has since (November 1980) made an award for a total sum of Rs. 1.14 lakhs only against the Railway's claim of Rs. 5.25 lakhs.

The following comments arise in the case :

(i) The facilities asked for by the film company for shooting a film, interalia, involved sequences of fire in a train. This was not covered by the extant policy and rules on coaching tariff, but without settling the detailed terms and conditions, especially against damage to coaches by fire etc., and without ensuring adequate safeguards 8 coaches were made available to the company.

(ii) While the company had asked for coaches either from the Rajdhani rake or set aside for condemnation subject to suitable modification, the Railway Administration,

without considering the latter alternative, detached 8 coaches of superfast trains and made them avaialable to the company. The question of loss of earnings owing to immobilisation of the coaches was also not settled in advance with the company.

(iii) The damage to the coaches was not surveyed, nor any assessment of the repairs required made, immediately after the fire incident and intimated to the film company. Instead, the coaches were sent (March 1978) to the workshop for repairs/periodical overhaul and the claim for damage was preferred on the company over 2 years later in March 1980.

(iv) There was also undue delay in rectification of the damage and periodical overhaul of the coaches and making them fit for regular passenger service; one of the coaches of superfast trains was still in the workshop (August 1980).

As already stated, the loss of earnings due to immobilisation of the three passenger coaches alone (excluding the period of loan to the company and normal POH period) works out to Rs. 7.68 lakhs. Against this, as also the shooting charges and the cost of repairs, the Railway may be able to realise only Rs. 1.14 lakhs.

7. Integral Coach Factory—Manufacture of longer sleeper coach

The normal length of broad gauge (BG) coaches on the Indian Railways is 21337 mm (70 feet). Introduction of longer coaches, in the expectation that it would result in considerable operational advantages by way of reduction in unit weight of train per passenger, was being considered by the Ministry of Railways (Railway Board) for quite some time. The Research, Designs and Standards Organisation (RDSO) accordingly developed (July 1974) a design of 23165 mm (76 feet) long BG coach in consultation with the Ministry of Railways (Railway Board) and the Integral Coach Factory (ICF), Madras.

After considering the RDSO's proposal, the ICF informed the Ministry of Railways (Railway Board) in August 1974 that the following aspects weighed against the introduction of 76 feet long coaches.

(i) Contrary to anticipations, the tare weight and gross weight of trains with 76 feet long coaches would be more compared to trains with 70 feet long coaches;

(ii) Manufacture of 76 feet long coaches would require substantial alterations/modifications of jigs and tools; and

(iii) The increase in length of coaches by 2 metres would necessitate provision of more space in the assembly and finishing shops.

ICF also pointed out the need for considering the facilities that would be necessary in the zonal Railway workshops for maintenance of the longer coaches as well as availability of traversers of adequate length for them.

Taking an overall view, ICF concluded (August 1974) that "it is the considered opinion of the ICF that the drawbacks inherent in the introduction of 76 feet long coach far out weigh the benefits, if any, that might accrue".

It might be mentioned that earlier, in reply to RDSO's enquiry(June 1970) as to the repercussions of introducing 76 feet long coaches on the repair facilities available in workshops and open lines, the zonal Railways had also indicated the need for facilities in the form of longer traversers, increased length of bay etc. in workshops for maintenance of these coaches.

During March—April 1977, the Commercial Directorate of the Ministry of Railways (Railway Board) and RDSO worked out an economic appraisal of introduction of 76 feet long coaches, which indicated a net financial gain of Rs 0.58 lakh and Rs. 2.66 lakhs respectively per annum as compared to a 70 feet coach rake. The appraisal was based mainly on the following assumptions:

(a) a 76 feet long coach with 80 berths capacity would cost 5 percent more than a 70 feet long coach with 75 berths; and

(b) a train of 17 longer coaches (76 feet), as against 18 conventional (70 feet) coaches, would carry 80 additional sitting passengers or 10 passengers having sleeper berths.

It did not, however, take into account the modifications to jigs, fixtures, shop layouts etc. involved in the manufacture of longer coaches and the additional facilities required in the zonal Railway workshops for their maintenance. According to the Economic Directorate of the Ministry of Railways (Railway Board), after all the parameters had been fixed, a final decision whether to go ahead with the manufacture could be taken.

While the economic viability of the longer coach, thus, remained unestablished in the absence of a complete economic appraisal encompassing all the related aspects, the Ministry of Railways (Railway Board) decided (June 1977) on the manufacture of a prototype of 76 feet long coach in ICF, having regard to the assurances given by the Minister of Railways in his Budget speech (11th June 1977) about more toilets and better water supply facilities in second class coaches. Accordingly, ICF was authorised to undertake manufacture of a prototype 76 feet second class 3 tier sleeper coach.

ICF had estimated (July 1977 and February 1978) the manufacturing cost of the prototype coach at Rs. 6.75 lakhs—Rs. 4.48 lakhs for the shell and Rs. 2.27 lakhs for furnishing. Compared to the cost (Rs. 4.72 lakhs) of a conventional coach, the estimated cost of the prototype coach was 43 percent more as against 5 percent cost increase adopted in the economic appraisal made before deciding on the manufacture of the prototype. Consequently, the financial advantage of 76 feet long coach, as envisaged in the economic appraisal, was vitiated.

However, without apprising the Ministry of Railways (Railway Board) of the much higher cost of the longer coach to enable them to reconsider the question of manufacture of a prototype, ICF proceeded with the building of the prototype coach and

completed it in October 1978 at a total cost of Rs. 9.24 lakhs (Rs. 6.69 lakhs for the shell and Rs. 2.55 lakhs for furnishing), which was about 100 percent more than the cost of a conventional coach.

Meanwhile, in June 1978, the Ministry of Railways (Railway Board) had decided on providing linen room and better water supply facilities in the conventional 70 feet long second class 3 tier sleeper coach by reducing its capacity from 75 to 72 berths. On incorporation of these facilities in the 76 feet long coach its carrying capacity was also reduced from 80 to 77 berths.

After conducting oscillation trials (June 1979) and trial runs with the main trains between Madras and Bombay, the prototype coach was pressed into service on Madras—Dadar Express on 15th April 1980.

In view of the reduction in the carrying capacity of the 76 feet long coach (from 80 to 77 berths), the Ministry of Railways (Railway Board) considered (October 1979) it necessary to examine afresh the advantages and disadvantages of longer coaches in all aspects before taking the final decision on regular production of these coaches. Accordingly, the production programme of ICF for 1981-82, as approved (October 1979) by the Ministry of Railways (Railway Board), contained no provision for manufacture of 76 feet long coaches.

As pointed out earlier, the economic appraisal made before deciding on production of a prototype was incomplete in that it did not take into account the need and cost of major modifications and alterations involved in the manufacture and maintenance of 76 feet long coaches pointed out by ICF and some zonal Railways and to that extent even prima facie economic viability of the scheme had not been established. Further, even when the prototype was under production, the Ministry of Railways (Railway Board) had decided in June 1978 to modify the layout of the conventional coach to provide for facilities of linen room, better water supply etc. as incorporated in the

longer coach. Had the feasibility of providing better amenities for passengers within the basic parameters of the conventional coaches been considered at the appropriate time, the investment of Rs 9.24 lakhs on the manufacture of the longer prototype coach without commensurate extra advantage in terms of passenger accommodation and/or other amenities, could have been avoided. The amount spent on the prototype longer coach containing 77 berths could have been utilised to manufacture two conventional coaches with a total passenger accommodation of 144 berths, which would have been useful in the context of overcrowding in passenger trains.

The Ministry of Railway (Railway Board), while stating (December 1980) that no final decision had yet been taken on the manufacture of 76 feet long coaches, contended that the production of the prototype was a development activity.

The records in the Ministry of Railways (Railway Board) do not indicate that the production of the prototype was intended as a research and development activity. The expenditure on the prototype has also not been booked in the accounts as on research and development under revenue head. Moreover, while one prototype would not suffice for assessment of the technical feasibility of running trains with 76 feet long coaches, a prior view on the economic viability of the proposal involving an increase of 6 feet in the length of the sleeper coach for carrying five more persons would have ensured that the extra expenditure on the production of the prototype did not become infructuous.

8. Western Railway-Non-utilisation of a Bogie Coach

Orders for replacement of an overaged military ambulance car running on the Western Railway were placed in November 1961 by the Ministry of Railways (Railway Board) on the Eastern Railway Workshop which had already been entrusted with the production of 12 ordinary bogie military cars (of the Eastern Railway) on replacement account. The Eastern Railway Administration, however, after informing the Railway Board

that all the coaches to be replaced were military cars, proceeded to turnout the above coach also as an ordinary bogie military car (equivalent to second class coach of present day) at a cost of Rs. 1.43 lakhs. This car was placed on line by the Western Railway in August 1963.

Due to refusal of the Military authorities to accept the military coach with 64 berths as replacement of an ambulance car, it remained unutilised by them ever since it was placed on line.

A proposal was made by the Military authorities in October 1971 to accept the car after its modification as an ambulance car. This however was not considered technically feasible and economical by the Railway Board. Thereafter, neither the Administration nor the Railway Board considered its alternative use as a passenger coach or as a military car on the Western or another Railway till February 1977, when the Railway Board decided that it should be used as a spare coach/reserved carriage for tourist parties.

The coach was overhauled by the Western Railway in April-June 1977, turned out on 24th June 1977 and put on line; it was, however, returned on 3rd October 1977 to workshop for non-scheduled repairs as its underframe had been badly damaged, owing to its involvement in an accident on 22nd September 1977. After repairs, the coach was turned out of the workshop in November 1980.

The following lapses resulted in idling of this coach from August 1963 :

1. The Military authorities required replacement of an existing overaged ambulance car but the Eastern Railway Administration, after informing the Railway Board, produced it as an ordinary bogie military car without the prior approval of either the Railway Board or the Military authorities. The circumstances in which this mistake was made are not known.

2. When the Military authorities were not prepared to accept the coach and it was also found not economical to convert it into an ambulance car, action was not taken either to consider its utilisation on another Railway or to use it for passenger traffic.

3. The coaching vehicles (number in use on the broad gauge system of the Western Railway as on 31-3-1979—2270) normally move in closed circuits according to prescribed schedules. Hence, non-utilisation of the above coach for a long period as above would appear to indicate laxity in control over the movement of coaching vehicles on that Railway.

4. The loss due to non-utilisation of this coach, even as a spare coach from February 1977 to November 1980 (excluding a period of about three months when it was on line), would work out to Rs. 11.2 lakhs.

CHAPTER III
PURCHASES AND STORES

9. Chittaranjan Locomotive Works—Suri transmission and reversing gear boxes for diesel shunters

I. Introduction

9.1 The diesel locomotives (WDS4/WDS4B), produced at Chittaranjan Locomotive Works (CLW) were, in the initial stages, provided with Suri transmission (ST) and a reversing gear box (RGB) to enable working of the locomotives for both shunting and shuttle services, the transmission being hydraulic at low speeds and mechanical at higher speeds. Currently, the locomotives manufactured for shunting services are provided with hydraulic transmission (HT) only *i.e.* without the mechanical portion.

II. Procurement of transmissions and gear boxes

9.2 In July 1967, the Ministry of Railways (Railway Board) decided that CLW should manufacture ST and RGB for the 48th locomotive and onwards, requirements of the earlier ones having been arranged by import. Considering the heavy diversification programme of CLW and the limited time available to develop and manufacture these equipments, the Ministry of Railways (Railway Board) later advised (September 1967) CLW to obtain them from firm 'A', the only indigenous industry to manufacture HT and heavy duty gear boxes. Accordingly, CLW has been procuring these equipments since November 1967 from the sole manufacturer who later (July 1971) also obtained a licence for manufacture of ST.

9.3 The procurement by CLW was made after obtaining quotations on single tender basis (till 1976, when open tenders were invited but the technically acceptable offer was from firm 'A' only) and negotiating a price thereafter with the firm. The table below indicates the various orders for ST/HT and RGB placed during November 1967—November 1979, the prices

negotiated, the value of the orders, the price increase over the last purchase price and the percentage thereof.

Month of order	No. of sets ordered	Price per set	Value of order (Rs. in lakhs)	Increase over previous price	
				Amount (Rs.)	Percentage
November 1967	18 ST&RGB	2,20,183	39.63		
March 1970	30 ,,	2,17,032	65.11		
November 1970	30 ,,	2,53,695	76.11		
July 1971	50 ,,	2,71,305	135.65	17,610	6.9
July 1971*)	30 ,,	1,91,888	57.57	..	..
March 1972 ∫	30 ,,	1,97,601	59.28	..	..
March 1972	43 ,,	2,81,533	121.06	16,278	6.0
March 1974	31 ,,	3,18,000	98.58	36,467	13.0
May 1977	32 HT } 32 RGB ∫	4,12,150	131.89	94,150	29.6
April 1978	46 HT } 40 RGB ∫	4,27,310	179.43	15,160	3.7
December 1978 January 1979	24 HT } 30 RGB ∫	4,51,530	126.53	24,220	5 to 6
November 1979	39 HT } 39 RGB ∫	5,73,450	223.65	1,21,920	27.0
		TOTAL	1314.49		
Conversion cost of 50 sets (see * below)			47.40		
		Grand TOTAL	1361.89		

* These orders, originally for supply of components, were converted (March/April, 1974) into orders for 50 complete sets allowing conversion cost of Rs. 94,809 per set over the price indicated above, the comparable price per set being thus Rs. 2,86, 697 & Rs. 2,92,410 respectively.

NOTE (1) The price for the first order of November, 1967 was settled on ad-hoc basis with reference to the cost of imported ST and RGB (cf : para 9.4 below), providing also for 5 per cent reduction in price for additional 30 sets, which was availed of in the next order of March 1970.

(2) The price for the first two orders was inclusive of the cost of housings for ST and RGB; these formed free supply items by CLW for the subsequent orders except those of May 1977 and onwards, for which the price included the cost of housings for HT. For comparison purposes, the cost of housings and other free supply items as varied from time to time has been excluded from the price allowed for the various orders.

(3) The price for March, 1972 order in the above table is after reduction of Rs. 6,050 for deletion of certain components due to simplifying the ST by eliminating its mechanical portion.

9.4 The price (Rs. 2.2 lakhs) settled for the November 1967 order, exclusive of certain imported components (cif value : Rs. 0.95 lakh) supplied free by CLW, included about 30 per cent price preference over the contemporaneous cif cost (Rs. 2.6 to 2.7 lakhs) of imported complete ST and RGB.

9.5 The price for the initial order was treated by the High Level Tender Committee (HLTC) as the base price for settlement of price for the subsequent contract taking into account escalation for wages, materials etc. over the previous contract as indicated by the firm and to the extent agreed to during negotiations. This procedure was followed while negotiating the subsequent contracts also even though the firm did not produce, at any stage, any authenticated data and/or documentary evidence to substantiate adequately its demand for the escalations. The alternative method of price fixation based on cost audit was not resorted to, as the HLTC felt (August 1973) that "it may adversely affect the interests of CLW in view of the high price rise during 1973 as well as the likely price rise during the next 2/3 years". In the absence of adequate data and/or documentary evidence in support of the escalations claimed, there was no means of verifying the reasonableness of the price demanded/ agreed to for the various orders.

9.6 A review in audit of the prices fixed from time to time revealed that the price increases allowed on certain counts were not justified, as discussed below :

(a) For November 1970 contract, the firm asked for an increase of Rs. 60,763 on the following counts and quoted a price of Rs. 2.57 lakhs.

	Rs.
(a) Increased cost of forgings	30,000
(b) Wage escalations	12,000
(c) Margin of profit	18,763
Total :	60,763

After negotiations, increase of Rs. 57,358 was agreed to and the price was settled at Rs. 2.54 lakhs.

N.B. : The increase of Rs. 60,763 is not of the cost (Rs. 20,695) of housing included in the previous contract price (Rs. 2.17 lakhs) but forming free supply items by CLW for the November 1970 order.

Even presuming that the reduction of Rs. 3,405 accepted by the firm was in its profit margin, the latter amounted to Rs. 15,358 i.e. 36.5 per cent of the price increase of Rs. 42,000 on materials and wages. As against this, the profit margin adopted in the later tender deliberations was 10 per cent. On this basis, increase in profit margin of Rs. 4,200 only would have been justified as against Rs. 15,358 allowed in this order. HLTC had not reviewed this increase with reference to the margins allowed in the earlier contract.

The extra margin of profit amounting to Rs. 11,158 per set allowed, without establishing its reasonableness, involved an extra payment of Rs. 3.35 lakhs for 30 sets ordered in November 1970.

CLW stated (September 1980) that the assumption of 10 per cent profit by HLTC was only for the purpose of estimation and that the option of CLW as buyer was singularly restricted, as the firm was the only established indigenous source for procurement.

As mentioned earlier, the profit element was actually reckoned at 10 per cent by HLTC in negotiating the prices with the firm. The plea that the option of CLW as buyer was 'singularly' restricted need not have prevented necessary examination to enable fixation of reasonable profit/price.

(b) During the negotiations (December 1971) for settlement of price for the March 1972 order, the firm asked for an increase of Rs. 16,278 over the price contracted in July 1971. This increase was justified by the firm on the grounds, inter alia, that it would have to incur inventory carrying charges on stockpiling of forgings necessitated by their procurement much ahead of the

delivery schedule of ST and RGB. The HLTC accordingly allowed an inventory carrying charge of Rs 4,603 per set (7.5 per cent of Rs. 61,376 being the cost of the forgings) and, in addition, financing charges at 10 per cent i.e. Rs. 460 on the inventory carrying charge. Since advance payment (25 per cent of the order) by CLW in terms of contractual provisions, according to the HLTC, could be utilised by the firm for advance procurement of the forgings, price increase in excess of that justified by the interest rate (6 per cent) on the advance was not warranted. The extra price increase (Rs. 920) allowed because of the interest differential of 1.5 per cent (7.5—6) of the cost of forgings plus the additional financing charge allowed (Rs. 460) resulted in the firm obtaining a fortuitous gain of Rs. 0.59 lakh at the rate of Rs. 1,380 per set for 43 sets ordered in March 1972.

(c) The price (Rs. 3.18 lakhs) allowed for the March 1974 order was higher than the last contract price (Rs. 2.82 lakhs) by Rs. 36,467 per set. This included an increase of Rs. 7,835 which was justified (August 1973) by the firm on the ground that one of its sub-contractors had offered a discount if the components were given to it (sub-contractor) in batches (5 nos.) instead of piecemeal, but that ordering in batches was not possible as it would involve extra cost. The team of Senior Scale Officers of CLW who visited (July 1973) the firm's works allowed Rs. 7,000 on this account but the HLTC conceded (August 1973) the increase of Rs. 7,835 without either spelling out the reasons for enhancing the amount recommended by the team of Senior Scale Officers or ascertaining the quantum of the discount offered by the sub-contractor. The firm had also declined to show any evidence or documents to establish this claim stating that it would "more or less tantamount to audit of books which had not been agreed to by them in principle". The increase (Rs. 7,835) allowed for the notional loss

of discount was disproportionately high compared to the total cost (Rs. 16,655) of the portion of work relating to the two sub-contractors.

(d) The firm had also pointed out (August 1973) that the cost break up given during the earlier negotiations for the March 1972 order for forgings and other material processing etc. was not correct although the overall cost indicated then was correct. The cost of forgings was stated to be Rs. 60,000 as against Rs. 61,376 indicated for the March 1972 order and the current cost of about Rs. 64,000 per set. On this basis the HLTC allowed a price increase of Rs. 4,000 for the forgings without verifying the correctness of either the revised cost of forgings for the March 1972 order or the then current cost as stated by the firm.

The extra price increase of Rs. 1,376 (due to revision of the cost of forgings), conceded by the HLTC involved an additional payment of about Rs. 0.43 lakh for 31 sets ordered in March 1974.

(e) Another element of price increase (Rs 3,000) allowed for the March 1974 order was in consideration of the change in the method of allocation of the cost of heat treatment shop by the firm on the ground that its earlier practice of charging one-third of the shop cost to ST and RGB assembly was found to be not reasonable and correct, as more work was involved in this assembly than in the other activities of the shop. The HLTC considered the revised method reasonable without obtaining the details of the heat treatment shop cost structure, allocation system, etc., though promised to be furnished by the firm, and examining the reasonableness of the increase demanded. Ultimately, the firm furnished data showing only the reasons for the increase in heat treatment cost instead of the cost structure of the heat treatment shop and the method of cost allocation. The entire increase (Rs. 3,000) on this account conceded by

the HLTC, without adequate examination amounted to Rs. 0.93 lakh for 31 sets ordered in March 1974.

(f) For the order of May 1977, the firm initially wanted (December 1976) 36 per cent escalation over the last contract price on account of price increases over the period of 3½ years since May 1973. After negotiations, the firm quoted a revised price of Rs. 4.12 lakhs representing an increase of about 30 per cent, which was considered reasonable by the HLTC as according to its assessment the price escalation since May 1973 till October/November 1976 had been about 31-32 per cent. As, however, the last contract (March 1974) price based on the quotation of May 1973 had been settled with adequate escalation to cover deliveries uptc September 1976, it would have been appropriate to take into account escalation beyond September 1976 only and not from May 1973 for fixation of price for the subsequent order. The escalation of Rs. 76,500 (on prorata basis) for the period May 1973—September 1976 as allowed in the price lacked justification and involved financial implication of Rs. 24.48 lakhs for 32 sets ordered in May 1977.

(g) For the November 1979 order, the firm initially quoted Rs. 6.83 lakhs and explained the increase of Rs. 2.31 lakhs over the December 1978 contract price (Rs. 4.52 lakhs) as being due to increases in cost of raw materials, petroleum products, bought out components etc. and the likely increase during the currency of the contract but without furnishing itemwise details. On being asked by the HLTC during negotiations (September 1979) to evolve a price variation formula for itemising the increases asked for, the firm withdrew the price variation clause in its offer. It, however, offered a revised price of Rs. 5.73 lakhs, which though 27 per cent more than the last contract price, was agreed to by the HLTC without going into its reasonableness.

III. Delayed Ordering

9.7 By June 1970, the Ministry of Railways (Railway Board) had placed orders on CLW for manufacture of 179 diesel locomotives. The requirements of ST and RGB for 47 locos having been arranged by import, the balance 132 loco sets were left for procurement from the indigenous source. Against this, CLW ordered 78 sets on the firm upto November 1970. Order for 50 more sets was placed in July 1971 at Rs. 2.71 lakhs per set, *i.e.* Rs. 17,610 more than the price settled for the previous order of November 1970. The belated coverage of 50 sets thus resulted in extra expenditure of Rs. 8.81 lakhs.

9.8 CLW stated (September 1980) that ST/RGB sets for the locomotive order (60 nos.) placed by the Ministry of Railways (Railway Board) in June 1970 could not be covered in the contract of November 1970 as the lead time of five months was insufficient for ordering.

9.9 It may be mentioned that negotiations were conducted with the firm in July 1970, the tender finalised in September 1970 and the formal contract for 30 sets placed in November 1970. The requirements of ST/RGB for the locomotive order placed by the Ministry of Railways (Railway Board) in June 1970 could have, therefore, been included in the contract of November 1970, by suitably phasing the delivery schedule, if necessary, to match the locomotive production programme.

9.10 For manufacture of ST/RGB in CLW, 30 sets of ST/RGB components were ordered in July 1971 at Rs. 1.92 lakhs per set, stipulating delivery between July 1972 and May 1973. Another order for 30 sets of components was placed in March 1972 at Rs. 1.98 lakhs per set for delivery by August 1974, although CLW had apprehended (February 1972) delay and teething troubles in establishing and proving the local assembly and manufacture of ST and RGB. Ultimately, both the component orders were converted (March/April 1974) into supply of completely assembled sets, on the ground that diesel locomotives

manufacture had been limited to 280 nos., the firm being allowed an extra Rs. 94,809 per set as conversion cost. In the context of the anticipated delay and teething troubles in establishing and proving local assembly of ST/RGB, especially when the components due against the earlier order (July 1971) would have enabled CLW to develop local assembly, the second order of March 1972 was not warranted. The conversion of the March 1972 components order for 30 sets in April 1974 resulted in extra expenditure of Rs. 3.26 lakhs compared to what would have been payable if these had been initially ordered as complete sets.

9.11 The Ministry of Railways (Railway Board) decided (July-August 1971) to simplify the ST by eliminating its synchronising coupling and multiple plate clutch. Meanwhile, (July 1971), CLW placed an order for 30 sets of components for fullfledged ST. The subsequent ordering in March 1972 for components and complete sets was also for ST. Although the later orders were suitably modified (March/June 1973) to delete the synchronising coupling etc. (cost : Rs. 6,050), there was omission to amend the July 1971 component order price accordingly while converting it (April 1974) into supply of 20 complete sets resulting in avoidable expenditure of Rs. 1.21 lakhs.

IV. Summing up :

(a) There was no means of verifying the reasonableness of the prices demanded/allowed for the various orders by up-dating the last contract price on the basis of the escalations asked for by the firm, without being supported by authenticated data.

(b) Price increases amounting to Rs. 28.85 lakhs conceded on the items detailed below did not appear justified. These increases would also have got built into the prices fixed for the later orders, in view of the procedure for price fixation followed. Accordingly, the total financial

implication of these increases would be Rs. 121.29 lakhs for the orders placed upto November 1979.

	Rs. in lakhs
(i) Extra margin of profit (Cf. para 9.6(a) above)	3.35
(ii) Inventory carrying charges for advance purchase of materials covered by advance payments against the orders (Cf. para 9.6(b) above)	0.59
(iii) Extra price increase due to downward revision of the cost of forgings content by the firm (Cf. Para 9.6(d) above)	0.43
(iv) Escalation for about 3 1/2 years already allowed in the previous contract and re-allowed in settling the price for the subsequent contract (Cf. para 9.6(f) above)	24.48
	28.85

(c) In addition, CLW incurred extra expenditure of about Rs. 13.28 lakhs due to :

(i) Delay in placement of orders (Cf. para 9.7 above)	8.81
(ii) Conversion of component order into supply of complete sets (Cf. para 9.10 above)	3.26
(iii) Omission to modify the purchase price consequent on the deletion of Suri transmission components (Cf. para 9.11 above)	1.21
	13.28

This para was issued to CLW on 13th November 1980; its reply is awaited (January 1981).

10. Diesel Locomotive Works—Procurement of governors for diesel locomotives

The Diesel Locomotive Works (DLW) Administration, who had been procuring GE governors for WDM-2 locomotives, were on the look out for suitable alternative governors in view of continued supply problem. In May 1977, MLW Industries (MLW) of Canada having offered to supply Woodward governors with conversion kits etc. so as to make them suitable for application on WDM-2 locomotives, the DLW requested (June 1977) the Supply Wing of the Indian Embassy in USA to arrange

supply of 50 governors of this alternative type against their pending indent for GE governors. In September 1977, the Ministry of Railways (Railway Board) also directed, on the recommendations of a committee appointed by them to go into the comparative economics of the two types of governors, the DLW to switch over to the use of Woodward governors, keeping in view their lower initial cost, less maintenance cost and lower failure rate and the longer delivery period of GE governors, manufacture of which was not likely to be continued by the General Electric Company (GE) of USA. The DLW was also advised to establish the cut off point for switch over as early as possible.

As desired by DLW, the Supply Wing of the Indian Embassy floated enquiries for supply of Woodward governors against which Overseas Diesel Corporation (ODC) of USA and MLW quoted $4285.51 and $4277 per unit respectively. Keeping in view the technical suitability of the offers and the directive of the Ministry of Railways (Railway Board) to switch over to the use of Woodward governors, the DLW Administration recommended (December 1977) ordering 25 numbers on each firm. Accordingly, firm orders were placed by the Supply Wing on the two firms in January 1978.

About the same time (i.e. January 1978) the Supply Wing had also obtained quotations from GE and MLW on the specific request (November 1977) of DLW against their indent (October 1977) for 75 GE governors for the production requirements for 1979-80 (63 governors for WDM-2 locos and 12 for WDM-1 locos). While GE quoted $7224 each for their governors, MLW offered both GE and Woodward governors at $9400 and $4760 per unit respectively.

In March 1978 the Administration decided, on the ground that Woodward governors ordered in January 1978 had to be tried out before switching over to their regular use, on ordering of GE governors as offered by GE. Accordingly, the Supply Wing concluded (March 1978) a contract with GE for 75 governors (cost : $541800), stipulating delivery to commence in 50 weeks at the rate of 10 numbers per month.

On 5th January 1979 the Administration again placed an indent on the Supply Wing for supply of 133 GE governors. On 15th February 1979, however, the General Manager, DLW decided that "we need not wait for performance trials of Woodward governors with the conversion kits as these have already been tried in USA". Accordingly, the Administration cancelled the indent on 23rd February 1979, and placed a fresh indent on 26th March 1979 for the same number of Woodward governors complete with conversion kits. At this stage, the question of cancelling or modifying the March 1978 order for GE governors was not considered.

The supplies of Woodward governors against the January 1978 orders materialised in January 1979 from one firm and in January 1980 from the other. However, against the order of March 1978 for GE governors, the delivery of which was to commence by March 1979, 64 numbers were supplied by the firm during July 1979—September 1980, while the balance 11 numbers are still awaited (December 1980). Despite the failure to adhere to the contract schedule, cancellation of the order by invoking the relevant clauses of the contract was again not considered.

In the context of the Ministry of Railways' (Railway Board) directive (September 1977) to switch over to Woodward governors, the technical suitability of which according to DLW (December 1977) was such that they could be procured straightaway, the decision (March 1978) to purchase GE governors on the ground that Woodward governors ordered earlier (January 1978) had to be tried out before switching over to them lacked justification and involved an extra expenditure of Rs. 24.49 lakhs (including foreign exchange of Rs 16.55 lakhs) in respect of 63 governors required for WDM-2 locomotives, besides additional liability on account of higher maintenance cost and failure rate of GE governors (as per the technical opinion).

The DLW Administration stated (December 1980) :

(i) The decision to procure GE governors in March 1978 could not have been otherwise as supply of Woodward

governors against trial orders (January 1978) had not materialised to enable a review to be made of DLW's original plan to try out a few such governors to check their suitability before initiating bulk coverage.

(ii) The question of cancellation/reduction in the quantity of GE governors ordered in March 1978 did not arise, as no other established equipment was available for use in lieu.

It may, however, be pointed out that the Ministry of Railways, (Railway Board) directive (September 1977) did not contemplate any trial of Woodward governors before switching over to their use and 50 such governors had actually been ordered (January 1978) by the Administration straightaway in consideration of their technical suitability. Again, considering that the indent (January 1979) for 133 GE governors on the Supply Wing was cancelled (February 1979) by the Administration without conducting performance trials of Woodward governors, there could hardly be any reason preventing cancellation of the March 1978 order for GE governors, when the supplier failed (March 1979) to adhere to the contract delivery schedule.

11. Central Railway—Idling of imported invertors

For the DC (Direct Current) traction system of the Railway, 110KVAC (Alternating Current) electric supply obtained from the main grid is converted into 1500 VDC for feeding into the overhead wires from which the DC locomotive, while running on 'plain' or 'upgradient', draws energy. On down gradient, the locomotive needs no supply from the overhead wires as it develops energy, which through its regenerative mechanism is converted into DC energy. While bulk of this regenerated energy is absorbed for traction requirements by other trains in the section, if any, the surplus left over has to be either converted into AC energy or dissipated at the sub-station.

Keeping in view the anticipated increase in traffic and the use of heavier locomotives in future as also the estimated value

(Rs. 40 lakhs per annum) of the regenerated energy, the Administration in consultation with the Research, Designs and Standards Organisation (RDSO) and the Ministry of Railways (Railway Board) considered (December 1967 and May 1968) it desirable to go in for rectifiers with inversion facilities in replacement of the existing overaged rotary converters at the Kasara Sub-station. Accordingly, the Administration invited (July 1968) tenders for such rectifiers and decided (November 1969) to accept the offer of firm 'Y' for supply of silicon rectifiers with thyristor equipment. Order for supply and erection of two sets of silicon rectifier with thyristor equipment (cost Rs. 45.26 lakhs including foreign exchange of Rs. 20.16 lakhs) was, therefore, placed (November 1969) on firm 'Y'; the latter was to obtain these from its West German collaborator—firm 'X'—who (as admitted by it in June 1973) had not supplied such equipments previously.

In September 1970, the Ministry of Railways (Railway Board) also placed a direct order on firm 'X' for five sets of thyristor equipment (cost Rs. 9.39 lakhs each in foreign exchange) along with various other components and assemblies required for fabrication of rectifiers for traction sub-stations. These equipments were to be supplied to the Administration for erection through firm 'Y' to whom a separate contract for this purpose was awarded in October 1970 by the Ministry of Railways (Railway Board).

Six, out of the seven invertors (thyristor equipment) received at Bombay in July 1974, were erected and commissioned between March 1977 and June 1978, by which time, however, their warranty period had expired. The remaining one could not be erected so far (December 1980) because of its developing extensive damages/corrosion due to seepage of water and long storage on account of which firm 'X' had declined to take any responsibility to replace or repair the equipment.

The invertors, after commissioning, went out of order frequently due to failure of several components. After more than a year of their remaining out of commission since various dates

during June—December 1978, five invertors were recommissioned between December 1979 and February 1980. While the working of the recommissioned units is yet to stabilise (December 1980), one invertor has been lying out of commission continuously since November 1978.

Inspite of the delay of 3 to 4 years in commissioning the equipments because of various shortcomings/defects in them, neither their warranty period could be got extended nor could they be got rectified/repaired by the supplier to ensure their reliable and satisfactory working. Inability to work these equipments over the years had resulted in non-materialisation of the contemplated conversion of the surplus regenerated DC energy, if any, into AC for achieving economy in operation. The investment of Rs. 1.04 crores on five invertors had thus remained unfructified for about six years; investment (Rs. 0.41 crore) on the remaining two continues to remain unfructified (December 1980).

The Administration stated (January 1981) that, though the supplier firm 'X' had not agreed to extend the warranty period, all efforts were being made to pursuade it and its Indian licencee (firm 'Y') to take necessary measures to ensure reliable and satisfactory working of the equipment.

12. Metro Railway—Purchase of plant and machinery

The Administration imported three diesel pile hammers (value : Rs. 3.76 lakhs, including foreign exchange of Rs 2.63 lakhs) and one vibro sinker-cum-pile extractor (value : Rs 10.64 lakhs, including foreign exchange of Rs 5.92 lakhs) in February/March 1978 from the U.S.S.R. and Japan respectively to be used for driving and driving and extracting, respectively, sheet and 'H' piles on the Metro Railway works. According to the Administration, the availability of such equipments with the contractors might not be adequate and these could be provided to them on hire.

A review of the actual utilisation of these equipments, as conducted by Audit (July 1980), revealed that these had been practically lying idle since their receipt, with very little or no use in the near future, as indicated in the table given below :

Description	Work of piling done upto 30th June 1980 (in tonnes)	Number of days for which Railway's equipments were used.
1. By using the Railway's vibro sinker-cum-pile extractor	51.281	20
2. By using the Railway's diesel hammers	281.726	47
3. Total work done by using the Railway's equipments	333.007	
4. Total work done by contractors by using their own equipments	5,985.515	
5. Grand total of the work done by using both the Railway's and the contractors' equipment	6,318.522	
6. Percentage of work done with the Railway's equipments (item 3) to the total piling work done (item 5)	5.2	

Out of the three diesel hammers, one hammer has been lying unutilised (November 1980) since its receipt in February 1978. The other two hammers have been lying out of order (November 1980) since April 1978 and June 1978 respectively; these have not been repaired (November 1980), though replacement of the damaged pistons of these hammers had been received in December 1978 and March 1980 respectively.

The total hire charges realised by the Administration (August 1980) amounted to Rs. 0.25 lakh (Rs. 0.17 lakh for hammers and Rs. 0.08 lakh for vibro sinker), against the total investment of Rs 14.40 lakhs on the purchase of these equipments.

The following are the points for comment :

(i) Though procurement of the hammers as well as the vibro sinker had been justified on the ground of inadequate availability of such equipments with the contractors,

no survey of the prospects of their utilisation by the contractors in the field had been made before deciding on their purchase; there was no contractual obligation also on the contractors to obtain these equipments on hire from the Administration.

(ii) Before the order for the vibro sinker was placed on 28th May 1977, a substantial quantity of piling work, viz 1,439.990 tonnes (22.8% of the total quantity of 6,318.522 tonnes done up to 30th June 1980), had been completed (upto 30th April 1977) by the contractors by using their own equipments; the contractors had not complained of inadequacy of their equipments at any stage during this period.

(iii) Extraction of sheet piles had been found to be impracticable by the Chief Engineer in March 1977 in the course of execution of work in Contract Section 2. Consequently, the scope for the need of a vibro sinker-cum-pile extractor had significantly decreased before its purchase was ordered in May 1977.

(iv) The Administration had decided (January 1978) to substitute sheet pile method by diaphragm wall method in Contract Section 2 on grounds of safety to adjoining structures and safe working condition. There appears, therefore, little likelihood of the sheet pile method being extended to any other Contract Section in future and as such, the scope for utilisation of the pile hammers and the vibro sinker has shrunk still further.

The Administration stated (November 1980) that the diesel hammers and the vibro sinker would be used on works like construction of passage-ways, which are yet to be executed in the different Contracts Sections.

It may, however, be pointed out that such passage-ways have already been constructed by the contractors in some of the Contract Sections by using their own conventional equipments. Moreover, the Soviet experts had observed (December 1971)

that the effects on adjoining structures due to driving of sheet piles with falling hammers would be much less as compared to a vibro-sinker. Judged in this context, the prospects of the vibro-sinker being used in preference to conventional hammers for driving of 'H' piles on which the passage-ways would rest also do not seem bright.

The Ministry of Railways (Railway Board) stated (January 1981) that these equipments could be used for driving centre posts. The extent of the proposed utilisation for this purpose was, however, not quantified.

13. Metro Railway—Shortages of tor steel bars

The rules provide for both departmental and Accounts verification of stores, to be done annually, with a view to verify whether the book balances tally with the ground balances and, if not, to locate and reconcile the differences. In order to enable compact stacking of material, and to facilitate determination of the stock at a glance at any time, a system of "stacking stores so many deep to a row and so many rows to a layer of stores" is required to be adopted.

Steel materials including tor steel bars required for construction of Metro Railway at Calcutta were being received and stored in the Naihati Stores Depot of the Eastern Railway from the year 1973 onwards. Tor steel bars constituted 68% to 83% of the total stock during the period from 1973-74 to 1976-77.

No departmental verification of these materials had been conducted since 1973 onwards. While verification of some items of steel material had been done by the Accounts Stock Verifiers from time to time, no verification of tor steel items, which constituted the bulk of the stock, had been done on the ground that some lots of the material had been kept in a mixed up condition, while others had not been presented by the depot staff in a verifiable condition, inspite of this having been pointed out by the Accounts Department a number of times.

In April 1977, when a change in incumbency of Ward Keeper of this depot took place, a joint verification of all stores except tor steel bars was carried out by the incoming and the outgoing Ward Keepers. As regards tor steel bars, the incoming Ward Keeper was asked by the Assistant Controller of Stores (ACOS), Naihati to take charge of these based on the book balances, and also advised that stock verification might be conducted after the stock came down to a manageable level to enable verification to be conducted conveniently. The incoming Ward Keeper also indicated in the handing/taking over note that tor steel bars had been taken over by him as per the book balances and without verification of the ground balances. The book balances of tor steel bars thus taken over were as under :

Description of tor steel bars	Quantity (in tonnes)
16 mm	274.951
25 mm	530.085
28 mm	1,496.497
32 mm	1,331.280

Thereafter, the newly posted Ward Keeper took up a number of times with the ACOS the need for stock verification but without any result. On 14th April 1979 he informed the Controller of Stores that, in the case of two items, while the book balances were 10.91 tonnes and 39.38 tonnes, the ground balance was nil, and that in the case of two other items also shortages were apprehended. Finally, on 29th May 1979, i.e. over two years after the change in incumbency of the post of Ward Keeper, a departmental stock verification of tor steel bars was arranged. This disclosed the following shortages :

Description of tor steel bars	Book balances (in tonnes)	Ground balances (in tonnes)	Shortages (in tonnes)	Value of shortages (Rs.)
16 mm.	10.913	..	10.913	21,049
25 mm.	39.384	..	39.384	58,724
28 mm.	18.121	6.960	11.161	15,243
32 mm.	163.796	..	163.796	245,723
			225.254	340,739

While the Ward Keeper explained (June 1979) that the tor steel bars in question had not been made over to him by his predecessor, as already stated in his qualifying remarks in the handing/taking over report of April 1977, the ACOS held (July 1979) the shortages to be due to rusting of the steel material, leading to reduction in weight. Final orders of the Controller of Stores in regard to these shortages valuing Rs. 3.41 lakhs are yet to be passed (November 1980).

The following are the comments in this case :

(i) The extant instructions regarding proper stacking of material had not been observed/ensured by the depot staff/officer incharge, in respect of tor steel bars, to facilitate periodical stock verification.

(ii) Annual stock verification of tor steel bars had not been conducted either departmentally or by the Accounts Stock Verifiers. Had this been done, shortages would either not have occurred, or, having occurred, would not have remained undetected so long.

(iii) At the time of change in incumbency of the post of stock holder, a "certificate of stores check and correctness of stock" is required to be furnished along with the handing/taking over note signed by both the incoming and the outgoing stock holders. Judged in the context of this requirement, the ACOS was not justified in directing postponement of the verification of tor steel bars till the stock came down to a manageable level.

The Railway Administration stated (December 1980) that no staff could be held responsible for the shortages, as these were mainly due to rusting of bars and the resultant loss of weight. In this connection it may be pointed out that a stock holder is required to take proper precautions for protection of stores against deterioration. Further, it is not known whether use of of such reportedly rusted materials having lost weight had any adverse effect on the Metro Railway works.

14. Integral Coach Factory and Eastern Railway—Supply of defective materials

Seamless steel tubes

After inviting open tenders in June 1978, the Integral Coach Factory (ICF) Administration placed (September 1978) two purchase orders for supply of seamless steel tubes to specification IS.1161-68 HFS YST 22—one for 1446 metres of size 139.7 × 12.7 mm thickness and the other for 806 metres of size 114.3 × 8.73 mm thickness—on firm 'A' of Calcutta; the quantity against the first order was subsequently increased to 2114 metres in November 1978. The total value of the orders, inclusive of sales tax, was Rs 7.61 lakhs. The purchase orders, *inter alia*, provided for 90% payment against proof of despatch supported by inspection certificate issued by Rail India Technical and Economic Services Limited (RITES), Calcutta.

Supplies against the order for 2114 metres were received in two lots—1448 metres in November 1978 and 666 metres in February 1979—after having been passed by RITES (October 1978 and November 1978) but were rejected by ICF in December 1978 and March 1979 respectively. Supplies against the order for 806 metres, received in December 1978 after having been passed by RITES (October 1978), were also rejected by ICF in December 1978. Meanwhile, payment amounting to Rs 6.85 lakhs representing 90 per cent of the value of the stores had already been made to the firm during October-November 1978 by ICF. In addition, inward freight on the consignments and inspection charges paid to RITES amounted to Rs 0.33 lakh and Rs 0.15 lakh respectively. The Chemist and Metallurgist of ICF who inspected the firm's premises in December 1978 had reported that the firm was not a manufacturer but 'appeared to be a dealer in material purchased through auctions'.

The rejection of the supplies by the ICF Administration was mainly on grounds like pitted surface, uneven thickness in bore, not conforming to specifications, failure in Chemist and Metallurgist's tests in respect of carbon percentage and yield

strength, etc. The RITES, on being informed (March 1979) of these grounds, contended (April 1979) that the thickness was, as per their records, well within tolerance, the stipulated carbon percentage was not applicable to seamless steel tubes, maximum limit of yield strength had not been stipulated, etc., and did not accept the rejection. Thereafter, the matter remained under consideration amongst the Administration, the firm and RITES, but no agreement could be reached. Finally, in November 1979 the firm asked for arbitration. The General Manager, ICF, appointed the Chief Electrical Engineer, ICF, as sole arbitrator on 19th March 1980; his award is awaited (December 1980).

Meanwhile, the tubes valued at Rs 7.33 lakhs (90% value = Rs. 6.85 lakhs plus inland freight = 0.33 lakh plus inspection charges = 0.15 lakh) are lying rejected at ICF (December 1980).

The following comments arise :

(i) According to the inspection report of the Chemist and Metallurgist of ICF, the firm appeared to be only a dealer; apparently the Administration had not initially considered the ability of the firm to supply material of acceptable quality.

(ii) According to the ICF, RITES had failed to ensure that the material conformed exactly to the specifications; as no agreement could be reached between them in this regard, the inspection procedures would appear to need review.

Anti-friction metal

In another similar case, the Eastern Railway Administration had placed two purchase orders in September 1976 on firm 'B' of Calcutta for supply of 4 tonnes of anti-friction lead base bearing metal Gr. 10 and 8.675 tonnes of anti-friction metal ingots Gr. 20 at a total cost of Rs. 2.58 lakhs plus sales tax. The materials were supplied by the firm in October 1976 after inspection by RITES and 98 per cent payment amounting to Rs 2.69 lakhs was made to the firm on proof of inspection and despatch.

However, the materials, when subjected to metallurgical tests in January/February 1977 in the Railway Laboratory, Jamalpur, were found not conforming to the required specifications. The firm and RITES were informed accordingly in March/May 1977, the former being advised to refund the amount paid to it and the latter to re-inspect the materials. While RITES asked the Administration on 24th September 1977 and again on 14th October 1977 to send samples of the ingots to the National Test House, Alipur for re-tests, the firm's request to the Administration (14th September 1977) to accept the materials at a reasonable reduction in price remained pending as the Chief Mechanical Engineer's opinion on the scope for utilisation of the defective materials was awaited (November 1980).

After the matter was taken up (December 1980) by Audit with the Ministry of Railways (Railway Board), the latter intimated (January 1981) that the materials had since been found acceptable (4 years after receipt of the materials and 3 years after the firm had requested acceptance at a reduced price) and that suitable reduction in price would be made.

15. Northern Railway—Non-accountal and shortage of railway stores

I Scrutiny of the 'Daily Transactions Register' and the stores ledgers of the Block Inspector, Jullundur City by Audit, in July 1977, revealed that a number of items of stores (value : Rs 1.93 lakhs), stated to have been personally obtained by him from the Signal Inspector, Moradabad on 17th January 1976, had been accounted for after a lapse of more than 15 months on 30th April 1977. Had the material been actually received in January 1976, it would have been reflected as an excess in the ground balances during stock verification but no excess had been noticed during the stock verification conducted by the Accounts Stock Verifier in February 1977. Besides, no documentary proof for transportation of these stores from Moradabad to Jullundur, such as, railway material consignment/credit notes etc., nor any formal requisition for supply of stores, could be produced by the Block Inspector, Jullundur.

The above position was brought to the notice of the Railway Administration by Audit in July 1977. In September 1977, the Railway Administration appointed an Enquiry Committee which seized the records of the Block Inspector, Jullundur, who was also placed under suspension with effect from 21st September 1977.

Investigation by the Enquiry Committee revealed that the official, while working as Signal Inspector, Moradabad, had, as per orders, taken over on 1st September 1975 additional charge as Block Inspector, Jullundur. On the posting of a successor at Moradabad, he started (12th September 1975) handing over charge, when a number of discrepancies in ground balances as compared to book balances came to light, but these were not exhibited in the ledgers as required. Shortage statements were however prepared, copies of which were kept by both the relieved and relieving Inspectors.

The Accounts stock verification at Moradabad, due in December 1975, was postponed on the plea of the Signal Inspector, Moradabad that he would be extremely busy with remodelling of Chandausi Yard, and conducted on 17th March 1976. In the meantime, 17 Issue Notes (16 dated 17th January 1976 and 17th dated 1st March 1976) had been prepared, showing transfer of material from Signal Inspector, Moradabad to Block Inspector, Jullundur, to cover up the shortages at Mordabad although Inspectors were not authorised to enter into transactions between themselves, unless permitted by the controlling officers, as per orders of the Chief Signal and Telecommunication Engineer (Construction).

The Enquiry Committee in its report of 16th February 1979 held both the Inspectors responsible for the various lapses.

The Enquiry Committee further noted that there was nothing on record to show that departmental stock verification, required to be done annually, had ever been carried out by the then controlling officers, *viz* Assistant Signal & Tele-communication Engineer and Senior Signal & Tele-communication Engineer (Construction) Lucknow. (These officers have since retired).

Though the Committee had held that fake issue notes for 92 items valuing Rs. 1.93 lakhs had been prepared and no physical movement of stores had taken place between Moradabad and Jullundur City, it finally found the Block Inspector, Jullundur City responsible for shortages of Rs. 0.86 lakh only. This was because the shortages had been worked out with reference to issues as ascertained on the basis of measurement of materials used at the various sites of works. As a result, the Committee accepted physical availability of stores valuing Rs. 1.15 lakhs representing cost of material found as used but not shown as issued in the ledgers. The Committee also added an amount of Rs. 0.08 lakh to the shortages as the Inspector had declared certain new material of that value as scrap, thereby giving the total shortages as Rs. 0.86 lakh (Rs. 1.93 lakhs minus Rs. 1.15 lakhs plus Rs. 0.08 lakh).

Major penalty charge sheets were served on both the Inspectors on 24th December 1979 and 2nd January 1980 respectively. However, final action is yet to be taken (December 1980).

No adjustment of the material valued at Rs. 1.15 lakhs, stated to have been used but not shown as issued, has been made in accounts so far. Even the shortages of Rs. 0.86 lakh are yet to be regularised by recovery or write off (December 1980).

II. In connection with the execution of a track renewal work, a post (among others) of Permanent Way Inspector (PWI) was operated from November 1972 at Unchahar Station of the Lucknow Division. It is the responsibility of the PWI to maintain accounts of the materials in his custody and also submit quarterly returns of the materials-at-site of the works to the Divisional Office for check and necessary adjustments in the accounts of the works. The PWI, Unchahar had however not submitted materials-at-site returns to the Divisional Office after December 1973 but no action had been taken on this default by the Assistant Engineer in executive charge of the work. Further, though the latter was required to carry out a detailed inspection of the office of the PWI, and verify every item of stock at least

once in a year, there was no evidence that such inspection/verification had been carried out during 1974, and if carried out, that any irregularities had been detected.

The materials-at-site of works are required to be verified by the stock verifiers of the Accounts Department once a year. Though it had been decided by the Senior Accounts Officer and the Divisional Engineer in November 1973 that stock verification would be undertaken in the first week of December 1973 as the PWI was due to retire on 31st July 1974, the Accounts Department deputed staff for the purpose only in May 1974. Further, the stock verification could not be completed by the time the PWI retired due to incomplete maintenance of materials-at-site accounts and non-availability of records regarding issue and receipt of materials from January 1974 onwards.

On the retirement of the PWI on 31st July 1974, his successor took charge of the materials after jointly verifying/counting the ground balances, but in the absence of relevant records, which had not been handed over by the retired PWI, reconciliation with book balances, with a view to determining the shortages, if any, was not possible. In July 1975—July 1976, the Administration approached the local police authorities five times for help in retrieving the relevant records from the retired PWI, but without any results. The Administration did not also take any further action in the matter, for example, by filing a criminal suit against the retired PWI etc. No legal advice had also been sought in this connection. (The PWI expired in November 1979). In the meantime, while a provisional monthly pension had been sanctioned to the retired PWI, his dues on account of death-cum-retirement grauity amounting to Rs. 9,788 had been withheld.

Examination of the available accounts in September 1974 by the Administration had revealed the following, among other things :

(1) Material valuing Rs. 11.54 lakhs had, as per issue notes of the Moradabad Division, been received by the PWI during March 1973 to October 1973, but there was no

evidence that it had been acknowledged by him. Accountal of the material could not also be verified in the absence of the relevant records.

(2) The PWI had charged off material valuing Rs. 1.98 lakhs by showing it as issued to other PWIs and other works. However, neither the accepted copies of the issue notes nor the relevant ledgers were available for verification.

The Administration had asked (March 1977) all the units of the Railway to ascertain the details of the materials issued by them to this PWI or received by them from him; however, the accounts are yet to be reconstructed and reconciled (June 1980).

In April 1977, a Committee comprising an Accounts Officer and an Assistant Engineer (the very officer who was in executive charge of the work) was constituted to enquire into the alleged shortages of materials. The Committee is yet to submit its report (June 1980).

The Administration stated (August 1979) that the stock verification, which commenced in May 1974, was still open, as no conclusive decisions could be taken due to non-availability of records/incomplete posting of ledgers and returns.

The audit paragraph was issued to the Administration in July 1980; its remarks thereon are still awaited (December 1980).

16. **North Eastern and Eastern Railways—**

Delays in dealing with sales tax cases by Railways

North Eastern Railway

In accordance with the provisions of the Uttar Pradesh Sales Tax Act, sales tax is payable to the State Government on the sales of specified commodities effected by the railway stores depots in the State. Orders issued by the Administration in April 1963 required the Stores Depot Officers to register themselves as "dealer", under the Act and to realise and remit sales tax to the State Government, besides maintain proper accounts, and submit returns to the sales tax authorities.

A test check of the records of the Stores Depot, Izatnagar by Audit in February 1979 revealed that the statutory responsibility of timely remittance of sales tax realized to the State Government and submission of sales tax returns to the sales tax authorities was not being properly discharged by the Depot Officer (District Controller of Stores), Izatnagar, resulting in the following additional liabilities :

(i) Interest charges amounting to Rs. 1.12 lakhs levied by the Sales Tax Officer, Bareilly for delay in remitting sales tax to the State Government in respect of the assessment years 1971-72 to 1974-75.

(ii) Sales tax of Rs. 1.77 lakhs, levied by an *ex parte* assessment order made in April 1976 assuming a turn-over of Rs. 50 lakhs due to non-submission of sales tax return for the assessment year 1971-72, as against the Administration's admission (May 1976) of Rs. 0.81 lakhs on a turn over of Rs. 23.18 lakhs.

The Railway Administration's appeal against the *ex parte* assessment order was rejected by the Assistant Commissioner (Judicial), Sales Tax, Bareilly, in February 1978 on the ground that even the admitted liability of Rs 0.81 lakh had not been deposited by the Railway in time (This had been paid in May 1976). Judgement on a revision petition filed (March 1979) by the Administration was stated (November 1980) to be awaited.

As per the Administration's orders issued in April 1963, each Depot Officer is required to simultaneously send to the Stores Accounts Branch copies of the sales tax returns sent to the sales tax authorities at the end of each quarter supported by the details of sales tax collections, for checking the particulars shown therein and making payments to the sales tax authorities. No regular machinery was, however, found to exist in the Stores Accounts Branch to detect delayed submission/non-submission of these returns.

The Administration stated (December 1980) that, due to changes of jurisdiction, sales tax assessment for the years 1963-64

to 1966-67 and again from the year 1969-70 onwards had been done at Bareilly while that for the years 1967-68 and 1968-69 had been done at Gorakhpur and that due to these changes and paucity of staff the work relating to sales tax got abnormally delayed in the depot.

Failure of Stores Depot Officer, Izatnagar to submit sales tax returns in time and of the Stores Accounts Branch to detect delayed submission/non-submission of the returns and payment in time of tax, thus, resulted in incurrence of extra liability to the extent of Rs. 2.08 lakhs.

Eastern Railway

On registration as purchasers of specified items of goods, Central Government Departments/Bodies became eligible for payment of sales tax at concessional rates with effect from 1st January 1977 under the Bihar Sales Tax Ordinance of 20th December 1976.

The Stores Department of the Railway, which purchases some of the specified items, like furnace oil, acetylene gas, oxygen gas and fire bricks, for use in the workshop at Jamalpur, applied (January 1978) to the Bihar Sales Tax authorities for registration as purchasers of these goods over a year after issue of the Ordinance. The Administration explained (July 1980) the delay as being due to the following reasons :

1. Information about the Ordinance was not readily available with the Administration and was received only in February 1977 from a supplier of gases to the Railway.

2. After ascertaining (March1977) from the Sales Tax Authority, Monghyr that the registration already obtained by the Railway as sellers of scrap and obsolete materials would not hold good as purchasers of furnace oil, acetylene gas, etc. and that fresh registration would be necessary, and, after consulting the Law Officer of the Railway and the Railway advocate, an application was

submitted to the Sales Tax Authority in January 1978; the registration certificate, effective from April 1978, was received in May 1978.

Consequent on the delay in obtaining the registration certificate for claiming concessional rate of sales tax, additional sales tax amounting to Rs 1.52 lakhs had to be paid on the purchases made from January 1977 to March 1978.

The following comments arise in this case :

(i) The Ordinance issued by the State Government of Bihar in December 1976, which affected the Railway's financial interests vitally, went unnoticed by the Administration.

(ii) Even though the Administration had come to know from a firm in February 1977 about issue of the Ordinance, and the Sales Tax Authority had advised in March 1977 that fresh registration would be necessary, the Administration submitted the application for fresh registration only in January 1978.

17. **Central Railway—Purchase of axle guard horn cheeks**

The Administration placed an order (15th July 1976) on firm 'A' for supply of 29,417 axle guard horn cheeks (increased in September 1976 to 32,417 numbers and accepted by the firm) at the rate of Rs 19.65 each plus taxes, delivery to be completed by 27th October 1977. Against the order, the firm suplied only 22,000 horn cheeks by the due date.

On 8th November 1977, the firm informed the Administration that, owing to a lockout in its re-roller works, fabrication of horn cheeks could not be completed and requested extension of the delivery date by 16 weeks from the date of issue of amendment to the purchase order without liquidated damages. On 17th December 1977, the Administration informed the firm that the extension asked for would be granted, provided the balance quantity was supplied at a reduced rate of Rs 19.39 per item (this rate having been secured when placing another purchase order on the same firm in May 1977). This was agreed to by the

firm on 30th December 1977 but the Administration issued the necessary amendment to the purchase order only on 13th June 1978, extending the delivery date to 30th September 1978 without liquidated damages. On the same day (13th June 1978), however, the firm requested the Administration that in view of increase in the price of the raw materials, announced by the Joint Plant Committee (JPC) on 5th June 1978 and resulting in higher cost of manufacture of the item of supply, the balance quantity on order be treated as cancelled without financial repercussions on either side. The request was agreed to by the Administration in January 1979 and the balance quantity on order was cancelled without financial repercussions.

Purchase orders for the quantity cancelled (10,417 horn cheeks), after consideration of fresh tenders, were placed on 15th May 1979 on the same firm for supply of 5209 numbers and on firm 'B' for 5,208 numbers at the rates of Rs 30.60 each and Rs 30.45 each respectively, plus taxes as against the rate of Rs. 19.39 each plus taxes, agreed to by firm 'A' earlier in December 1977, resulting in extra expenditure of Rs 1.21 lakhs.

The Administration stated (June 1980/January 1981) that the time lag between 30th December 1977 and 13th June 1978 was due to delay in processing the case as a result of heavy absenteeism, large number of vacancies, pressure of work, and the time taken in examination of the stock position in the stores depot. The Administration added that in view of the existing stock it was not considered in the Railway's interest to obtain more supplies during 1977-78.

The following comments are made :

(i) The period of five and a half months taken by the Administration to process the amendment to the purchase order was excessive.

(ii) Even if it was felt that more supplies during 1977-78 were not necessary, the Administration could have issued the amendment to the purchase order in March 1978, (stipulating supply within 16 weeks from the date of issue

of the amendment, as requested by the firm), this being a regular consumable item of stores for the Central Railway.

In the above event, even if the firm had failed to supply the item at the same rate after the announcement of the price increase by the JPC in June 1978, it would have been open to the Administration to enforce the conditions of the contract.

CHAPTER IV

WORKS

18. Eastern and Northern Railways—Remodelling of Mughalsarai Marshalling Yard

I. Introductory

Mughalsarai Marshalling Yard located at the junction of four important trunk routes, viz. two each from the Northern and the Eastern Railways, is divided into Up Yard, Down Yard and Central Yard. While the Up and Down Yards are self-contained units with separate sicklines, transhipment sheds and grid (subsidiary) yards, the Central Yard deals with goods traffic consisting of through block rakes and passenger traffic.

The Yard was remodelled in phases at an approximate cost of Rs. 2 crores during 1956-57 to 1962-63. It then stood equipped with a capacity to deal with an interchange traffic of 3,000 wagons, the Up Yard only having been mechanised. The Down Yard, along with its hump and marshalling lines, dealt mainly with through loads of empties and was not mechanised then. However, some works of extending the classification and departure lines, etc. were carried out and manual humping retained to deal with a maximum number of 2,200 wagons per day.

When remodelling of the Up Yard was in progress from 1956-57, the Northern Railway Administration constructed a bye-pass link between their two trunk routes meeting just short of Mughalsarai, viz between Vyasnagar on Lucknow side and Jeonathpur on Allahabad side, to give relief to the yard during the period of remodelling by avoiding the Northern Railway cross traffic. As the remodelled yard was expected to be in a position to handle this cross traffic conveniently, the bye-pass link was dismantled in 1959.

II. Proposal for remodelling and mechanisation of Down Yard

The pattern of traffic handled by the Down Yard began to change from 1966 due mainly to movement of foodgrains from Northern Railway towards West Bengal and Orissa. The Eastern Railway Administration reported to the Railway Board in July 1969 bunching in the receipt of goods trains from Northern Railway during certain periods of the day and hold ups both at Mughalsarai and short of Mughalsarai due to the limited rate of humping and line capacity in the reception lines in the Down Yard. Further, it was anticipated (July 1969), reportedly after a work study and assuming an annual increase of 5 per cent in goods traffic, that the Down Yard would have to deal with 3754 wagons per day in 1973 and 4793 wagons per day in 1976. Accordingly, remodelling of the Down Yard by resiting sick lines, goods-sheds, providing a larger number of classification lines and mechanised hump with greater height was undertaken. The work ws sanctioned by the Ministry of Railways (Railway Board) in December, 1971 at an estimated cost of Rs. 2.84 crores and a return of 12 percent was anticipated.

III. Commencement of the project

The remodelling work was to be executed in a phased manner without affecting the yard operations and be completed by 31st December 1974. The commencement of the work (connected with the resiting of sick lines, classification lines and hump) was, however, affected due to delay in handing over land (43 acres, required for the purpose) by the State Government which was done in stages from July—October 1973 to July 1975. The contract for supply and erection of equipment for mechanisation of the yard was awarded in July 1974 but the import licence for some of the components required to be imported could be got issued only in August 1976 owing to delay in finalising the tenders and getting clearance for import from the Director General, Technical Development. The contract delivery period of 27 months was to be effective from the date of issue of the import licence.

Meanwhile, the two years 1969—71 had witnessed a decline in the freight traffic carried over the Railways (from 207.9 million tonnes in 1969-70 to 196.5 million tonnes in 1970-71) as also in the interchange traffic passing through Mughalsarai Yard, from the level of 3199—3249 wagons during 1969-70 to 2925—2930 wagons during 1971-72. Even of this interchange traffic, a greater proportion was being despatched by through trains via the Central Yard, not requiring marshalling in the Down Yard, owing to the increased movement of bulk commodities like coal, petroleum and oil products (POL) and other commodities in block rakes, the percentage of wagons passing through the Central Yard to the wagons interchanged being as much as 57—63 per cent during this period (1969—73) as against 33—40 per cent in 1966.

During April 1970 to February 1971, the alternative route via Garwa Road Billi (Obra)—Chopan on the Northern Railway and Billi-Katni on the Central Railway for movement of coal traffic (by passing Mughalsarai) from Singrauli and Central India Coalfields towards the Western side had also been completed in stages.

All these developments called for a review of the traffic prospects and growth of interchange traffic (assumed to increase at the rate of 5 per cent) passing through the Central Yard as also dealt with in the Down Yard.

Further, though the number of wagons dealt with in the Mughalsarai Yard, both Down and Up Yards, declined, detention to wagons continued to rise due to the increase in the workload on the Central Yard, as indicated below :

Year	Number of wagons dealt with in		Wagons inter-changed	Average detention daily (per wagon in hours)		
	Down Yard	Up Yard	Daily Average	Marshalling Yard	Central Yard	
	Daily Average	Daily Average	(Maximum of the year per day)		Through loaded	Empties
1969	2295	3212	3199	30.1	30.95	23.22
1970	2097	2666	3249	33.3	33.03	26.00
1971	1112	1442	2925	33.9	33.93	30.08
1972	1019	1373	2930	37.4	37.99	31.45
1973	647	767	2835	46.4	47.93	40.83

During April—June 1974, prior to award of the contract for mechanisation in July 1974, the Ministry of Railways (Railway Board) had noted the declining trend in traffic and sought clarifications (May 1974) from the Administration whether the investment in mechanisation would not be premature at that stage. They, however, allowed (June 1974) execution of the remodelling of the Down Yard to proceed as originally sanctioned, anticipating an increase of about 400 wagons in the interchange traffic over the 1969-70 level under normal conditions. Neither the Eastern Railway nor the Railway Board had taken into consideration, at that time, the changed pattern of traffic due to movement in block rakes through the Central Yard.

IV. Progress in the execution of the work

In view of the delay in the acquisition of land, there was slow progress even in the execution of minor civil engineering works such as shifting of goods-shed, transhipment shed, laying of additional receiving lines etc., these having been completed in stages between June 1973 and September 1974. The progress in the execution of the work by 1975-76 was 57 per cent only.

The slow progress of the work meant escalation in labour and material cost of the project from Rs. 2.84 crores to Rs. 4.79 crores as per the revised estimate sanctioned by the Ministry of Railways (Railway Board) in February 1980. Even with 69 per cent increase in the cost of the project, a financial return of 13.48 per cent on the increased capital expenditure was worked out on the assumption of additional coal loading and movement of 280 to 313 wagons by 1983-84, as compared to 1969-70, from Raniganj and Jharia coalfields through Mughalsarai.

The present progress of the work is about 87 percent (September 1980). While the remodelling of the down departure lines was completed by 1974-75 and has been operative since then, the marshalling yard with the mechanised hump is yet to be commissioned (September 1980) due mainly to non-receipt of equipment for mechanisation.

V. Trends of traffic, wagons dealt with and detention to wagons and trains

As stated earlier, detentions to wagons received in the yard as well as to down trains of the Northern Railway held up short of Mughalsarai were on the increase, though the number of wagons dealt with in the marshalling yard had declined, as under :

Year	No. of wagons inter-changed with Northern Railway (maximum of the year per day)	No. of wagons dealt with in Down Yard (Daily Average)	Target detention (hrs)	Detention to wagons (hrs)	Position for one representative month—March	
					No. of trains affected (held up short of (MGS)	Average detention per train (hrs)
Position prior to remodelling work						
1969	3199	2295	19.5	30.1	134*	0.50
(*Trains in both directions ex-Lucknow and ex-Allahabad taken together						
Position after the commencement of remodelling work						
1976	3388	1268	23	39.1	Ex. Allahabad 380	2.20
					Ex. Lucknow 322	1.54
1977	3430	1154		42.4	Ex. Allahabad 305	1.08
					Ex. Lucknow 303	1.26
1978	3225	1065	35	43.0	Ex. Allahabad 368	1.13
					Ex. Lucknow 370	1.52
1979	2793	1016	35	51.1	Ex. Allahabad 392	3.13
					Ex. Lucknow 259	1.50
1980	2849	..	..	.	Ex. Allahabad 374	1.30
					Ex. Lucknow 272	1.38

It would be seen from the above that the number of wagons interchanged had not declined as steeply as the number of wagons dealt with in the marshalling yards, thereby confirming that the interchange traffic had been moving mainly through the Central Yard without being terminated in the marshalling yards of Mughalsarai.

The increase in detention to wagons in the yard inspite of the additional facilities provided was explained by the Eastern Railway

Administration (April 1979) as being due to factors such as wagons becoming unfit/damaged owing to deficient coupling, lack of power, late materialisation of stock, accident, break down etc., besides inadequate capacity in the reception lines of the Central Yard which received nearly 70 per cent of the interchange traffic as through goods trains.

Though this was a major yard remodelling-cum-mechanisation work relating to the Down Yard comparable to the remodelling of the Up Yard executed during 1957-61, no proposal was considered at the time of sanction to the project in December 1971 for provision of a bye-pass or avoiding line above Mughalsarai (similar to the one provided in 1956-57 when the Up Yard was remodelled) to give relief to the Down Yard during the period of construction from the Northern Railway's cross traffic. Though this question was first considered as early as in January 1973, it was only in August 1979, when the remodelling project was nearing completion, that the Railway Board approved a proposal for restoration of the dismantled bye-pass line at a cost of Rs. 61.80 lakhs. This work on completion would enable the Northern Railway to divert some of its cross traffic, both empties and loaded wagons between Lucknow and Allahabad which at present passes through the Mughalsarai Down Yard.

Meanwhile, the additional coal traffic (by 1983-84, additional 280—313 wagons over 1969-70 level), anticipated to pass through the remodelled Mughalsarai Yard from the Raniganj and Jharia coalfields, had not also materialised as seen from the table below :

Coal loading

Year	Raniganj field		Jharia field		Total coal traffic via Mughal-Sarai
	Total loading	Loading via Mughal Sarai	Total loading	Loading via MGS	
1969–70	*	902	*	728	1630
1976–77	2111	1031	1071	497	1528
1977–78	2105	990	1153	590	1580
1978–79	1650	849	955	442	1291
1979–80	1498	756	918	370	1126

*Not available.

Summing up :

The following aspects of this project would merit consideration :

(i) The interchange traffic between the Northern and the Eastern Railways at Mughalsarai had been assessed (1969) to increase from the level of 3000 wagons in 1969 to 3754 in 1973 and 4793 wagons in 1976 per day by assuming a traffic growth rate of 5 per cent per annum. Actually, however, the interchange traffic between the two Railways at Mughalsarai declined from the level of 3000—3199 in 1969 to 2835 in 1973. This called for a review of the traffic prospects before proceeding with the remodelling of the Down Yard.

(ii) The pattern of traffic moving through Mughalsarai had also been undergoing a change due to increased movement of bulk commodities like coal and POL products in block rakes which passed through the Central Yard. Though this was evident from the declining trend in the number of wagons dealt with in the Down Marshalling Yard coupled with increased detention to wagons handled at Mughalsarai from 1969, it had not been taken note of in connection with the remodelling of the yard even though there was adequate time for reconsideration of the details of remodelling till 1973 in view of the delay in the project gaining momentum.

(iii) Provision of a temporary bye-pass line (between Vyasnagar and Jeonathpur on the two trunk lines of Northern Railway meeting short of Mughalsarai) during the execution of the project to afford relief to the Down Yard and reduce detention to wagons as well as goods trains held up short of Mughalsarai (as done when the Up Yard was being remodelled) was not considered in time. However, provision of such a bye-pass line was approved in August 1979, and that too on a permanent basis, when the remodelling was nearing completion. This would result in further reducing the flow of interchange traffic,

mainly empties, from the Northern Railway into the Mughalsarai Down Yard, which had been remodelled to handle additional traffic.

(iv) The coal traffic via Mughalsarai had declined in 1979-80 by as much as 31 per cent from what it was in 1969-70. Further, despite the additional facilities created in the Down Yard by the execution of the project, there had been no improvement in detention to wagons and goods trains interchanged with the Northern Railway, this having gone up significantly as compared to 1969-70.

Thus, the remodelling of the Mughalsarai Down Yard undertaken during 1971—80 at a cost of Rs. 4.79 crores to handle additional traffic and reduce detention to stock, had largely not been able to achieve its objectives due mainly to failure to take note of the changing pattern of traffic passing through Mughalsarai.

A draft review on this yard was issued to the Eastern Railway Administration on 5th November 1980; its reply is awaited (January 1981).

19. **Deposit works on Railways**

Works executed by Railways for other Government departments, municipalities and other local bodies, private firms and individuals, at the cost of the latter, are termed 'Deposit Works'.

According to the rules, no deposit work should be taken up by a Railway till a detailed estimate for the work has been got accepted by the party concerned and sanctioned by the competent Railway authority. In the case of local bodies, private individuals etc., the estimated cost of the work is also required to be deposited in advance with the Railway. Further, no expenditure in excess of either the sanctioned estimate or the deposit made is to be incurred on any work undertaken, unless acceptance of the party to the anticipated excess is obtained or the anticipated excess cost is deposited by the party.

A review by Audit of the deposit works undertaken by the Railways revealed that, in a number of cases, the rules had not been strictly observed by the respective Administrations, with the result that excess expenditure amounting to Rs. 25.81 lakhs incurred on 11 deposit works by the various Railways had not been recovered from the parties concerned. The details of these cases are mentioned below :

1. **Central Railway—Construction of a foot overbridge at Nasik Road**

Construction of the foot overbridge, at an estimated cost of Rs. 1.95 lakhs, was commenced (May 1973) on this amount being deposited (June 1969/July 1971) by the Nasik Municipal Council with the Railway. A further deposit of Rs. 0.41 lakh was made (June 1973) by the Council on the advice of the Administiation that the cost of the work was likely to go up due to use of alternative sections of steel owing to non-availability of sections provided in the estimate and increased fabrication costs. While the revised estimate for Rs. 2.35 lakhs was sanctioned by the Railway and communicated to the Council in November 1973, the Administration noticed in June 1974 that the fabricated steel used, as also the fabrication charges, were more than estimated, with the result that the expendiiure had exeeeeded the revised estimated cost/deposited amount. The work having been completed in September 1974, the Council was requested (October 1974) to deposit an additional amount of Rs. 1 lakh to meet the increased cost. On this, the Council, without depositing the amount, asked (January 1975) the Administration for the completion report for scrutiny. While the bridge had been handed over by the Railway to the Council in December 1974, the Administration later re-assessed the excess over the deposited amount as Rs. 1.32 lakhs and requested (July/August 1975) the Council to deposit Rs. 1.38 lakhs (including interest charges of Rs. 0.06 lakh), which the latter declined (March 1977) to do.

On a representation by the Council in September 1978 to the Minister of Railways, the Ministry of Railways (Railway Board) advised (February 1979) the Administration (on the basis

of what had been stated in the representation) "to recast the estimate taking into account the actual expenditure on the work and without notionally updating the costs to the price level prevailing at the time of completion of the bridge", and also to consider waiver of departmental as well as interest charges under the powers of the General Manager of the Railway. While the Administration contended (October 1979) that, the prices adopted being those prevailing at the time of drawal of materials from the stock, no recasting on this account was necessary, it found, after adjustment of certain credits not accounted for earlier, that the excess over the deposited amount would be Rs. 1.09 lakhs. In March 1980, the Administration stated that the excess was likely to go upto Rs. 1.15 lakhs, and that the question of waiver of departmental and interest charges was yet to be finalised.

Meanwhile, no payment had been made (October 1980) by the Council towards the excess expenditure, though the work was completed over 6 years ago. The accounts of the work as also the exact amount of excess expenditure to be recovered also yet remain to be finalised by the Administration (October 1980).

2. **Southern Railway—(i) Fabrication of girders and trestles required for construction of road overbridges by Indian Railway Construction Company for Kudremukh Iron Ore Project**

As decided at a joint meeting in April 1977 of the representatives of the Ministry of Railways (Railway Board), the Ministry of Steel and Mines and others, the Southern Railway commenced the fabrication work on 6th August 1977 on top priority basis. In January 1978, an estimate for Rs. 11.93 lakhs was sent by the Administration to the Indian Railway Construction Company, with the request to deposit Rs. 10 lakhs initially. While the fabrication work was completed in January 1978, the Company deposited Rs. 6 lakhs on 31st March 1978, accepted the estimate in June 1978 and deposited a further sum of Rs. 1.45 lakhs in October 1978. While an estimate for Rs. 13.55 lakhs was sent to the Company on 11th September 1980, requesting it to pay the balance amount of Rs. 6.10 lakhs, the accounts of the work

are yet (November 1980) to be closed and the completion report drawn up, though the work was completed three years ago.

(ii) **Construction of sub- way for pedestrians on behalf of the Corporation of Madras**

The work, estimated to cost Rs 2.32 lakhs as per sanction (June 1969), was commenced in April 1970. While the cost as per revised estimate (January 1972) was assessed at Rs 2.86 lakhs and the work was completed in November 1975, the actual expenditure was found at the time of closure of the accounts of the work and preparation of completion report in August 1979 to be Rs. 3.12 lakhs. The amount deposited (June 1967–October 1971) by the Corporation towards the cost of the work being Rs. 2.86 lakhs only, the excess expenditure (Rs. 0.26 lakhs) is yet (September 1980) to be recovered, though it is over four years since the work was completed. The completion report is also yet to be certified by the Accounts Office of the Railway (September 1980).

(iii) **Construction of a sub-way between Wimco Nagar and Ennore station for a firm**

The work, estimated (August 1974) to cost Rs. 5.77 lakhs, was commenced in November 1974 and completed in January 1976. Against a deposit of Rs 5.80 lakhs made (January 1970—March 1974) by the firm, the expenditure incurred, as per the 'Deposits Register', was Rs. 7.10 lahhs (involving an excess of Rs. 1.30 lakhs) and as per the 'Works Register' Rs. 6.34 lakhs (involving an excess of Rs. 0.54 lakh). While reconciliation of the two Registers, prescribed in the rules, has not been done, the excess amount (to be assessed precisely) is yet to be recovered from the firm (September 1980). The completion report showing an expenditure of Rs. 6.34 lakhs prepared in February 1977, is also still (September 1980) under verification in the Accounts Office of the Railway.

(iv) **Construction of a siding for Food Corporation of India**

The work, estimated (March 1968) to cost Rs 4.99 lakhs, was commenced in August 1969 and completed in June 1972. Against

the Corporation's deposit of Rs. 4.99 lakhs, the expenditure incurred on the wozk, as per completion report prepared in October 1976, was Rs 6.47 lakhs. While reimbursement of the excess expenditue of Rs. 1.48 lakhs was claimed by the Railway in February 1978, it is yet to be received from the Food Corporation of India (September 1980).

3. **South Eastern Railway—(i) Construction of a private siding for Cement Corporation of India**

The work was estimated (September 1967) originally to cost Rs. 19.43 lakhs against which the Cement Corporation had deposited Rs. 18.09 lakhs between July 1966 and March 1969. On the party requesting (July 1969—June 1971) certain additions and alterations to the original plan, the work (including these) was completed in 1972 but the cost remained to be finalised. At this stage, in the absence of complete expenditure statement, it was anticipated that the additional expenditure would be met from savings but on finding in August 1978 that the actual expenditure had exceeded the deposit by Rs. 9.03 lakhs, reimbursement thereof was claimed from the party. The latter however refused (December 1978) to accept the additional liability on the ground that it had been assured till June 1971, by which time all the major works had been completed, that the total cost would be within the sanctioned estimate, Payment of the excess is yet to be made by the party (September 1980).

(ii) **Extension of private siding for the Thermal Power Station, Korba**

The work, which was to be executed by the party under Railway supervision, was commenced in August 1962, the cost as per estimate prepared (by the Railway) in 1963 being Rs. 15.31 lakhs. As only some fittings were to be supplied by the Administration, the party made a deposit of Rs. 2.41 lakhs in May 1963 to cover the cost of the fittings and the supervision charges. While the work was completed in December 1966 and a detailed

estimate for Rs. 21.59 lakhs was sanctioned in January 1971, the Administration failed at that stage to assess the expenditure incurred by it in relation to the deposit. At the time of drawing up the completion report in July 1976, the actual expenditure incurred by the Railway was found to be Rs. 4.95 lakhs. It was only in October 1977, that the Administration requested the party to pay the balance of Rs. 2.54 lakhs but no payment has been received so far (September 1980).

(iii) **Construction of assisted cum private sidings in Orissa**

Construction of assisted cum private sidings to serve the Orissa State Electricity Board and the Orissa Textile Mills at Charbatia was commenced in 1948 and completed in 1951. Certain ancillary works were completed in January 1958. As per agreed terms, the Administration raised debits towards the cost of the work against Government of Orissa from time to time and received payments of Rs. 4.08 lakhs upto October 1962. The completion report was however prepared only in 1970 for Rs. 6.51 lakhs; while debit for the balance of Rs. 2.43 lakhs was raised in April 1972, an amount of Rs. 1.28 lakhs was received in March 1976 and January 1978 leaving Rs. 1.15 lakhs still (September 1980) to be realised.

(iv) **Provision of a reversing loop in the assisted siding for a company**

At the request of the Company, the work, estimated (August 1965) to cost Rs 1.11 lakhs (Rs. 0.66 lakh to be borne by the Railway, being cost of permanent way materials, and Rs. 0.45 lakh to be borne by the party, this being reduced to Rs. 0.28 lakh if earthwork and ballasting were done by the party) was undertaken by the Railway. In October 1966, it was noticed that a part of the loop would fall on private land requiring acquisition. Taking this into account and some additional works necessary, the plan was revised and the work completed (June 1969) at a cost of Rs. 0.94 lakh but without getting the party's acceptance to the revised estimate or obtaining additional deposit over and above Rs 0.28 lakh already received. When a revised

estimate was sent to the party in August 1969, including provision for further alteration to the siding, it stated (March 1970) that it did not want this alteration and asked for a revised estimate for the loop alone. Over four years later, in June 1974, the Administration furnished just an abstract cost of the loop for the party's acceptance, and in 1976 the party demanded refund of its deposit on the ground that the loop would not be of any use to it. While the deposit made has not been refunded, the expenditure (Rs. 0.66 lakh) incurred by the Railway is yielding no benefit to the Railway, the loop being not commissioned so far (September 1980).

(v) **Construction of lines for iron ore loading at Kirandul**

The work was commenced in September 1970 on behalf of the National Mineral Development Corporation Ltd. (NMDC) and completed in March 1976. While NMDC deposited Rs. 1 lakh in September 1970, Rs. 5.37 lakhs in October 1970 and Rs. 0.33 lakh in October 1975 (Rs. 6.70 lakhs in all), it was noticed, when the completion report was drawn up in December 1977, that the actual expenditure incurred, was Rs. 8.08 lakhs but claim for the balance of Rs. 1.38 lakhs was preferred much later in June 1980. Reimbursement of the excess expenditure is yet (September 1980) to be received.

4. **Western Railway—Foot overbridge at Kalol station**

On the request (February 1967) of the Kalol Municipality to provide a foot overbridge at Kalol station, and on finalisation (July 1969) of the plans and estimates by the Administration, the Municipality was requested to deposit the estimated cost of Rs. 1.87 lakhs, which it did in September 1970 and May 1971. In December 1971, the Administration advised the Municipality that because of acute steel shortage the plans had to be revised but did not indicate the cost implications of the change. The bridge was completed in September 1974 and in October 1975 the Administration asked, pending finalisation of accounts, for an additional deposit of Rs. 0.90 lakh by the Municipality in view of the increase in cost of the work but it was not received. The

expenditure on the work was assessed in May 1977 at Rs. 2.58 lakhs. When the Administration asked the Municipality to remit the excess of Rs. 0.71 lakh together with interest charges of Rs. 0.05 lakh, the latter disowned (September 1977) responsibility therefor on the grounds that the original estimate had been changed by the Railway without its sanction and further that the increase in cost was solely on account of the delay by the Railway in completing the work. No further payment has also been received from the Municipality so far (November 1980).

II. In the case of deposit works required to be maintained by the Railway at the cost of the Department, local body, private firms or individuals ordering the works, prior acceptance of the party concerned is required to be obtained for the annual recurring expenditure likely to be incurred by the Railway on repairs, maintenance etc., and bills are to be preferred accordingly.

Non-observance of these rules by the various Administrations resulted in non-recovery of repairs and maintenance charges, as indicated below :

Central Railway—Construction of foot overbridge at Nasik Road

Though the work was completed in September 1974, no bill for recovery of maintenance charges therefor has been preferred on the Municipal Council so far (September 1980).

Northeast Frontier Railway—Provision of a level crossing for a firm

At the request (December 1971) of the firm, a level crossing for its mechanised brick plant near Agthori Railway Station was provided and opened for traffic in February 1973. However, no bill for recovery of charges on account of its repairs, maintenance, operation etc. was preferred by the Administration against the party. On this omission being pointed out by Audit in April 1979, the Administration preferred (May 1979) a provisional bill for Rs 0.87 lakh for the period from February 1973 to March 1979 but the firm has not made any payment so far (September

1980). No agreement has also been executed with the firm for recovery of such charges

Western Railway—Foot overbridge at Kalol Station.

Though the bridge was completed in September 1974, bill for maintenance charges amounting to Rs 0.29 lakh for the period from October 1974 to March 1979 was preferred only in May 1978. The party has, however, not yet (November 1980) made any payment.

Summing up :

The following are the major lapses/failures on the part of the Administrations in these cases :

(1) The initial estimates of the works had not been drawn up precisely, taking into account all the relevant factors known at the time.

(2) The progress of expenditure had not been watched closely with a view to making timely assessment of the additional deposit required before incurring expenditure over and above the initial deposit.

(3) The accounts of the works, as also their completion reports had not been finalised for years after their completion. This led to the parties not accepting the Railways' belated claims for excess expenditure.

(4) Bills for maintenance charges etc. had either not been prepared or preferred for several years after the Railways started incurring expenditure on maintenance following completion of the works.

This para was issued to the Ministry of Railways (Railway Board) on 3rd November 1980; its reply is awaited (January 1981).

20. **North Eastern Railway—Delay in shifting of a turn-table**

Turn-tables or triangle lines of requisite capacity are provided at various originating/terminating stations for changing the direction of engines. At Kasganj on the Kasganj—Mathura metre

gauge (MG) section (distance 105 km), where there was a triangle line capable of turning all types of engines, a standard MG turn-table of 65′ diameter was provided in the course of remodelling of the yard during 1962. The triangle line which was to be dismantled in order to ease the curves in the yard, as per the re-modelling plan, was subsequently retained as a stand-by. At Mathura, the other end of the Kasganj—Mathura section, there was a turn-table of 50′ diameter which was used for turning small engines ('P' class) for working trains on the Mathura—Vrindaban branch line (distance 13 km), while Vrindaban had a triangle line capable of turning all types of engines.

With effect from January 1973, one passenger train hauled by a YP engine and one goods train hauled by a YG engine were introduced on the Kasganj—Mathura section, terminating at Mathura. As the turn-table at Mathura was not capable of turning YP/YG engines, these were run light to Vrindaban and back (26 km) for being turned at the traingle line available there.

In February 1977, contrary to the remodelling plan of Kasganj Yard, the Administration sanctioned an estimate for Rs. 0.50 lakh for shifting the 65′ turn-table from Kasganj to Mathura. The turn-table was shifted to Mathura and installed there in February 1979 and was commissioned in August 1979.

The extra expenditure incurred on the light run of the engines between Mathura and Vrindaban, from January 1973 to July 1979, was assessed (by Audit) at Rs. 2.62 lakhs (cost of coal and wages of crew).

The Administration stated (December 1978) that the decision to shift the turn-table from Kasganj to Mathura was taken only after the design of the triangle line at Kasganj had been sufficiently improved to make it suitable for meeting the requirements.

The Administration could not produce any evidence of the improvements stated to have been effected in the triangle at Kasganj, the period in which these improvements were effected and the expenditure incurred thereon, but maintained (February

1980) that improvements were made as part of normal routine work, that as such no separate sanction for carrying out these improvements had been obtained, and that therefore, the expenditure thereon could not be segregated from the overall expenditure on day to day repairs and maintenance chargeable to revenue.

According to the extant rules, even in the case of works chargeable to revenue, an estimate is required to be prepared and a specific sanction issued for every work estimated to cost more than Rs 20,000. The fact that no separate sanction was issued in this case, would indicate that the work involved was not of such magnitude that the Administration need have taken more than six years to carry it out before shifting the turn-table from Kasganj to Mathura, the result of which was that the engines had to be run light between Mathura and Vrindaban at extra cost.

21. Northern Railway—Extra expenditure on the execution of a work

A contract for conversion of dry into flush latrines in 449 units of quarters at Jagadhri (Delhi Division) at an estimated cost of Rs. 5.30 lakhs was awarded (November 1972) to a contractor for completion by 3rd November 1973, extended later at his request to 30th April 1974. The contractor's six running bills amounting to Rs. 2.69 lakhs for the work done upto November 1973 were paid by the Administration, but his 7th running bill dated 4th January 1974 for Rs. 0.25 lakh was not passed for payment on the ground that funds were not available in the budget. Thereupon the contractor expressed (January/February 1974) his inability to execute the work further without receiving payments for the work already done by him; in March 1974 he informed the Administration that, the prices of sanitary fittings and other materials having risen by more than 100 per cent, it was not possible for him to carry out the remaining portion of the work at the existing rates, and that his contract be settled. By that time, the value of the work done by the contractor was Rs. 3.22 lakhs (against the payment of Rs. 2.69 lakhs to him)

and the estimated value of the work remaining to be done was Rs. 2.08 lakhs.

The Administration held (October 1974) that, according to clause 17(3) of the General Conditions of Contract, postponement of payment (like any other delay on the part of the Railway) could not constitute a valid ground for the contractor to abandon the contract or put up claim for damage and compensation; that, in such cases, the Railway could grant extensions considered reasonable and that the contractor not having applied for extension and the work not having been completed, the contractor should be deemed to have abandoned the contract without any valid reason.

In the above circumstances, the contract should have been terminated at his risk and cost under clause 62 of the General Conditions of Contract but the Administration, without issuing a notice to the contractor (for which reasons were not available on record) for terminating his contract, invited (December 1974) limited tenders for execution of the remaining portion of the work and awarded (20th January 1975) the contract at an estimated cost of Rs. 3.65 lakhs to the same contractor, who had earlier defaulted and abandoned the work, as his tender was the lowest. The work was completed in October 1975 at a cost of Rs. 3.66 lakhs against the original estimated cost of Rs. 2.08 lakhs.

In the meantime, the Law Officer, to whom the case was referred in March 1975, opined that action to terminate the earlier contract should have been taken before the expiry of the stipulated date for completion (30th April 1974); nevertheless he advised that notice be issued to the contractor without further delay. It was however only on 4th June 1975 (more than 13 months after the stipulated date of completion) that the Administration issued a notice to the defaulting contractor for termination of his contract at his risk and cost. As a result of the delay in the issue of the notice, the extra expenditure of Rs. 1.59

lakhs incurred on the work could not be recovered from the defaulting contractor. On the other hand, on a counter claim of Rs. 2.02 lakhs by the defaulting contractor on account of cost of materials lying at site, increase in rates, damages, defamation and setback to business, loss of anticipatory profits etc., and referred to arbitrator, an award of Rs. 0.53 lakh (refund of earnest/security money of Rs. 0.35 lakh and an amount of Rs. 0.18 lakh in full settlement of all claims) in his favour was given (December 1977) by the arbitrator. The Railway's objections against the award were dismissed by the Delhi High Court, and the award was made a rule of the Court (April 1979). The extra expenditure on the work was thus Rs. 1.77 lakhs (Rs. 1.59 lakhs plus Rs. 0.18 lakh).

In regard to the ground on which the contractor's bill (under the first contract) was not passed in January 1974, *viz* non-availability of funds, it may be mentioned that, against the final allotment of Rs. 25.63 lakhs under the relevant head of account to the Railway (Delhi Division) for the year 1973-74, the total expenditure booked was Rs. 26.61 lakhs, the excess of Rs. 0.98 lakh being explained (August 1974) by the Administration as due to expenditure on other works. On the other hand, withholding of payment (Rs. 0.25 lakh) led to abandonment of the work by the contractor and resultant extra expenditure of Rs. 1.77 lakhs.

The Ministry of Railways (Railway Board) stated (December 1980) that extra expenditure had been incurred due to escalation in the prices of sanitary fittings. In this connection, it is pointed out as under :

(i) The contract was not subject to escalation.

(ii) It was in March 1974 that the contractor had intimated his inability to execute the remaining work in view of the rise in the price of sanitary fittings. The original date of completion of the work, viz 3rd November 1973 had earlier been extended to 30th April 1974 at the contractor's request. A price rise during extension on contractor's account could not be termed Railway's liability.

(iii) The remaining work was awarded only in January 1975 and completed in October 1975, thus leading to the overall increase in expenditure.

22. Southern Railway—Dues from an earthwork contractor

A contract (value: Rs. 21.32 lakhs) for earthwork in reach VI of the Hassan-Mangalore Railway Project was awarded to firm 'A' in July 1965, to be completed by January 1967 (later, extended to December 1972). During execution, quantities exceeding 25 per cent in respect of certain items of the work (value: Rs. 5.05 lakhs) were also entrusted (May 1972) to the same firm under another contract. On grounds of unsatisfactory progress, both the contracts were terminated in May 1974 at the risk and cost of the firm. The left over work was entrusted (October 1974), on open tender basis, to firm 'B' and completed by it in May 1975.

During July 1965 to May 1974, payments had been made to firm 'A' on the basis of approximate assessment of the work done as certified by the Assistant Engineers concerned. When detailed measurements were taken in October 1975, an overpayment of Rs. 2.38 lakhs to firm 'A' was noticed. The liability of firm 'A' for work not done by it till May 1974, and subsequently got done by firm 'B' in May 1975 at the risk and cost of the former, was assessed by the Administration at Rs. 1.47 lakhs in April 1978 only. Further, the outstanding dues against firm 'A' on aecount of (a) the cost of returnable materials issued to the firm but not returned by it, and (b) the difference between the provisional rates charged and the final rates required to be charged in respect of the other materials issued and hire charges for plant and machinery loaned to the firm by the Railway, were assessed by the Administration at Rs. 1.73 lakhs in February 1979. After adjusting Rs. 2.19 lakhs available on account of security deposit etc., a balance of Rs. 3.39 lakhs was still due to be recovered from the firm 'A'.

Since the firm was stated to be not in a state of solvency, winding up proceedings against the firm had been initiated (May

1979) through the Registrar of Companies. However, no recovery had been effected so far (December 1980).

The outstanding dues were due mainly to the abnormal delays on the part of the Administration in taking final measurement of the work done and in assessing the various Railway dues.

23. Northern Railway—Delay in commissioning of a weighbridge

A 50 tonne weighbridge costing Rs. 0.63 lakh was procured by the Administration in October 1967. The site for its location, however, remained under consideration for over six years, and finally it was installed in March 1974 in Cheoki marshalling yard serving the Naini Station (Allahabad Division), the cost of installation being Rs. 1.38 lakhs.

In November 1977, it was observed in Audit that the weighbridge had not been put to any use ever since its installation. The Administration stated in October 1978 that the weighbridge could not be utilised for want of space for unloading excess material if noticed as a result of weighment. Later, in July 1980, the Administration added that the non-utilisation was also due to insufficient capacity of the marshalling yard for sorting out the wagons to be weighed.

The following comments arise :

(i) The weighbridge has remained unutilised for over 13 years, except for a period of 15 days in November 1979 when 42 wagons were weighed, of which 5 wagons showed overloading.

(ii) Wagons requiring weighment at Naini had, as a result of the weighbridge not being in use, to be hauled to Allahabad at a distance of 8 kilometres and back, the cost of haulage being Rs. 13.90 per wagon. Since not all such wagons would have been hauled to Allahabad and /or weighed there, the possibility of overloading and consequent loss of revenue could not be ruled out.

(iii) Plans to enable the weighbridge to be put to use are yet to be finalised (October 1980).

CHAPTER V

EARNINGS

24. Eastern Railway—Non-recovery of establishment charges from a private siding holder

The agreement (April 1943) with a private siding holder (company) in Sealdah division of the Railway did not provide for recovery of the cost of Railway staff posted on the siding. On the omission being pointed (1961) out by Audit, the Administration decided to realise the cost of Railway staff from the company from a prospective date by mutual consent.

In October 1963, the Administration served a notice on the company that it should bear the cost of Railway staff posted on its siding, failing which the staff would be withdrawn from 1st February 1964. The company, however, filed a writ petition (July 1964) under Article 226 of the Constitution in the Calcutta High Court challenging the authority of the Railway to demand the cost of staff posted on the siding, which was quashed by the Court (March 1973). Further, the prayer for leave to appeal against the judgement of the High Court having been rejected, the company filed (1976) a special leave petition in the Supreme Court.

Bills for establishment charges amounting to Rs. 5.24 lakhs (later revised to Rs. 4.54 lakhs) recoverable from the company for the period from 1963 to 1974 were preferred by the Administration between October 1976 and April 1977. The company, however, contended (April 1977) that the Railway's claims for the period from 1963 to 1969 were inflated as these were based on the mean pay of the posts instead of the wages of the staff and on more number of staff than actually employed on the siding. Simultaneously, it sought out of court settlement of all Railway dues for the cost of staff till 1976 on fifty-fifty basis.

In regard to the company's offer for out of court settlemen', the legal counsel of the Railway opined (December 1977) :

(i) The Administration could lawfully cla'm and recover the arrears of the cost of staff posted on the siding through a regular suit.

(ii) The Railway had a fairly good case and the other party might not succeed in the Supreme Court. However, in view of uncertainty in a litigation, it would be preferable to consider the offer for settlement out of court provided a fair settlement could be arrived at.

In this background the Administration negotiated (December 1977) with the company and came to an agreement that :

(i) the latter should immediately withdraw the special appeal pending in the Supreme Court and make a down payment of Rs. 3 lakhs against the Railway's claims for establishment charges upto December 1974 ;

(ii) bills for the cost of staff for the period from January 1975 to March 1977 should be prepared as per the yardstick for engaging staff on the siding ; and

(iii) for the period from April 1977 onwards, the staff position should be reviewed in consultation with the company and claims preferred on the basis of mean basic pay of the posts and other allowances.

While the company paid (March 1978) Rs. 2.50 lakhs, as against Rs. 3 lakhs agreed to in negotiation, in final settlement of the Railway's claims for the period upto December 1974, the Railway's claims for the subsequent period January 1975—December 1979 amounting to Rs. 3.29 lakhs preferred on different dates between May 1977 and September 1980 still (December 1980) remain unpaid.

In this connection the following points arise :

(i) The *ad hoc* settlement negotiated by the Administration involved waiver of claim for Rs. 1.54 lakhs out of the

total claims upto 1974 (Rs. 4.54 lakhs) ; the amount of the waiver ultimately turned out to be Rs. 2.04 lakhs as the actual payment was Rs. 2.50 lakhs only against the agreed amount of Rs. 3 lakhs.

(ii) The waiver of the claim virtually amounted to providing staff on the private siding partly at Railway's cost in contravention of the extant rules, for which approval of the competent authority *viz* the Ministry of Railways (Railway Board), was not obtained.

(iii) The company failed to keep up its assurance of increasing the rail traffic from the siding, in consideration of which waiver of a portion of the claims had been agreed to; the number of wagons moved over the siding actually came down from 1261 each in 1976 and 1977 to 559 in 1978, 768 in 1979 and 287 in 1980 (upto November).

(iv) The siding agreement has still not been amended (December 1980) to incorporate the terms and conditions agreed to in 1977 for recovery of the cost of staff.

(v) The Railway's claims of Rs. 3.29 lakhs for the period January 1975 to December 1979 continue to remain unrealised (December 1980).

The Administration stated (November 1979) that in view of uncertainty in litigation and in realisation of any amount till the finalisation of the suits, the out of court settlement negotiated was in the best interest of the Railway and hence approval of the Ministry of Railways (Railway Board) was not obtained. Considering the quantum of the claim forgone (Rs. 2.04 lakhs), non-materialisation of the assurance of the Company to increase rail traffic and non-realisation of the staff cost (Rs. 3.29 lakhs) for the subsequent period, the settlement negotiated with the siding holder could hardly be deemed to be in the best interest of the Railway.

25. Western Railway—Non-recovery of cost of Railway staff from a private siding user

According to the rules, the entire cost of a siding from the take-off point on an existing railway track is to be borne by the party requiring the siding; its maintenance and operating cost, including the cost of additional staff, if any, required for examination of rolling stock etc., is also to be borne by the party on terms to be mutually settled. Agreement incorporating the terms and conditions, the amounts due for recovery and providing for their revision from time to time is also to be executed with the party before opening the siding for traffic.

A Railway siding for a private party connecting its factory to the nearest Railway station (5 km) was constructed in 1968 and its cost amounting to Rs. 44.64 lakhs recovered from the party. This siding has a steep gradient of one in hundred, in both (up and down) directions, extending to a length of about 5 km due to the topography of the area.

The Engineering Department, while approving construction of the siding with this steep gradient, had suggested (May 1967) that the Operating Department might consider whether any special safety precautions were necessary for this gradient but this question was not considered further then. Without examining aspects like check of vacuum and brake power of rolling stock and without executing an agreement as required under the rules, the siding was brought into operation from 1968 and train loads were despatched to and from the factory. Three years later, in June 1971, a siding agreement was executed with the party.

In October 1970, an accident took place on the siding and the Administration decided (February 1971) to provide for a system of checking the vacuum and brake power of the rolling stock moving into the siding. Train examining staff for checking the vacuum and brake power of the rolling stock moving on the siding were, however, employed from January 1972. Further, the factory installed in February 1972 a tippler for dealing with the wagons received on the siding and this also necessitated stricter check of the fettle of the wagons moving on the siding.

While the siding agreement of June 1971 had indemnified the Railway from all losses resulting from runaway vehicles or failure of brake power of rolling stock in the course of negotiation over the gradient of the siding, recovery of the cost of staff to be appointed for checking the vacuum etc. was not spelt out therein, it being still under consideration. Later, in January 1972, the Administration and the party agreed that an additional clause in the agreement providing for recovery of cost of the staff would be incorporated through execution of a minute sheet and accordingly the firm provisionally made a monthly deposit of Rs. 2,000 from February 1972 to July 1973 (Rs. 36,000 for 18 months in all) towards the cost of both damages to wagons and railway staff posted at the siding for assessing the damages over and above the normal wear and tear.

In June 1973, the Administration decided that the cost of the train examining staff should be shared between the Railway and the party on 50 : 50 basis, as train examination was essential in the interest of the party in view of the steep gradient to the factory's location and safety of the Railway's rolling stock. This, however, was not followed up by incorporation of a suitable clause in the agreement.

In July 1973, the party though it had already deposited Rs. 36,000 towards the cost of staff etc., contended that it was not liable for the cost of staff to that extent and requested the Railway Administration in March, April and May 1974 for execution of a minute sheet (to provide for necessary additional clause in the agreement) as mutually agreed to in January 1972.

The Administration stated (December 1980) that, according to the instructions of the Railway Board of August 1967, train examination should in all cases be done by the Railway, at its cost. It is seen however that these instructions of 1967 did not cover cases where staff had to be posted for intensive examination of rolling stock in the sidings on considerations of steep gradients, tippler handling of wagons, etc., as is evident from the fact that recoveries towards cost of staff are being made from the Gujarat

State Electricity Board for its Ukai siding. While the Administration had referred the question to the Railway Board in October 1977, the latter has not yet taken a decision in the matter (December 1980).

The following points arise in this case :

(i) Provision of a steep gradient of one in hundred meant a saving to the party in the cost of construction of the siding on account of shorter rail track to the factory and also in operational costs to be borne by it.

(ii) Despite the question of the precautions necessary on account of the steep gradient of the siding having been raised by the Engineering Department in May 1967, the siding was opened in 1968 without providing for train examination.

(iii) After the accident in October 1970, though recovery of losses due to accidents from runaway vehicles, lack of vacuum power, etc. was provided for in the agreement with the party, the matter of incorporation of a clause in it providing for recovery of cost of staff for examining vacuum power etc. was left over for consideration later.

(iv) The decision of June 1973 to recover the cost of such staff on 50 : 50 basis was also not followed up by execution of a minute sheet with the party despite the latter's request for execution of the same during 1974. This lapse resulted in the siding user resiling from the commitment to reimburse the proportionate cost of additional staff.

26. **Western Railway—Non-observance of routing and rating instructions**

The Indian Railways Act, 1890, and the rules made thereunder, were amended in December 1974 to provide that the goods offered could be carried and freight charged by a longer route

(irrespective of the existence of alternative cheaper route) provided a general order to that effect had been issued by the Ministry of Raiways (Railway Board).

On Western Railway, there are no crane facilities at Sawaimadhopur and Agra East Bank and hence goods traffic booked from Eastern and South Eastern Railways and requiring crane power for transhipment at these stations is being routed via Bharatpur transhipment point since December 1963, involving an extra haulage on BG of such consignments to the extent of 40 km for Agra East Bank and 101 km for Sawaimadhopur. Such traffic booked from Bombay area to Jaipur and *vice versa* via Sawaimadhopur also involves extra haulage upto 183 km over BG and a further haulage of 56 km over MG totalling 239 km.

In February 1976, the Ministry of Railways (Railway Board) had directed all the zonal Railways to advise it of the streams of traffic being routed by a longer route as a regular measure to enable these to be specified in a general order to be issued by the Ministry, enabling levy of freight by the route by which the traffic is actually carried. Thereafter, in January 1977, on the advice of the various Railways, the Railway Board issued a general order rationalising a series of cases of routing of traffic by longer route, including the case on the Western Railway referred to above. The validity of this order, which was initially for six months, was extended from time to time (January 1981).

A test check (May 1980) of the records of Jaipur station (Western Railway) by Audit revealed that consignments of iron and steel (angles, channels, rounds, beams, billets and blooms etc.) booked from stations on Eastern and South Eastern Railways, although actually transhipped at Bharatpur with the help of a crane, had been booked and charged via Sawaimadhopur and Agra East Bank instead of via Bharatpur, resulting in undercharges of freight amounting to Rs. 1.98 lakhs during the period January 1979 to April 1980.

The Administration stated (December 1980) that in the case of these consignments (from the steel plants on the Eastern and South Eastern Railways) the Railway invoices bore no remarks that these were crane consignments and hence they were booked and routed by the forwarding stations via the normal tariff routes.

The Administration added that instructions had since been issued for review of all such cases and to ensure that the staff physically examined the consignments before loading and made necessary remarks on the Railway receipts wherever the consignments required handling by crane power.

The following comments arise in this case :

(i) There was failure on the part of the forwarding stations on the Eastern and South Eastern Railways to certify the crane consignments and indicate the correct freight to be charged as per the prescribed routing instructions. The destination station also failed to notice this omission on examination of the heavy size of packages, etc.

These lapses were also not detected by the Commercial and Accounts inspectors during their periodical inspection of the concerned booking and destination stations.

(ii) The omission was partly attributable to the loading of steel consignments in mixed lots of heavy and light items by the Steel Plants in open wagons mostly moving in block rakes. The existing arrangements therefore require to be suitably tightened up to cover such cases to avoid leakage of revenue.

(iii) The reply of the Administration ibid covered only the incorrect routing and rating of consignments booked from Eastern and South Eastern Railways but not the other streams of traffic moving from the Bombay side.

(iv) Provision of crane facilities at the above two transhipment points would have saved extra haulage of wagons to the extent of 40 to 239 km and correspondingly reduced their run time as also detentions to them, thereby improving their availability for traffic.

27. Central Railway—Adjustment of fraudulent claims paid by the Bombay Port Trust Railway

In respect of a consignment accepted on the basis of the sender's declaration of its weight, the extant tariff rules provide for its weighment at enroute stations where weighment facilities exist. In respect of oil products despatched in tank wagons, the rules further provide for recording of dip measurements and ascertaining the correct weight by reference to calibration charts. The data on weights etc. as recorded on the invoices are required to be consulted by the destination stations prior to effecting delivery of the consignments or acceptance of claims for shortages.

Consignments of salseed oil are regularly booked in tank wagons by consignors from Raipur and Bilaspur on the South Eastern Railway, to be carried via the Central Raiway, to a firm 'A' in Bombay on the Bombay Port Trust (BPT) Railway (under the Bombay Port Trust). These tank wagons are not weighed at the booking stations before acceptance for despatch due to want of weigh bridge but the weight as declared by the consignors in the forwarding notes is accepted by the stations with a remark on the invoices that the sender's weight had been accepted and that the wagon should be weighed at the weigh bridge at Bilaspur yard or Bhilai marshalling yard. In all cases, dip measurements of the oil in the tank wagons are taken at the forwarding stations and recorded on the invoices.

During the period from April 1978 to September 1979, the BPT Railway, being the destination Railway for these consignments, paid 52 claims for compensation amounting to Rs. 3.89 lakhs for shortage of salseed oil received by that Railway, out of the earnings payable to the Central Railway as authorised by the Railway Board in April 1968, and passed on the debits to the

Central Railway for apportionment among the Indian Railways as per the rules on the subject. The Central Railway Admnistration, on receipt of intimation of payment of claims, noticed (November 1978—February 1979) that the dip measurements recorded on the invoices by the forwarding stations as well as the particulars of weighment made on the weigh-bridges enroute and recorded in certain cases had not been consulted by the BPT Railway Administration before making payment of the claims and contested the payments in four cases but received no reply from the BPT Railway Administration and did not pursue the matter further.

Meanwhile, a test check conducted by Audit (September 1978 —March 1979) of 7 cases of the compensation claims settled by the BPT Railway Administration (for Rs. 1.95 lakhs and this amount was apportioned to Central Railway Rs. 1.40 lakhs, South Eastern Railway Rs. 0.55 lakh and BPT Railway Rs. 675) revealed that compensation had been admitted incorrectly on the basis of the sender's weight as recorded on the invoices and that no notice had been taken of the dip measurements recorded on the invoices or the advices of lesser weights, recorded on the weighbridges at the enroute stations Bilaspur/Bhilai, received by them. (The Central Railway however, stated (January 1981) that the advices of weighment were not received by the BPT Railway).

On the matter being taken up in Audit, a detailed investigation conducted by the BPT Railway and the Central Railway Administrations disclosed that the weights derived on the basis of dip measurements shown on the invoices and of calibration charts were much less than the sender's declared weights shown on the invoices. The consignees/consignors could not also produce any records to prove the weights declared by them in the invoices. Pending detailed calculation of the exact amount of overpayment, the agent of firm 'A' (who had despatched the salseed oil), on a request by the BPT Railway Administration, paid back Rs. 1 lakh on 31st October 1979 under protest. The firm, however, subsequently filed a writ petition in the Bombay High Court for refund of the amount paid.

Further detailed investigations covering all the 52 cases disclosed excess payment of Rs. 3.14 lakhs in 43 cases. Investigations made by the BPT Railway Administration also revealed that there had been fraudulent manipulation of the records by the staff of that Railway so as to be able to pass the claims. Full recovery of the overpaid amount from firm 'A' and investigation whether other firms were also involved are yet to be made (August 1980) by the BPT Railway Administration.

The following are the comments in this case :

(i) The BPT Railway Administration, though concerned with only 4 kilometres out of the distance transported in respect of consignments booked to stations on that Railway, has been authorised to settle the claims in respect of such consignments and adjust the payments against the earnings payable to the Central Railway.

(ii) The BPT Railway Administration had settled 43 claims (Rs. 3.14 lakhs) for shortages on the basis of the sender's weight as declared in the invoices and without reference to the dip measurements recorded thereon; it is also not clear how the advices of weighment made at enroute stations were not received by the BPT Railway.

(iii) Though the Central Railway Administration had noticed that the dip meaurements as also the weighment advices had not been consulted by the BPT Railway Administration before settling the claims and even contested the payments (Rs. 1.30 lakhs) in four cases, it had failed to pursue the matter further.

(iv) The procedure for settlement of claims by the BPT Railway Administration and the checks exercised by the Central Railway Administration while accepting the liability passed on by the BPT Railway Administration would appear to call for a review.

28. **Northern Railway—Heavy outstanding dues against a private siding**

As per the extant rules and orders in respect of wagons placed in a siding, book delivery should be effected at the siding after collection of freight and other charges due; further, where the outstanding amount on account of freight is heavy, pre-payment of freight is required to be made compulsory.

A review of the accounts of the assisted siding of a cement factory at Charkhi Dadri station (Bikaner Division) by Audit in June 1973 showed that the dues outstanding against this factory had persistently been heavy, the sum outstanding on account of demurrage, wharfage, shunting and siding charges being Rs. 1.56 lakhs to end of January 1973 and Rs. 2.07 lakhs to end of June 1973. While of the latter, a sum of Rs. 2.05 lakhs was recovered in September 1973, the position again deteriorated and by January 1976, when the factory closed down due to financial difficulties, dues to the extent of Rs. 14.23 lakhs had accumulated.

At the request (November 1976) of the Ministry of Industry (Department of Industrial Development), in its effort to restart the factory, the Administration restored (December 1976) the siding facility to the factory on condition that it would pay current freight on consignments consigned to the factory at the time of delivery. As regards past dues, the Ministry of Railways (Railway Board) agreed (June 1977) to accept deferred payments on the condition that interest would be payable on the outstanding amount, if not by the factory, by the Ministry of Industry.

However, the conditions stipulated in the Administration's notification of December 1976 were neither observed nor enforced. As a result, the outstanding amount, which was Rs. 14.23 lakhs when the factory reopened (December 1976), rose to Rs. 32,49 lakhs by April 1979. In May 1979, the Railway Administration reimposed the condition of pre-payment of freight in respect of consignments booked to the siding. While the stations in Bikaner Division, where the siding is located followed the

instructions, the stations in other Divisions of the Northern Railway and on foreign Railways failed to follow them. As a result, the outstanding further rose to Rs. 36.15 lakhs by the end of July 1979.

In September 1979, the Administration detained a number of wagons consigned to the factory siding in the Railway yard till freight was paid and recovered a sum of Rs. 9 lakhs in September 1979. The factory thereupon promised the Administration to pay Rs. 1 lakh per month with effect from October 1979 towards payment of the outstanding dues. As a result of these steps, though belated, the outstanding, could be brought to Rs. 23.73 lakhs by the end of May 1980. The factory was, however, placed under liquidation by the order dated 15th May 1980 of the High Court of Punjab and Haryana and further recovery has now to be arranged by legal process.

Besides the above, the Administration has also to recover Rs. 6.44 lakhs, being the cost and freight of 115 unconnected wagons containing coal and other commodities delivered to the factory between December 1976 and December 1979.

The Administration stated (December 1980) that full details of Railway's claims had been furnished to the liquidator.

The following comments arise in this case :

(i) Freight and other Railway dues were not being collected by the Administration before allowing the removal of goods from the Railway premises as required under the rules and the instructions issued by the Railway Board.

(ii) The condition of making payment of current dues and booking of consignments on prepayment of Railway freight imposed by the Administration at the time of reopening of the siding in 1976 was not enforced resulting in a further outstanding of Rs. 9.50 lakhs (to end of May, 1980).

(iii) In terms of Section 55 of the Indian Railways Act 1890, the Administration could exercise a lien on the goods entrusted to it for carriage for enforcing recovery of dues but it did not exercise this power at any time.

(iv) Despite the above outstandings, 115 unconnected wagons containing coal etc. had been delivered to the factory between December 1976 to December 1979.

CHAPTER VI

ESTABLISHMENT MATTERS

29. South Central and Western Railways—Irregular creation of posts

29.1 As a measure of economy and austerity all round, the Ministry of Railways (Railway Board) imposed (1974) a ban on creation of new posts by the Zonal Railways, except for operational and maintenance posts provided their cost could be met from 'matching surrender'. The main criteria laid down for 'matching surrender' were :

(i) The posts to be surrendered should be such as would result in true economy.

(ii) Only regular and long term posts actually in operation should be surrendered.

(iii) Posts due for surrender or already held in abeyance would not result in such savings.

(iv) Surrender should be made simultaneously with creation of new posts.

29.2. A test audit of the sanctions to the creation of certain new posts on the South Central and Western Railways, vide cases mentioned below, revealed that the prescribed criteria had not been observed by the Administrations, resulting in additional expenditure of Rs. 2.57 lakhs and Rs. 3.09 lakhs respectively.

South Central Railway

20.3. The Administration created new posts by treating certain posts as 'match surrendered' even though the latter posts had already been surrendered earlier as a result of Work Study

Report/Crash Study, and were therefore not to be operated in any case, as indicated below:

Name & grade of new post	No. of posts created	with effect from	Particulars of posts treated as 'match surrendered'
1. Efficiency Inspectors Rs. 550-750	2	15-3-77 20-5-77	1 Driver Inspector and 1 Junior Fuel Inspector surrendered in May 1976 as a result of Work Study Report of August 1975.
2. Work Study Instructors Rs 700-900	2	9-11-76 19-11-76	Signallers posts surrendered earlier in 1975 as a result of Crash Study for rationalisation of man power.
3. Work Study Inspector Rs. 700-900	1	8-7-79	Posts relating to steam crane surrendered in March 1979 as recommended in Work Study Report on Miraj Transhipment Shed.
4. Work Study Inspector Rs. 550-750	1	6-7-79	

29.4. The above posts have been extended from time to time, the currency of the last extension being upto May—June 1981 in respect of the posts at serial No. 1, 3 and 4, and November 1981 in respect of those at serial No. 2 of the above table. The expenditure of Rs. 2.57 lakhs (at Rs. 85,000 per annum) incurred on these posts (upto November 1980) was an additional liability, as it could not be deemed to have been set off by the cost of the posts claimed as 'match surrendered'.

29.5. The Administration accepted (October 1980) the above irregularity without, however, indicating whether any action had been taken or was proposed to be taken in the matter.

Western Railway

29.6. The Administration created new posts of Train Superintendent by treating as 'match surrendered' posts, which were in

any case to be surrendered and were not in actual operation as indicated below:

Name & grade of post	No. of posts	Division to which allotted	With effect from	Particulars of posts treated as, 'match surrendered
Train Superintendents Rs. 500-750	6	Bombay		32 vacant posts of Assistant Goods Clerks recommended for surrender by Work Study Organisation (1968).
	3	Baroda	May 1976	
	4	Ajmer		
	2	Jaipur		3 vacant posts of Office Clerks in Claims Office.
-do-	3	Rajkot	June 1976	Out of 15 posts considered for 'matching surrender, 8 posts of commercial staff in Rajkot and 2 posts of Assistant Goods Clerks in Bhavnagar Division were already in abeyance.
	3	Bhavnagar		

29.7. While creating the above posts, it had been stated that "Train Superintendent is essentially a supervisor to look after the comfort of passengers and to this end he should ensure that all aspects of service and passenger amenities on the train are attended to and that the staff booked on the train perform their respective duties efficiently".

29.8. The Administration realised, however, in August 1977 that the posts of Train Superintendents were entirely superfluous, duplicating duties of other staff on the trains, and surrenrdered them from September 1977.

29.9. The creation of these new posts in the higher grade was not only in disregard of the prescribed criteria laid down by the Ministry of Railways (Railway Board), but was also beyond the powers of the General Manager. Ex-post facto sanction of the Ministry of Railways (Railway Board) for these posts sought in April 1980 is still awaited (December 1980). Their operation

during the period from May/June 1976 to August 1977 resulted in avoidable extra expenditure of about Rs. 3.09 lakhs which could not be deemed to have been set off by the cost of posts claimed as 'match surrendered'.

29.10. The Administration stated (November 1979) that these posts of Train Superintendents were not extended beyond 1st September 1977 as it was felt that the staff working on trains had been awakened to realise their responsibilities and the purpose of creating these posts had been achieved by that time.

29.11. It may, however, be mentioned that the recorded reasons for surrender of the posts of Train Superintendents were those mentioned in para 29.8 ibid.

30. Northeast Frontier Railway—Irregular payment of daily allowance

Permanent Way (PW) gangs attending break down duties following accidents, breaches, slips etc. are entitled to full daily allowance (D A) irrespective of the distance of the work site or the duration of the absence from headquarters. Their claims for D A preferred on travelling allowance (T A) journals are (a) checked by the Controlling Officer (PW Inspector) to verify that the journeys shown therein had been duly authorised and were actually performed and (b) then passed on to the bill drawing officer (generally, Personnel Officer) who checks the journals to see that these do not contain any unreasonable or abnormal claims and are free from interpolations, unauthorised corrections, erasures etc. Thereafter, a consolidated bill is prepared by the bill drawing officer and submitted to the Accounts Office for scrutiny and payment. While doing so, the TA journals of PW gangs, unlike in the case of other Railway staff, are not required to be sent to the Accounts Office along with the bill but are filed in the bill drawing office for test check at the time of local inspection by the Accounts Office.

During an audit inspection in March 1978 it was noticed that in respect of the gang staff under PW Inspector, Kurseong,

whose office had earlier been inspected (October 1976) by the Accounts Office, (a) DA had in many cases been drawn for carrying out restoration works at places in respect of which there were no reports of accident, breach, slips etc. on record and (b) DA had been drawn in certain cases for more number of days than due as per the journals.

A detailed review of the TA journals for seven months (June and September 1976, July to October 1977 and December 1977) revealed that :

(i) Out of a total TA payment of about Rs. 1.63 lakhs, Rs. 1.41 lakhs were in respect of places for which no breach reports were on record.

(ii) Staff under suspension had been allowed TA (Rs. 78.40).

(iii) In certain cases, bills were prepared and payments made for larger amounts than those claimed/admitted in the TA journals (Rs. 1,012).

(iv) In one case, the T A journals originally prepared for 9 days had been changed to 18 days, the claim had been admitted for 20 days in the journals and the bill prepared for 25 days and paid accordingly (Rs. 1,165).

(v) The 'month', 'date' and 'day' columns of the TA journals had been so altered as to use the journals of one month for another.

The above irregularities would indicate that the prescribed checks had either not been carried out or been perfunctorily exercised by the Controlling Officers/the drawing Officers/the Accounts Office while preparing and admitting the TA journals/ preparing and paying the related bills/conducting local inspection.

Two months after the audit inspection (*i. e.* in May 1978), a fact finding committee was appointed by the Administration so that its report could be made available to the vigilance for a

detailed enquiry but the committee's findings and conclusions are still awaited (December 1980).

This para was issued to the Administration on 26th August 1980; its reply is still awaited (January 1981).

31. South Eastern Railway—Delay in revision of rate of recovery of electricity charges

A pooled rate for recovery of charges for electricity supplied to Railway employees, out of the bulk purchase made by the Railway, is required to be fixed on 'no profit no loss' basis every alternate year, unless revised earlier due to special reasons.

On the South Eastern Railway, the pooled rate of 14 paise, effective from 1st January 1969, remained unaltered, despite the requirement mentioned above, until August 1974. Effective from 1st September 1974, an *ad hoc* rate of 19 paise per unit was fixed subject to review on the basis of data to be collected from various divisions for the years 1969-70 to 1974-75, action for which was initiated only in July 1975. This *ad hoc* rate continued unchanged till 1978; meanwhile, due to steep increase in the rates for supply of electricity charges by the various State Electricity Boards, the gap between the recoveries from the Railway employees and the payments made for the supplies received widened, the shortfall amounting to Rs. 1.72 crores for the period March 1968—June 1978. Taking into account the shortfall in recovery and spreading its realisation over the next ten years on the basis of anticipated future domestic consumption of electricity, the Administration revised (December 1978) the pooled rate to 44 paise per unit effective from 1st July 1978.

The delay of over nine years in the rate revision and the decision to recover the loss incurred thereby over the next ten years led to a steep increase in the rate of recovery (from 19 paise to 44 paise per unit). Consequent on wide spread staff representation, implementation of the revised rate had to be deferred beyond 1979. After discussion with the Labour Union, the Administration decided (March 1980) on recovery of electricity charges at 36 paise per unit from 1st April 1980 on provisional basis subject to adjustments on receipt of orders of the Ministry of Railways (Railway Board). While the approval of

the Ministry of Railways (Railway Board) in the matter is still awaited (November 1980), the Administration provisionally implemented recovery at the reduced rate with effect from October 1980.

The Administration stated (November 1979 and November 1980) :

(i) The delay in revision of the pooled rate was due to the complicated and elaborate procedure requiring collection of voluminous data, duly vetted, from different divisions.

(ii) The possibility of simplifying the procedure was under examination of the Ministry of Railways (Railway Board).

(iii) The resultant deficit had been taken into account in finalisation of the revised pooled rate as per extant orders.

It may, however, be mentioned that the plea of procedural complications, allegedly leading to delay in rate revision, had not been made earlier to April 1980 by the Administration to the Ministry of Railways (Railway Board) for either simplifying the procedure or relaxing the prescribed periodicity for revision of pooled rate.

Had there been a systematic arrangement within the Administration for concurrent collection of requisite data, there need not have been such inordinate delay in finalising the rate. Moreover, because of the delay and the consequent steep increase in the rate, it has not also yet (November 1980) been possible for the Administration to give effect in full to the revised pooled rate (44 paise per unit), which envisaged recovery of the shortfall of Rs. 1.72 crores in the earlier periods.

CHAPTER VII

OTHER TOPICS OF INTEREST

32. Western, Central, Eastern and South Eastern Railways—Non-payment of Railway dues in respect of land leased to private parties

1. Western Railway

On the request of the firm appointed by the Ministry of Railways (Railway Board) as freight forwarder for the newly introduced container service between Bombay (Carnac Bridge) and New Delhi in November 1968, the Administration allotted to it covered accommodation measuring 89.70 sq metres (with locking arrangements) at Carnac Bridge Goods Depot in June 1970. While the terms and conditions of allotment had been broadly discussed between the representatives of the firm and the Railway in a meeting in May 1970 and the minutes of the meeting also drawn up, no formal agreement was entered into with the firm. On the basis of a return of $7\frac{1}{2}\%$ per annum on the cost of the covered accommodation allotted including the cost of land as available in the books of the Railway, a provisional rent of Rs. 224 per month was intimated to the firm in February 1971. The rent was finally fixed at Rs. 897 per month, only in August 1978 on the basis of a return of 12% per annum on the market value of the land (excluding the cost of structures), as ascertained from the local revenue authorities in October 1974. The reasons for the abnormal delay in fixing the final rent, and not taking into account the cost of structures while calculating the rent due, were not available on record.

When called upon (September 1978) to pay the difference between the provisional and the final rates from June 1970 to November 1977 and the rent at the final rate from December

1977 to August 1978, the firm represented to the Ministry of Railways (Railway Board) in October 1978 against the increase in rent with retrospective effect, and continued to make payments at the provisional rate. Despite the Administration reiterating (December 1978) the demand for payment of arrears etc and issue (July 1979) of a notice to it under the Public Premises (Eviction of unauthorised occupants) Act, 1971 for vacation of the accommodation and for payment of rent amounting to Rs. 0.76 lakh (Rs. 0.67 lakh on account of difference between the provisional and the final rates for the period from June 1970 to September 1978 and Rs. 0.09 lakh on account of rental charges at the final rate for the period from October 1978 to July 1979), the firm continued to make payment of rent at the provisional rate upto September 1980. The firm has neither vacated the plot (November 1980) nor paid the outstanding dues amounting to Rs. 0.83 lakh (September 1980).

On the request of the firm for additional space, another plot measuring 393.75 sq metres was also allotted to the firm at the same Goods Depot in March 1973. No formal agreement was entered into with the firm in this case also. Provisional rent at Rs. 3,461.53 per month on the basis of a return of 6 per cent per annum on the estimated cost of the land at Rs. 1,650 per sq metre was intimated to the firm in October 1974. While the firm made no payment and represented in May 1976 against the rent fixation, the Administration neither took any decision on the representation nor enforced recovery of the rent till the plot was vacated in April 1977. Final rent of Rs. 3,937.50 per month on the basis of a return of 12 per cent per annum on the market value of the land, as ascertained from the local revenue authorities in October 1974, was fixed in June 1978 and demanded (Rs. 1.94 lakhs for the period from March 1973 to April 1977). As this demand was not complied with, the Railway Administration issued a notice (July 1979) under the Public Premises (Eviction of unauthorised occupants) Act, 1971 for recovery of Rs. 1.95 lakhs (Rs. 1.94 lakhs on account of rent and Rs. 0.01 lakh on account of supervision charges).

The total dues against the firm in respect of both the cases, thus, work out to Rs. 2.78 lakhs (upto 30th September 1980). Proceedings for recovery of these dues and eviction of the party in the first case were initiated in the court of the Estate Officer on 9th January 1980; his verdict is awaited (November 1980).

The firm continues (November 1980) to be freight forwarder for the Railways.

The lapses on the part of the Railway Administration were :

(i) The Railway Administration did not enter into any formal agreement with the firm in both the cases.

(ii) Although the market value of the land had been ascertained from the local revenue authorities in October 1974, the final rent on that basis was fixed and claimed from the firm only in September 1978/June 1978. Even this rent was fixed without taking into account the cost of the structures built on the land in the first case.

II. Central Railway

Fowarding agents (dalals) at some important goods sheds and parcel offices have been allotted working space in Railway premises for carrying on their business activities. The issue of recovery of licence fee for the space occupied by them had been raised by both Accounts and Audit (May 1967 and March 1968). On a reference by the Administration in April 1969, the Ministry of Railways (Railway Board) decided (December 1974) that a licence fee, taking into account the market value of the accommodation , the elements of interest, depreciation, etc., should be recovered from the dalals. It was also stipulated that proper agreements should be executed with them.

Accordingly, the Administration fixed (March—July 1976) the licence fee recoverable from January 1975 onwards for the space allotted to the dalals at six stations. While the dalals working at three stations(Thana, Wardha and Nagpur) paid the licence fee, those working at the remaining three stations (Wadi Bandar, Pune and Sion) represented in 1976 that they should

not be deprived of the free facilities permitted to them for many years. The Ministry of Railways (Railway Board) thereupon decided (July 1979) that a nominal licence fee at Rs 10 per month per head in the case of dalals without telephones and Rs. 12 per month per head in the case of those with telephones, should be recovered with effect from 1st April 1979. The Ministry of Railways (Railway Board) , also directed (November 1979) that licence fee for the earlier period from January 1975 to March 1979 should be recovered in terms of the earlier directive of December 1974.

In the meantime, the Railway dues against the dalals at Wadi Bandar, Pune and Sion had been accumulating over the period from 1st January 1975 to 31st March 1979. The total outstanding dues on this account were assessed at Rs. 4.36 lakhs, of which only a sum of Rs. 5,408 (consisting of Rs. 2,520 and Rs. 2,888 in respect of Pune and Sion stations respectively) had been deposited (October 1980) by the dalals under protest. Formal agreements for lease of railway accommodation have also been executed with the dalals working at Nagpur and Thane only.

The Administration stated (October 1980) that, according to the legal opinion obtained by it (after the question of legal action had been specifically raised by Audit in July 1980), action could be taken under the Public Premises (Eviction of unauthorised occupants) Act, 1971 for getting the space vacated and recovering the outstanding dues.

III. Eastern Railway

Plots of Railway land had been licensed to various private collieries since 1926. The agreements entered into with them provided, *inter alia*, as under :

(i) The licensees would pay in advance specified amounts of occupation/licence fee annually within a grace period of one month.

(ii) In case advance occupation/licence fee was not paid within the stipulated period, liquidated damages at the

rate of 1 per cent per month would be recovered, and if payment of occupation/licence fee was not made within a further period of three months, the licensor would be entitled to forfeit the security money and initiate eviction procedings for getting the railway land vacated, and take action for recovery of occupation/licence fee and liquidated damages upto the date of actual vacation.

(iii) In the event of the licensee failing to comply with or committing any breach of any of the provisions of the agreement, it would be lawful for the licensor, without any previous notice to the licensee, to determine the agreement forthwith.

A number of private collieries, which had been allotted Railway land in Dhanbad Division, had not paid the licence fee to the Railway, for years together dating back to 1953 onwards. However, the Administration had not taken necessary action to enforce recovery in terms of the agreements, resulting in accumulation of dues amounting to Rs. 1.20 lakhs from 116 collieries upto 1st May 1972 when the collieries were nationalised.

As per the Government Notification issued (October 1973) under the provisions of the laws nationalising the collieries, all claims against private collieries were to be preferred to the Commissioner of Payments, appointed for the purpose by 30th November 1973. The Administration however, failed to prefer the above claims within the prescribed date of 30th November 1973. Later, against a claim application for Rs. 89.62 (out of the total dues of Rs 1.20 lakhs), the Commissioner of Payments issued (August 1974) a show cause notice to the Railway asking for reasons for delay in submitting the claim beyond the specified date. In reply, the Assistant Engineer concerned stated (August 1974) that the delay had occurred because the Notification for filing claim was not known to him.

On the matter being taken up (June 1978) by Audit, the Administration referred (August 1978) the case to the Law Officer

of the Railway, who, in turn, referred (October 1979) it to the Senior Central Government Advocate, Ministry of Law, Justice and Company Affairs, for his opinion on whether these dues could be recovered from the erstwhile colliery owners and whether proceedings could be initiated in the civil courts for realisation of the claims rejected by the Commissioner of Payments. No further development has taken place so far (November 1980).

IV. South Eastern Railway

The extant instructions of the Ministry of Railways (Railway Board) for management of the Railways' surplus cultivable land provide, *inter alia*, as under :

(i) Such land may be handed over to the State Governments for licensing out to cultivators. While the rates of rent would be fixed by the State Government, 90% of the receipts should be credited to Railway Revenues and the balance 10% retained by the State Government towards cost of management of the land.

(ii) Where the State Governments are reluctant to take over the surplus Railway land for management, and where the law protects the Railway land from accrual of tenancy rights, the Administration may make arranagements for direct licensing of Railway land to cultivators on payment of annual licence fee in advance. Surplus Railway land in station yards and railway colonies may be allotted to railway employees/railwaymen societies, suitable licence fee being recoverable.

The Public Accounts Committee (1968-69) had recommended in their 32nd Report (4th Lok Sabha) that not only vigorous efforts should be made to recover the past arrears, but also sustained efforts made to ensure that rent is recovered regularly, and not allowed to get into arrears.

A review conducted by Audit revealed heavy outstandings in recovery of rent as on 31st March 1979, as indicated below :

(Rs. in lakhs)

	Amount due upto 31st March 1978	Amount due for 1978-79	Total
(a) Dues from Railway employees .	5.21	2.49	7.70 1.94(£)
(b) Dues from outsiders (i) for land leased out by Railway Administration directly	1.08	1.27	2.35 1.00(£)
(ii) Dues from outsiders for Railway land leased out through State Governments.	(Figures not available for want of proper records)		

The Ministry of Railways (Railway Board), in consultation with the Ministry of Labour, had issued instructions in December 1977 authorising the Administration to effect recovery of licence fees for land allotted to Railway employees from their salaries, after taking their consent, under the Payment of Wages Act. Nevertheless, recovery of Rs 2.49 lakhs (in respect of 5 out of 7 divisions) for the year 1978-79 was outstanding.

The matter was brought to the notice of the Ministry of Railways (Railway Board) in June 1980; no reply has been received so far (November 1980).

33. Recoveries at the instance of Audit

During the year 1979-80, Rs. 90.58 lakhs were recovered or noted for recovery at the instance of Audit. As a result of further review made by the Railways of these and similar cases Rs 14.17 lakhs more were noted for recovery. The cases included

£Break up not knwon.

herein do not include cases commented upon specifically in the current year's Audit Report.

NEW DELHI

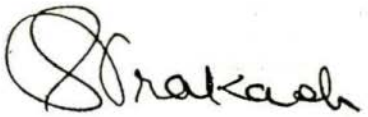
(A.R. SHIRALI)

Dated the 28th February 1981 / 1902

Additional Deputy Comptroller and Auditor General of India (Railways)

9 Phalguna

Countersigned



NEW DELHI

(GIAN PRAKASH)

Dated the 28th February 1981 / 1902

Comptroller and Auditor General of India

9 Phalguna

Annexure (*cf.* para 1.17.2 *and* 1.21.2 (v)

Details of specific cases of wasteful utilisation of wagons, detention to wagons, other operational constraints leading to increase in wagon turn round noticed by Audit during the course of review of wagon availability :

1. Despatch of coal in covered wagons to bulk user with tippler arrangement for unloading

The Badarpur Thermal Power Plant siding near Tughlakabad (Northern Railway) received 426 covered wagons loaded with coal along with open BOX wagons in full rake during the period from January to July 1979. As the siding was equipped with tipplers for unloading of coal in open wagons, the despatch of covered wagons (of which there was a shortage) alongwith open BOX wagons resulted in extra detention of the wagons for their unloading.

2. Despatch of foodgrains in open BOX wagons

Due to inadequate availability of covered wagons, the Railway Board authorised transport of commodities, such as food grains, cement and fertilisers, in open wagons covered with tarpaulins. As per instructions issued in 1978, such open wagons covered with tarpaulins were to be booked for short distances and over routes not likely to be affected by rain.

A consignment of 10,911 bags of wheat loaded in 20 open BOX wagons was originally booked by the Food Corporation of India from Tapa station over a short distance to Faizabad on Northern Railway; but the same was subsequently diverted to Krishnarajapuram on Southern Railway involving a lead of over 2,000 km. While in transit during June and July 1978, the wheat bags got damaged owing to rains. A claim of Rs. 21.31 lakhs lodged by the Food Corporation of India against the Railway is pending for settlement (September 1980).

3. Damages to wagons due to overloading

On the Eastern Railway, during 1976—79, the overloading of coal wagons varied from 14.7 per cent to 38.7 per cent in the case of BOX wagons and from 11.9 per cent to 43.1 per cent in the case of four wheeler wagons. Overloading of Box wagons during this period resulted in damages to 33659 bearing springs of BOX wagons necessitating an expenditure of Rs. 64.63 lakhs on their repairs.

The rules provide for adjustment of loads after weighment and levy of stringent demurrage charges for non-adjustment of loads. These rules were not being strictly observed and penalty charges against the collieries for overloading were not being enforced.

4. Wasteful utilisation due to lack of inspection, improper sorting of wagons etc.

A test check of the records of one of the coal depot yards (Katrasgarh) on Eastern Railway relating to the period from January 1976 to March 1978 by Audit disclosed "damages to loaded rolling stock on arrival from sections due to non-examination of empties before supplying to collieries". As a result, there was abnormal detention to the stock for formation of rakes and further despatch of the same to the destination point, the average detention per wagon being 25.2 hours to 51.7 hours as against the normal detention of 13 hours per wagon during the above period.

Supply of unfit or uncleaned wagons on the Eastern Railway and South Eastern Railway during the period from 1976-77 to 1979-80 resulted in wagons being left behind unloaded (at least until the next pilot) or hauled empty from the collieries as under :

Year	No. of wagons left behind	Wagons drawn empty
1975-76	1043	60
1976-77	1241	80
1977-78	1270	123
1978-79	1425	135
1979-80	1336	136

5. Wagon shortage at transhipment points

Lack of handling facilities such as cranes, non-availability of matching MG wagons, etc. cause bottlenecks and lead to wagon hold ups both at transhipment points and short of the transhipment points. In a specific case noticed by Audit on the Western Railway (June 1978), a goods train consisting of 62 BG wagons, formed in Kota yard on 5th April 1978 for Sawaimadhopur (108 km North of Kota) for transhipment into MG wagons, was hauled to Jhalawar Road (South of Kota) and kept there till 24th May 1978 i.e. for 49 days, and then moved to Sawaimadhopur *via* Kota. The rake had been stabled as a result of shortage of labour and matching MG wagons at Sawaimadhopur transhipment point during this period. The Administration clarified to Audit (November 1979) that even if the load stabled at Jhalawar Road had been cleared another load would have had to be stabled and the detention to wagons would have been the same.

6. Wagons held up by major Railway users

(a) *Steel Plants*

The demurrage charges levied in the case of wagons detained by the steel plants in excess of the liberal free time allowed to them involve a concessional rate, being Rs. 50 per day per wagon till September 1979 and Rs. 75 per day thereafter as against Rs. 167 per day (first day) for trade. The rate of demurrage per wagon for steel plants is even short of the average earning capacity of a wagon (Rs. 88 in 1977-78 and Rs. 85 in 1978-79).

Further, as at the end of May 1980, recoveries of demurrage charges were in arrears to the extent of Rs. 10.15 crores from the various steel plants.

(b) *Port Trust Railways*

In July 1973, the Railway Board had issued instructions that the wagon holding inside a Port area should not normally exceed two and a half times the total incoming and outgoing traffic of the concerned Port Trust Railway. A review conducted by Audit of the position of wagon holdings inside the Bombay

Port and Calcutta Port areas indicated that despite the traffic interchanged with the two Port Trust Railways having declined, the wagon holdings with them were much in excess of the stipulated norms :

Year	No. of wagons interchanged	Wagon balance	Norms for wagon balance (2.5 of col. 2)	Excess wagon balance
Bombay Port Trust Railway				
1976–77	590	2474	1475	999
1977–78	480	1696	1200	496
1978–79	405	1940	1012	928
1979–80	425	2117	1062	1055
Calcutta Port Trust Railway				
1976–77	687	2269	1718	551
1977–78	547	1928	1368	560
1978–79	609	2271	1523	748
1979–80	411	2741	1028	1712

7. Detention to wagons/goods trains in marshalling yards

A sample study of one month's* statistics during the busy period of some of the major marshalling yards during 1969-70 and 1979-80 disclosed that, though the number of wagons dealt with in the yards had declined, the detentions to wagons had increased, as shown below :

Railway	Name of yard	1969–70		1979–80	
		No. of wagons dealt with	Detention All—wagons (in hours) per wagon	No. of wagons dealt with	Detention All—wagons (in hours) per wagon
Central	Jhansi	23736	22.1	19447	26.5
Eastern	Asansol	56982	19.6	32450	46.1
	Mughalsarai	96512	32.9	6400	55.3
Northern	Kanpur	43343	20.2	29134	24.1
	Lucknow	27209	24.3	23130	30.9
South Central	Kazipet	26992	20.1	15289	60.0
South Eastern	Bondamunda	49091	22.7	32143	67.7
	Waltair	53106	25.5	39532	32.1
Western	Ratlam	36447	19.8	23117	50.6
	Vadodara	47556	23.8	33714	35.0

*December

As per the instructions issued by the Railway Board, in computing the statistics of detention to wagons, in marshalling yards, detentions to through trains passing through the central yards of the yards, and not requiring marshalling, are not taken into account. According to the Western Railway Administration, the through goods trains passing through the marshalling yards at Ratlam and Vadodara get detained on an average for 3 hours due to want of paths or power or for wagon examination. Each such train generally consists of 70 wagons and hence detention to the extent of 210 wagons hours per train remains out of the statistics as computed. Consequently, such detentions get reflected under the last item 'Unaccounted time' referred to in the analysis of turn round time given in para 1.21.2 (iv) of para 1.

The Western Railway Administration attributed the increased detentions to the fact that commensurate traffic facilities in keeping with the increase in traffic were not available in the yards. The following specific deficiencies were also listed :

(a) Lack of adequate reception facilities in the form of additional loops for receipt and despatch of through goods trains arriving in quick succession as bye-pass loads from double lines at either end.

(b) Constraint of yard lay out necessitating frequent movement across diamond crossings on the main lines for sorting, holding back, despatch of loads, etc. to various individual sidings for placement.

(c) Limited capacity of existing sidings for tanks, loco coal, sick wagons, etc.

The other Railway Administrations—Eastern, South Central, South Eastern—also brought out, more or less, similar explanations for heavy detention to wagons in their yards.