

CENTRAL GOVERNMENT

AUDIT REPORT

RAILWAYS

1969



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RYAN HALL

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TABLE OF CONTENTS

	PARAGRAPH NUMBERS
CHAPTER I—	
Comments on the Appropriation Accounts, 1967-68 and connected documents—	
Financial Results	1—4
Budgetary Control	5—8
Other Topics	9—11
 CHAPTER II—	
Losses, Nugatory Expenditure, Financial Irregularities and other Topics of Interest:—	
Purchases and Stores	12—27
Works Expenditure	28—32
Plant and Machinery	33—39
Utilisation of Assets	40—46
Operation	47—51
Handling of Coal	52—54
Accountal of Stores and Cash	55—58
Other Topics of Interest	59—63

PREFATORY REMARKS

The Report contains the results of test audit of the accounts of the Indian Government Railways for 1967-68. Chapter I deals with a general review of the Appropriation Accounts of the Railways for 1967-68 and certain other connected documents. Chapter II deals with specific instances of financial irregularities etc. noticed in the course of audit. It includes a few irregularities pertaining to earlier years which could not be dealt with in the previous Reports. Certain matters relating to the period subsequent to the year 1967-68 have also been included.

The points brought out are not intended to convey or to be understood as conveying any general reflection on the financial administration by the Railway Administrations/Ministry of Railways.

CHAPTER I

Comments on the Appropriation Accounts, 1967-68 and connected documents

FINANCIAL RESULTS

For the second year in succession, the working of the Railways showed a net deficit in 1967-68. Against a surplus of Rs. 1.28 crores anticipated in the Budget, the accounts for the year closed with a net deficit of Rs. 31.53 crores. The deficit was made good by withdrawal of an equivalent amount from the Revenue Reserve Fund. The balance in the Revenue Reserve Fund at the end of the year stood at Rs. 12.20 crores.

The deficit occurred due to a shortfall of Rs. 29.16 crores in the anticipated gross receipts and an increase of Rs. 3.68 crores in the anticipated revenue expenditure:—

		(In crores of rupees)		
Particulars	Budget	Actuals	Variations	
1. Gross Receipts	847.52	818.36	(—)29.16	
<i>Deduct</i>				
2. (a) Revenue Expenditure	704.68	708.36	(+)3.68	
(b) Payments to General Revenues	141.56	141.53	(—)0.03	
3. Net surplus/deficit	(+)1.28	(—)31.53	(—)32.81	

The amount of Rs. 141.53 crores paid to General Revenues comprises:—

		(In crores of rupees)
Payments in lieu of passenger fare tax		16.25
Payments to assist the States to finance safety works		1.48
Interest on loan capital at the average borrowing rate of the Central Govt. applicable to commercial undertakings		111.23
Balance (which is treated as contribution)		12.57

2. Receipts.

As in the previous year, bulk of the shortfall in gross receipts occurred under goods earnings (Rs. 23·21 crores).

Particulars	(In crores of rupees)		
	Budget	Actuals	Variations
1. Goods earnings	526·00	502·79	(—)23·21
2. Passenger earnings	255·25	252·64	(—)2·61
3. Other earnings (including suspense & misc. receipts)	66·27	62·93	(—)3·34
Total Receipts	847·52	818·36	(—)29·16

The level of originating goods traffic assumed in the Budget for the year 1966-67 despite a sizeable shortfall in the anticipated goods traffic during the three years ended with 1965-66 was commented upon in Para 2 of the Audit Report, Railways, 1968. The position was unsatisfactory during the year under report also as the originating revenue earning traffic was actually 1·8 million tonnes less than that in the previous year against an increase of 8·5 million tonnes anticipated in the Budget. While in the earlier years the actual materialisation of additional goods traffic fell short of the Budget expectations, this was the first time in the recent years that the originating tonnage of revenue earning goods traffic carried in a year was less than that carried in the previous year.

The increase in passenger traffic was 3 per cent., the same as anticipated in the Budget.

The provisional estimates for 1967-68 presented to Parliament in March, 1967, showed that the estimated gross receipts were just sufficient to meet the anticipated revenue expenditure, leaving no surplus to the Railways. In May, 1967, while presenting the regular budget, it was explained that, at the then level of earnings, the gross traffic receipts would stand at only Rs. 809·00 crores against Rs. 826·00 crores estimated in March—a shortfall of Rs. 17·00 crores. It was further stated that this reduction in earnings and the anticipated increase of Rs. 14·00 crores in the working expenses, due to anticipated increase in the Dearness Allowance (Rs. 13·30 crores), and the effect of increase in the prices of Steel (Rs. 0·70 crore) would create a gap of about Rs. 31·00 crores in the budget presented in March, 1967. It was explained that, considering the general budgetary position and many other demands on general resources, the gap could not be filled by a further withdrawal from the Railways' Revenue Reserve Fund (which forms

part of the balances of the Government of India) and that an adjustment generally in an upward direction of the level of Railway fares and freight had become absolutely unavoidable. Accordingly, the fares and freight rates were increased to yield an additional revenue of Rs. 38.00 crores (Rs. 19.00 crores each from passenger and goods traffic) of which it was proposed to appropriate an additional Rs. 6.00 crores to the Depreciation Reserve Fund.

The revenue earning goods traffic carried in 1967-68 was 1.8 million tonnes less than that of the previous year, but the goods earnings were Rs. 21.17 crores more than that in 1966-67 mainly on account of the increase in freight rates. There was a shortfall of only Rs. 2.61 crores in the budget anticipations of passenger earnings.

3. Revenue Expenditure.

(a) The breakup of the net increase of Rs. 3.68 crores in the estimated revenue expenditure is as under:—

Particulars	Budget	(In crores of rupees)	
		Actuals	Variations
A.—Working Expenses—			
(i) Staff—Administration including staff welfare and operating	210.10	212.29	(+)2.19
(ii) Repairs and Maintenance	184.22	190.14	(+)5.92
(iii) Fuel	117.37	127.83	(+)10.46
(iv) Miscellaneous Expenses including operation other than staff & fuel, payments to worked lines & suspense	55.66	58.12	(+)2.46
(v) Appropriation to Depreciation Reserve Fund	105.00	95.00	(-)10.00
(vi) Appropriation to Pension Fund	14.90	9.93	(-)4.97
B.—Miscellaneous Expenditure, such as cost of Railway Board and its attached offices, surveys, Audit & subsidy paid to Branch Line Companies			
	6.18	5.73*	(-)0.45
C.—Open Line Works—Revenue			
	11.25	9.32	(-)1.93
Total Revenue Expenditure	704.68	708.36	(+)3.68

(b) Fuel consumption.

The passenger traffic actually carried during the year under report was the same as anticipated in the budget, but the goods traffic (both revenue and non-revenue) actually carried during the

*Includes Rs. 0.07 crore towards Appropriation to Pension Fund against Rs. 0.15 crore provided in the Budget.

year was less than that of the previous year by 5.0 million tonnes as against an increase of 8.5 million tonnes anticipated in the budget. However, the actual expenditure on 'Fuel' was Rs. 10.46 crores more than the Budget grant.

The Budget Estimates for cost of fuel included a net amount of Rs. 2.91 crores for carrying the anticipated additional traffic. Rs. 2.72 crores of this provision was actually spent, although there was no additional traffic.

The progressive increase in the quantum of coal consumed per unit of traffic hauled, that is, per 1000 gross tonne K. Ms. during the Third Plan period was commented upon in the 22nd Report of the Public Accounts Committee (Fourth Lok Sabha). The position further deteriorated during the years 1966-67 and 1967-68 as shown below:—

1960-61	59.4	kg. per unit.
1965-66	71.8	„
1966-67	73.6	„
1967-68	75.6	„

A review of the consumption of diesel oil by locomotives revealed that the rate of consumption of diesel oil per unit (1000 gross tonne K.M.s) had also gone up steadily as indicated below:—

1965-66	3.74	litres per unit.
1966-67	3.95	„
1967-68	4.19	„

(c) *Contributions to Depreciation Reserve Fund and Pension Fund.*

On the suggestion made by the Ministry of Railways (Railway Board), the Railway Convention Committee, 1965 recommended that the total contribution to Depreciation Reserve Fund should be Rs. 650.00 crores during the quinquennium 1966-67 to 1970-71, the annual contribution rising progressively from Rs. 100.00 crores in 1966-67 to Rs. 160.00 crores in 1970-71. In accordance with this recommendation, approved by Parliament in December, 1965, a provision of Rs. 99.00 crores was made in the provisional Budget presented in March, 1967 but it was explained that a further contribution of Rs. 16.00 crores would have to be made at the earliest opportunity, particularly, when the withdrawal from the Fund was estimated at Rs. 110.00 crores. In the regular Budget presented in May, 1967, the contribution to the Fund was, however,

fixed at only Rs. 105·00 crores, the additional contribution of Rs. 6·00 crores being met from the increase in fares and freight charges. The actual contribution to the Fund during the year was, however, further reduced to Rs. 95·00 crores. The withdrawal from the Fund during the year was Rs. 93·82 crores.

A provision of Rs. 15·50 crores (Rs. 15·05 crores met from revenue and Rs. 0·45 crore from Capital) was made in the Budget for 1967-68 towards contribution to the Pension Fund. This included arrears of contribution in respect of staff who opted for pensionary benefits prior to 1st April, 1964 (the date from which the Fund was created) which were proposed to be paid into the Fund in annual instalments of Rs. 5·75 crores over a period of 15 years and Rs. 1·45 crores to meet additional liabilities on account of grant of *ex-gratia* pensions to certain staff retired prior to 1st April, 1957. The actual contribution to the Fund was, however, reduced to Rs. 10·30 crores (including Rs. 0·30 crore met from Capital). The withdrawal from the Fund during the year amounted to Rs. 5·34 crores.

If the contributions to the Depreciation Reserve Fund and the Pension Fund had been made as provided in the Budget, the deficit of the Railways for 1967-68 would have worked out to Rs. 46·58 crores.

4. Operating Ratio.

The operating ratio of the Railways, which is the percentage of Working Expenses (including appropriations to the Depreciation Reserve Fund and Pension Fund) to the Earnings increased during the last two years ended with 1967-68. The figures were as follows:—

1960-61	. . . . .	78·75
1965-66	. . . . .	78·30
1966-67	. . . . .	82·71
1967-68	. . . . .	84·55

This ratio takes into account the increases in fares and freight rates on the one hand and the increases in prices, dearness allowance to the staff on the other, but does not take into account the increased liability of the Railways on account of payment of dividend to General Revenues.

BUDGETARY CONTROL

5. During the year, a loan of Rs. 11.24 crores was obtained from General Revenues to meet expenditure on works chargeable to Development Fund, the balance in the Fund at the commencement of the year being only Rs. 8.42 crores. "Demand No. 17-Repayment of Loans from General Revenues and interest thereon-Development Fund" was, therefore, operated during the year for paying the interest thereon taking the total demands voted by Parliament to 20.

The number of supplementary grants obtained during the year was 10, the same as in the previous year. The total amount of supplementary grants, however, showed a marked reduction (Rs. 23.43 crores in 1967-68 as against Rs. 42.55 crores in 1966-67).

The number of charged appropriations in the budget of the year under report was 8 as against 9 in the previous year. The number and amount of supplementary appropriations also showed a reduction during the year—6 (for Rs. 0.18 crore) as against 7 (for Rs. 0.33 crore) in the previous year.

The actual total disbursements during the year 1967-68 showed a net saving of Rs. 68.89 crores over the total Grants and Appropriations (including supplementaries) obtained during the year as shown below:—

Particulars	(In crores of rupees)		
	Voted Grants	Charged Appropriations	Total
1. Original	1,494.82	0.91	1,495.73
2. (a) Supplementary	23.43	0.18	23.61
(b) Advance from Contingency Fund . . . . .	..	0.02	0.02
3. Total (1 & 2)	1,518.25	1.11	1,519.36
4. Total Disbursements	1,449.55	0.92	1,450.47
5. Net Savings	68.70	0.19	68.89
6. Proportion of net saving to total Grants/Appropriations	4.5%	17.1%	4.5%
7. Proportion of net saving in the previous year	5.9%	26.0%	6.0%

6. Savings in Grants and Appropriations.

The net saving of Rs. 68.70 crores under voted Grants was made up of savings under fifteen Grants totalling Rs. 70.32 crores partly offset by excess of Rs. 1.62 crores under five Grants.

The bulk of the savings occurred under the three Works Grants which together accounted for a saving of Rs. 50.66 crores. The savings under these Grants included savings due to non-finalisation or delay in finalisation of plans, estimates, agreements etc. (Rs. 8.64 crores), non-materialisation of procurement of steel materials

(Rs. 4.24 crores) and double provision made in the budget for cost of certain steel materials indented for a Production Unit (Rs. 1.68 crores).

The savings under Grants Nos. "11-Appropriation to Depreciation Reserve Fund" and "11-A-Appropriation to Pension Fund" accounted for Rs. 15.05 crores as explained in Para 3 above. The balance of the savings amounting to Rs. 4.61 crores was the result of aggregate of minor savings under ten Revenue Grants.

7. Advances from the Contingency Fund of India.

An advance from the Contingency Fund of India sanctioned on 31st March, 1967, to cover certain expenditure already known to the Ministry was commented upon in para 6 of the Audit Report, Railways, 1968. During the year under report, the Ministry of Railways sanctioned advances from the Contingency Fund of India aggregating Rs. 1.66 lakhs to cover certain decretal payments chargeable to Grant No. 7-Revenue-Operation (Fuel) and Grant No. 15-Open Line Works-Capital, Depreciation Reserve Fund and Development Fund. The advances were sanctioned on the 31st March, 1968; but the actual expenditure exceeded the advances by Rs. 1,259. The Diesel Locomotive Works Administration made payments totalling Rs. 1.03 lakhs in respect of cases in which the judgements of the court were passed prior to September, 1967 while in one case relating to Western Railway which made a payment of Rs. 0.17 lakh, the judgement of the court was passed on 29th June, 1967. The expenditure amounting to Rs. 1.20 lakhs by these two Administrations cannot, therefore, be considered as unforeseen in terms of the provisions of the Contingency Fund of India Rules.

8. Excesses over Voted Grants.

During the year under report, there were excesses under five voted Grants aggregating Rs. 1.62 crores (of which Grant No. 7-Operation (Fuel) accounted for Rs. 98 lakhs) as against excesses under one voted Grant and one charged Appropriation aggregating Rs. 0.08 crore in the previous year. Supplementary grants under each of these Grants totalling Rs. 19.15 crores were obtained in March, 1968 but the same proved to be insufficient resulting in the excess.

The details of the excesses during 1967-68 which are required to be regularised under Article 115 of the Constitution are as under:—

Number and name of the Grant	Final Grant	Actual Expenditure	Excess	Percentage to Final Grant
5. Revenue-Repairs & Maintenance	2,15,26,02,000	2,15,43,46,809	17,44,809	0.1

The excess was explained as due to increased expenditure on shop and shed repairs to rolling stock resulting from heavier replacement of parts and increase in prices (Rs. 53 lakhs) and adjustments of certain arrear debits for supply of stores on the Northeast Frontier Railway (Rs. 36 lakhs) partly counter-balanced by less expenditure on maintenance of way and works (Rs. 42 lakhs) and under electrical and signal and telecommunication services (Rs. 31 lakhs).

7. Revenue—Operation (Fuel)	1,40,27,04,000	1,41,24,93,494	97,89,494	0.7
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The excess was explained as mainly due to increased consumption of diesel oil and enhanced rates thereof (Rs. 66 lakhs), adjustment of more losses on fuel (Rs. 32 lakhs), fluctuations in the receipt and adjustment of debits for freight, sales tax and excise duty on fuel (Rs. 26 lakhs) and aggregate of other minor variations (Rs. 6 lakhs) partly counter-balanced by reduction in the consumption of coal chiefly as a result of more dieselisation (Rs. 32 lakhs).

8. Revenue—Operation other than Staff & Fuel	40,63,90,000	41,01,22,622	37,32,622	0.9
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Increase of Rs. 36 lakhs under terminal charges payable to Port Trust Railways on the South Eastern Railway, more expenditure on compensation for goods lost etc., on the Central and Western Railways (Rs. 21 lakhs) and adjustment of more freight on Railway materials on the Central Railway (Rs. 13 lakhs) accounted for the bulk of the excess under this Grant. The excess was partly counter-balanced by less adjustments through Stock Adjustment Account on the Western Railway (Rs. 16 lakhs) and less adjustment on account of cost of stationery, forms, tickets etc., on two Railways (Rs. 14 lakhs).

16. Pensionary Charges— Pension Fund	5,30,47,000	5,40,24,620	9,77,620	1.8
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The excess was chiefly due to receipt and adjustment of heavier debits for pensionary charges towards the close of the year.

20. Withdrawal from Revenue Reserve Fund	2,15,63,000	2,15,63,273	273	..
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Minor variation due to provision made in thousands.

OTHER TOPICS

9. Undercharges in earnings.

Short recovery of freight charges noticed during accounts and audit checks are recoverable from consignees or station staff responsible. The outstanding undercharges due for recovery during the last four years were as under:—

(In lakhs of rupees)

Year	Total amount of undercharges detected by Accounts or Audit during the year	Total amount recovered or written off during the year	Total amount outstanding at the end of the year
1964-65	156	162	79
1965-66	244	192	131
1966-67	227	198	160
1967-68	277	225	212

While on the Northern, North Eastern and Southern Railways, clearance and accrual of these charges kept pace, the progress made on the Central, Eastern and Western Railways was unsatisfactory. The total outstanding undercharges at the end of 1967-68 on the latter three Railways together constituted Rs. 124 lakhs.

10. Capital-output ratio.

The Capital employed per unit of goods traffic moved, increased during the two years ended 1967-68. The figures were as follows:—

(In crores of rupees)

Year	Capital-at-charge at the end of the year	Capital-at-charge per billion net tonne K.Ms. adjusted to 1950-51 price and wage level
1960-61	1,523.7	26.47
1965-66	2,683.1	26.07
1966-67	2,844.2	26.87
1967-68	2,981.4	26.93

11. Efficiency in wagon utilisation.

The quantum of goods traffic moved per wagon day decreased on the Broad Gauge (which accounts for 80 per cent. of the originating goods traffic) as shown below:—

Year	Net tonne K. Ms. per wagon day.
1960-61	998
1965-66	940
1966-67	899
1967-68	895

CHAPTER II

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

PURCHASES AND STORES

(Rolling Stock and Components)

12. Avoidable payment of higher rates for wagons.

The orders for the 1965-66 wagon building programme were placed by the Ministry of Railways (Railway Board) in April, 1965, with 30th September, 1966 as the common date of delivery. Extensions to the delivery dates were, however, granted from time to time although it was known that the prices had meanwhile come down. The Ministry of Railways (Railway Board) finalised the orders for 1967-68 wagon building programme, at rates lower than those for 1965-66 orders as early as November, 1966. The delivery dates for 1965-66 orders were nevertheless extended upto 31st October, 1968. While finalising the 1967-68 orders, neither were negotiations held with the firms for reducing the rates of 1965-66 orders, nor was the question of cancellation of outstanding orders considered. Reasons, if any, for not adopting either course of action are not on record.

It may be mentioned that the 1965-66 orders themselves were placed in excess of the requirements. Out of the total provision of wagons provided for in the Third Five Year Plan (as revised from time to time) the wagons left to be ordered against 1965-66 Rolling Stock Programme were only 7,755 four-wheelers. As this quantity was considered too small to provide adequate load to the wagon builders, the Ministry of Railways (Railway Board) decided in February, 1965 to draw upon the provision made in 1966-67 Rolling Stock Programme. Advance orders were thereupon placed in April, 1965 for 23,388 four wheelers. These were expected to book the capacity of the wagon builders upto September, 1966.

In view of the slow materialisation of traffic and the substantial cut in the Fourth Plan provision it was, however, decided in March, 1966 that the orders for 1966-67 should be so regulated that the off-take of wagons in 1966-67 was about 77 per cent. of the average of

previous three years production of each wagon builder and only just enough orders should be placed so as to ensure that they did not run out of work before March, 1967. Accordingly, only a small order for 2,201 four-wheelers was placed in April, 1966 on seven firms at the same rates of 1965-66 orders (reducing the wage escalation factor from 0.2 per cent. to 0.17 per cent.) and free extensions to delivery dates were granted in all the cases upto 31st March, 1967 without any restriction.

The orders for 16,320 four-wheelers against 1967-68 Wagon Building Programme were finalised in November, 1966. The rates accepted by the wagon builders for different types of wagons against 1967-68 orders with 1st April, 1966 as the base date for price and wage escalation were lower than the brought up prices of 1965-66 orders as on 1st April, 1966. In respect of BCX type wagons, substantial number of which were outstanding, the prices were even less than the base price of 1965-66 orders (*i.e.*, as on 1st April, 1964). The Ministry of Railways (Railway Board) were also aware that a sizeable number of wagons namely, 6,079 four-wheelers, against 1965-66 orders would remain outstanding on 1st April, 1967. (The actual number that remained outstanding on 1st April, 1967 out of 1965-66 orders were 7,460 four-wheelers including 4,107 of BCX type). However, no attempt was made to negotiate with the wagon builders for reduction in rates for 1965-66 orders. Nor was the question of cancellation of orders considered on the expiry of the extensions already granted upto 31st March, 1967.

Instead, provisional extensions to the delivery dates were granted to the wagon builders without prejudice to the rights of either parties. By December, 1967 the orders for 1968-69 Wagon Building Programme were also finalised at rates which were even lower than 1967-68 rates. The procedure of granting provisional extensions, however, continued and only in January, 1968 the question of conducting negotiations with the wagon builders in the light of reduced prices was taken up. However, the actual negotiations were conducted five months later only in June, 1968 by which time 5,073 of the outstanding wagons had already been delivered.

The wagon builders did not agree to any reduction in prices. Since the Ministry of Railways (Railway Board) had not exercised the right of cancellation of the orders on 31st March, 1967, the date upto which the orders were earlier extended, and accepted the wagons under provisional extensions, the dates of delivery of wagons were finally extended upto 31st October, 1968. Only a small quantity of 780 four-wheelers which remained outstanding after 31st October, 1968 was cancelled and ordered afresh on the same wagon

builders at the reduced rates of 1968-69 prices. In respect of one firm, however, the contract for 500 four-wheelers (200 units) of BCX type wagons was further extended upto 30th June, 1969 without even pegging the escalations.

Similarly, though the prices settled for 1968-69 orders finalised in December, 1967, were lower than the prices for 1967-68 orders, the Ministry of Railways (Railway Board) granted extensions beyond the scheduled delivery date, namely, 31st March, 1968, in respect of 1967-68 orders without considering the question of cancellation and placing fresh orders for them at prices obtained for 1968-69 programme.

The relevant contracts provide that, where any raw materials necessary for the execution of the contract are procured with the assistance of the Government they shall be returned, if required, in the event of termination of the contract for any reason whatsoever. If the contract is cancelled for any default on the part of the firm, the latter shall also bear the freight charges for the return of the materials. The materials collected for the manufacture of specified types of wagons rendered surplus due to the cancellation of the contracts could have been utilised for the manufacture of same types of wagons by the same firms on whom orders were placed under 1967-68 and 1968-69 Rolling Stock Programmes.

In respect of 2,328 four-wheelers (931 units) of 1965-66 orders delivered upto 31st October, 1968, and in respect of 1,426 four-wheelers (1,087 units) of 1967-68 orders delivered between 1st April, 1968 and 31st October, 1968, the avoidable expenditure assessed on the basis of prices in the subsequent years was about Rs. fifty-one lakhs.

In respect of the firm whose delivery date for 1965-66 orders had been extended to 30th June, 1969, the avoidable expenditure due to payment of higher rates would work out to about Rs. eleven lakhs. Since escalations have not been pegged to any specified date the extra expenditure with reference to eventual dates of delivery, would be even higher.

The total avoidable expenditure would thus be of the order of Rs. 62 lakhs.

13. Import of roller bearing axle boxes for buffer stock.

In October, 1966, the Ministry of Railways (Railway Board) placed two orders for import, one on a German firm for 3,000 roller bearing axle boxes (at a cost of 4.89 lakhs D.M., equivalent to Rs. 9.16 lakhs) and the other on a Yugoslavian firm for 10,000 roller bearings

(at a cost of Rs. 32.16 lakhs) to be supplied to an Indian firm for mounting on indigenously manufactured axle boxes. The imports totalling 13,000 axle boxes were arranged for the purpose of keeping a buffer stock of approximately 3-1/2 months' requirements although the indigenous capacity for manufacturing roller bearing axle boxes had by then been well established. The only indigenous manufacturer of these axle boxes (whose price was about 8 per cent. and 1 per cent. higher than the import prices) also offered in August, 1966 to supply the roller bearing axle boxes at the rate of 4,500 numbers a month or about 54,000 per annum.

The German firm completed the supply of 3,000 axle boxes in January, 1967. Against the order for 10,000 roller bearings on the Yugoslavian firm to be mounted on indigenous axle boxes, 6,000 complete roller bearing axle boxes were supplied till February, 1968.

Meanwhile, an order for 30,000 numbers of roller bearing axle boxes was placed on the Indian firm in January, 1967. The firm completed their supply by December, 1967. The average monthly supply was well over 3,000 numbers and in some months the supply exceeded 4,000 numbers. A further order was placed on the Indian firm only on the 8th March, 1968 for 16,800 numbers, the firm having had no orders in the intervening period. The firm supplied 8,837 axle boxes in the next two months. Thus, the output of the firm was commensurate with the offer made by them. The Ministry of Railways (Railway Board) had, however, advised the firm while placing the orders to complete the supply only by the end of June, 1969 delivering at a uniform rate.

With the supplies materialising as above, the stock of roller bearing axle boxes increased from 16,900 as on 1st April, 1967 to 22,000 on 1st April, 1968. With outstandings from import and the indigenous firm the availability of axle boxes during 1968-69 would be of the order of 42,800 against the assessed requirements of only 26,100 for wagons provided for in the 1968-69 Budget.

The capacity of the indigenous firm may thus be booked only to the extent of orders already placed, that is, 16,800 numbers against their annual capacity of more than 36,000 numbers (as established by actual production during 1966-67). This position could have been avoided had the increasing capacity of the indigenous firm been kept in view while deciding on imports to meet the requirements including buffer stock.

The Ministry of Railways (Railway Board) stated (November, 1968) that the indigenous capacity was considered inadequate to meet the requirements of the Railways at that time when the import

for buffer stock was decided and that the stock of axle boxes increased on account of shortfall in wagon production during 1966-67 due to unprecedented labour troubles.

It may be mentioned that the capacity of the indigenous manufacturer was increasing from year to year and the shortfall in the wagon production also became quite evident from the figures of production during the first six months of 1966-67 (April, 1966 to September, 1966) before the placement of orders for the imports in October, 1966.

14. Excessive import of special steel for wagon building.

The 'Z' Section Steel (a special category of structural steel) required for manufacture of BOX, BCX and BOBX wagons was not indigenously available in the past and the entire requirements for wagon production upto 1963-64 Rolling Stock Programme and part of 1964-65 Rolling Stock Programme were imported. At the instance of the Ministry of Railways (Railway Board) and the Iron & Steel Controller, the Indian Iron & Steel Co., were developing indigenous capacity for production of 'Z' Section Bars since March, 1964. In August, 1964 they were successful in turning out 50 per cent. of their rolling within the specified tolerance. The Board were informed in September, 1964, that with certain minor relaxations the indigenous supply could be between 450 and 500 tonnes upto December, 1964 and over 800 tonnes a month thereafter. A quantity of 2,600 tonnes was also due to be received after September, 1964 under a contract placed on a British Firm in March, 1964.

An assessment of the availability of 'Z' Section conducted in September, 1964 revealed that indigenous supply and the dues from imports were adequate to meet the requirements of 1964-65 wagon building programme but left no cushion for the buffer stock. The requirements of buffer stock were assessed at 4,100 tonnes equivalent to 5 months' requirements of 'Z' section steel.

While making this assessment, however, the outstandings from imports were wrongly taken as 730 tonnes less.

Global tenders were invited in December, 1964 and a contract for a quantity of 4,308 tonnes was placed in March, 1965 at a cost of 1.96 lakh pound Sterling (FOB) (Rs. 26.13 lakhs at pre-devaluation rates) to be financed from World Bank Loans. The landed cost of the imported 'Z' Section was also higher by Rs. 181 per tonne (at pre-devaluation rates) than the price for indigenous 'Z' Section and the extra expenditure involved was Rs. 7.69 lakhs.

The imported material was received between November, 1965 and September, 1966 and was worked off against wagon building programme of 1965-66 resulting in corresponding reduction in the

offtake of 'Z' Section from the indigenous producer. This could have been avoided if a more precise assessment of the import requirements had been made, keeping in view the growing indigenous capacity.

The Ministry of Railways (Railway Board) explained (November, 1968) that the import was considered necessary in September, 1964 as buffer, as production of this steel in the country had not stabilised.

15. South Central Railway—Excess procurement of Stores.

The work of manufacture of 500 wagons allotted to the Central Railway by the Railway Board in November, 1960 was entrusted to Lallaguda workshop and accordingly the Railway Administration procured the material required for the construction of these wagons. In September, 1963 the Railway Board, however, curtailed the number of wagons to be manufactured at Lallaguda workshop from 500 to 250 and transferred this work to Golden Rock workshop. Consequently stores, mainly steel, valued at Rs. 43.55 lakhs, were left over after the completion of the work in October, 1964. In October, 1963 and March, 1965 the Railway Board placed further orders on this workshop for the manufacturing of 79 and 130 Box wagons respectively. When the last order for 130 wagons was completed, the value of the material left over as on 30th June, 1967 was Rs. 20.70 lakhs. This surplus was reduced to Rs. 6.06 lakhs by 31st December, 1968 as a result of sale of the material to other Railways and wagon builders etc. Meanwhile, in addition to the dividend paid to the General Revenues on the value of these surplus stores, material valued at Rs. 1.64 lakhs became unsuitable for use owing to modifications in design and conversion to metric standards.

16. Southern, Eastern, South Eastern, Central & Western Railways—Infructuous expenditure in the manufacture of special fittings for BOX wagons used for loading of foodgrains.

Transport of foodgrains in open wagons is fraught with the risk of damage by rains and hence the Research, Designs and Standards Organisation was commissioned to evolve a suitable gadget for covering BOX wagons with tarpaulins. Meanwhile, to meet the shortage of covered wagons for lifting foodgrains, the Southern Railway had in May, 1965 evolved a design of non-detachable fixtures to the open type (Box) wagons for securing tarpaulins on wagons loaded with foodgrain bags in pyramidal fashion. This design was approved by the Railway Board in May/

June, 1965 but only as an interim measure, in view of the urgency of movement of rice traffic from Andhra Pradesh to Kerala. The design of this equipment was stated to have a certain disadvantage as compared to the design being developed by the R.D.S.O. Accordingly, 256 wagons were fitted with these equipments by the Southern Railway at a cost of Rs. 1.11 lakhs during the period May, 1965 to July, 1965 and in July/August, 1966. The wagons fitted with these equipments were used for rice traffic for a short time during 1965-66 but thereafter got dispersed to other Railways.

In October, 1965 the Railway Board approved the design consisting of 12 detachable parts and tarpaulins evolved by the R.D.S.O. and issued instructions to all the Railways in January, 1966 to use detachable fittings as per the design developed by the R.D.S.O. for securing the tarpaulins to the Box wagons. It was also directed that these riggings should be headquartered at Madras, Bombay, Calcutta and should be escorted by Railway Protection Force men for their safe return to base. Although the Southern Railway, after making a trial of one sample as per this design on a Box wagon pointed out to the Railway Board in August, 1966 that this equipment was not suitable for use due to increased loading time, interference with loading by fork lifts, large number of components and difficulties in return of these from unloading points etc., the Railway Board did not agree to reconsider their decision and directed the Railway Administration to take special steps to make more and more progressive use of these fittings, as these fittings were approved after taking into consideration all the aspects.

In pursuance of these directives, the Southern, Eastern, South Eastern, Central and Western Railways procured/manufactured 805 sets of special fittings at a cost of Rs. 3.57 lakhs.

The utilisation of these fittings has, however, been very poor. On the Western Railway all the special fittings procured during July—August, 1966 are lying unutilised since August, 1967. On the Southern Railway only 40 sets were used once in November, 1966 and thereafter all the 220 sets are lying in safe custody. On the Eastern Railway only 56 sets were fitted to Box wagons for carrying imported foodgrains during June, 1966 to December, 1966 and the remaining 44 sets have not been utilised at all. On the South Eastern and Central Railways all the sets were used on a few trips but most of these fittings were lost in transit and are not traceable.

The Ministry of Railways (Railway Board) have since decided that no further manufacture of these special fittings should be undertaken.

17. Eastern Railway—Infructuous expenditure in the manufacture of locomotive parts.

The work of manufacture of flanging blocks for fire boxes of H.S.M. and G.S. class of locomotives on use on the South Eastern Railway was undertaken by the Jamalpur workshops of the Eastern Railway in July, 1961. The work was not completed till May, 1966 when an advice was received from the South Eastern Railway that they were no longer in need of the spares since these classes of locomotives were already condemned. The machining work of the flanging blocks already cast was thereupon stopped. Attempts made to transfer these spares to other Railways have proved futile.

The Administration stated (December, 1968) that out of the total charges of Rs. 3.06 lakhs booked to the relevant work orders, a detailed review conducted on receipt of the audit comment revealed that an amount of Rs. 2.12 lakhs had been wrongly debited. Thus, the infructuous expenditure involved in the manufacture of these flanging blocks was only Rs. 94 thousand.

18. Southern Railway—Excessive procurement of superheater element tubes.

1749 Nos. of superheater element tubes of 4 types of YP/YG class locomotives valued at Rs. 3.80 lakhs were received during April, 1966 to January, 1967 for use in the Golden Rock Workshop during the period upto February, 1967. However, at the end of February, 1967 the entire quantity procured together with 199 elements out of the previous stock valued at Rs. 4.23 lakhs remained unutilised. The accumulation arose out of over-indenting.

In 1964, the workshops estimated their requirement of superheater element tubes as 1,724 Nos. per annum while the average annual consumption during the two previous years on the basis of which indents are generally placed was only 331 Nos. The stores department, however, scaled down the estimates by 50 per cent. and placed indents by taking the requirement as 776 Nos. per annum. The excess indenting was noticed by the Administration in July, 1965, while considering the demand for the next contract, but the request for cancellation was made to D.G.S. & D. in December, 1965 only, by which time the firm had either despatched the material or entered into commitment for the purchase of raw material. The firm, therefore, expressed their inability to accept cancellation without financial repercussions.

The Railway Administration stated (December, 1968) that the stock of element tubes at the end of August, 1968 had come down to 1,465 Nos. and that the balance would be used by 31st March, 1970. However, against the stock of 631 and 342 tubes of two types, as on 1st April, 1968, the average annual consumption in the preceding two years was only 72 and 24 respectively.

19. North Eastern Railway—Loss due to accumulation of heavy stock of spare parts for engines.

The extant rules require that when budgeting for the replacement of rolling stock, plant or machinery, a list of the equipment to be replaced should be submitted by the Mechanical Department to the Stores Department in order to enable the latter to prepare a statement of spare parts in stock for these equipment and to refer to consuming departments to ascertain whether the spare parts could be used on other similar equipment or would become obsolete. The prescribed procedure was not followed by the Mechanical Department of the Administration with the result that a large number of spare parts valued at Rs. 4.82 lakhs for 25 types of engines not in use on this Railway are lying unutilised in the stores depots at Gorakhpur and Izatnagar for a long time and in some cases last issue of these spares date as far back as to the year 1950-51. The components for engines of four classes valued at Rs. 80 thousand are lying idle because at the time of bifurcation of the Railway in 1958, these engines were transferred to the Northeast Frontier Railway but spare parts for these engines were left on the North Eastern Railway. Other spare parts valued at Rs. 4.02 lakhs also remained unutilised because no action was taken by the Railway Administration to transfer these surplus spare parts to other Railways where most of these types of engines, on which these spares could be used, were still in service.

PURCHASES AND STORES

(Other Stores)

20. Excessive procurement of Sleeper plates in 1964-65 and 1965-66.

Para 15 of the Audit Report, Railways, 1968 dealt with non-utilisation of ferrous scrap available with the Railways in the manufacture and supply of CST-9 sleeper plates for the years 1964-65 and 1965-66 resulting in a loss of over Rs. 10 lakhs. Further investigations revealed that even the orders placed in these years (i.e. 4 lakh tonnes in 1964-65 and 2.17 lakh tonnes in 1965-66) were excessive resulting in accumulation of CST-9 sleeper plates on the Railways.

In a note to the Public Accounts Committee in connection with the above para, the Ministry of Railways (Railway Board) stated that the CST-9 sleepers received during a particular year are not kept separately and as such it would not be possible to say when any particular year's supply was physically utilised. It was, however, stated that quantity of sleepers lying unutilised at the end of any year would normally be about 20 per cent. of the year's purchase.

However, it was noticed that a large quantity of sleepers procured during these years remained unutilised. According to the reports received from the Chief Auditors, the balance of CST-9 sleepers as on 1st October, 1966, that is, six months after the close of the year 1965-66, was 1.63 lakh tonnes (out of which quantities to the extent of 1.28 lakh tonnes were stated to have been verified by the Railway Administration).

As a result, the requirements of sleeper plates during 1966-67 were reduced to only 13 thousand tonnes and no orders could be placed although the rates received in the tenders (June, 1966) were lower than the previous years' rates by Rs. 9 per tonne despite an increase of Rs. 66 per tonne in the cost of pig iron. (The pig iron used in the manufacture of CST-9 sleeper plates varied from 50 to 75 per cent.).

The Ministry of Railways (Railway Board) explained (December, 1968) that the sleepers received during these years could not be fully utilised owing to slowing down of the tempo of various construction works.

It was also explained that the curtailment of funds was effected during the course of the year and that the orders for sleeper plates already placed in May and June, 1964 could not be cancelled. It is, however, seen that instructions to prune the expenditure and to slow down the construction works were issued to the Railway Administration as early as in June and July, 1964. By that time orders for only 3.59 lakh tonnes were issued against the requirements of 4 lakh tonnes in 1964-65. Nevertheless orders were placed for 0.40 lakh tonnes of sleeper plates between July, 1964 and December, 1964 against 1964-65 requirements. In any case, there was no curtailment of funds as the actual expenditure under the relevant grants approximated to the Budget Grants in 1964-65 and exceeded the Budget Grants in 1965-66, as may be seen from the following figures:—

Year	(in crores of rupees)	
	B.E.	Actuals
1964-65	136.90	135.06
1965-66	110.89	122.31

The Ministry of Railways further stated that orders were placed in 1965-66 for a quantity of 2.17 lakh tonnes taking into account the usual failure of suppliers to supply the full quantities in the past. However, the actual supplies of CST-9 sleeper plates during the previous year 1964-65 were of the order of 4.49 lakh tonnes, and the supplies of wooden and steel sleepers were also more than the anticipated quantities by 2.55 lakhs.

The Ministry further explained that the non-utilisation of CST-9 sleepers received in 1964-65 was also due to non-availability of matching materials (rails, etc.) in sufficient quantity and also due to the utilisation of wooden and steel sleepers in preference to CST-9 sleepers on trunk routes in accordance with Board's policy. The short receipt of rails during 1963-64 and of the quantity of rails expected in the subsequent years in the light of indigenous capacity of steel plants were known before the placement of orders for sleeper plates in 1964-65 and 1965-66. Further, as the CST-9 sleepers were proved to be not so suitable for main lines as wooden or steel, the requirements of the same were all along assessed by the Ministry of Railways (Railway Board) taking into account the availability of steel and wooden sleepers.

21. Excessive import of Fish Plate quality billets.

Para 17 of the Audit Report (Railways) 1968 dealt with excessive import of fish plates (received in 1963-64) without taking into account the growing indigenous production of fish plates for which substantial quantities of fish plate quality billets were already separately imported. Further investigations revealed that even the import of billets in the subsequent years was excessive.

Besides the 22,000 tonnes of imported billets received by October, 1962, a quantity of 10,000 tonnes of billets were ordered in April, 1964 on a Canadian firm towards the requirements of manufacture of fish plates during 1964-65. A quantity of 9,879 tonnes of billets were received by the Railways by December, 1964. However, only 4,748 tonnes of these billets were utilised by the manufacturers of fish plates from the Railway allotment, by March, 1965.

Meanwhile, however, Global tenders were already invited in August, 1964 for import of another 5,000 tonnes of fish plate quality billets also against 1964-65 requirements. An advance letter of acceptance was issued to the successful Italian firm on 2nd December, 1964 but the firm declined to accept the condition to supply the billets by March, 1965. On 29th January, 1965 the delivery date was finally revised to 30th June, 1965 by a mutual agreement.

It may be mentioned that capacity for production of billets was developed in the Bhilai Steel Plant and the production during 1962-63 reached a level of 2 lakh tonnes. The Hindustan Steel Ltd. also wrote to the Ministry of Railways (Railway Board) in September, 1964 that they would be in a position to supply fish plate quality billets at the rate of 500 tonnes a month. Their actual supplies during the six months preceding January, 1965, were on the average 360 tonnes per month. However, the Ministry of Railways (Railway Board) cancelled all orders for fish plates consequent on which the Iron and Steel Controller cancelled all plannings of fish plate quality billets on Bhilai and other producers, on 1st February, 1965. In view of the receipt of imported billets, no further planning of billets was made even subsequently on Bhilai Steel Plant or on IISCO.

The Railways held a balance of 2,585 tonnes of imported billets in March, 1966, a quantity of 3,712 tonnes having been received in November, 1965. No orders were placed on the indigenous producers in the subsequent years 1966-67 also and the balance quantity in the import order was cancelled in August, 1966. The balance of imported billets at the end of March, 1967 was 2,092 tonnes.

The clearance for the import of 10,000 tonnes of billets in April, 1964 and further 5,000 tonnes in December, 1964 to be financed from World Bank—I.D.A. credit, was obtained against the requirements of fish plates for the year 1964-65 which were assessed at 25,600 tonnes. But in 1964-65, the Railways could take only 7,604 tonnes of fish plates (quantity for which consignee instructions were issued) to complete their works. Similarly, against the assessment of 15,200 tonnes for 1965-66, only 7,890 tonnes of fish plates (quantity for which consignee instructions were issued) were taken by the Railways in that year. (The actual receipts were, however, only 6,333 tonnes in 1964-65 and 5,636 tonnes in 1965-66; orders for 2,459 tonnes of fish plates were later cancelled from October, 1965 onwards). Thus, the non-utilisation of billets was due to the incorrect assessment of the requirements of fish plates.

A correct assessment of the requirement of fish plates for 1964-65 and the subsequent years keeping in view the indigenous capacity available would have obviated the need for the import of 3,712 tonnes (actual receipt against the order for 5,000 tonnes placed in December, 1964) at a cost of Rs. 14.27 lakhs in foreign exchange.

22. Eastern Railway—Overpayment to a supplier of pig iron.

The Eastern Railway Administration placed a purchase order in September, 1956 for supply of 8,780 tons of imported pig iron on

payment of full landed cost in accordance with an allocation letter and acceptance of tender issued by the Iron & Steel Controller in July, 1956 and amended in March, 1957.

The supplies were received between November, 1957 and December, 1957. Pending receipt of complete set of shipping documents from the supplier, the Iron & Steel Controller fixed the selling rate at Rs. 529.22 per ton provisionally and advised the Railway Administration in November, 1957 that 100% payment of the supplier's bills might be made as the final rate would be more than the provisional price. Accordingly the Railway Administration had arranged full 100 per cent. payment to the firm on proof of despatch.

In May, 1962, the final rate was fixed by the Iron & Steel Controller at a rate less by Rs. 13/- per ton. As a result, an overpayment of Rs. 1.08 lakhs on the actual supply of 8,247 tons, became recoverable from the supplier.

The Railway Administration expected to adjust the overpayment from the pending Sales Tax claims on the imported supplies. But Sales Tax on imported stores became inadmissible in March, 1966. Further efforts to get the amount recovered from the credits of the firm with the Iron & Steel Controller, Director General, Supplies & Disposals and other Railway Administrations have not been successful, except that an amount of Rs. 13,000 due to the firm has been withheld by the Western Railway. A suit was filed against the firm on 2nd January, 1969.

Similar overpayments had been made to the same firm on the North Eastern Railway (Rs. 6,569 on a supply of 687 tons) and South Eastern Railway (Rs. 47 thousand on a supply of 3,928 tons) which are also due for recovery.

The Ministry of Steel, Mines & Metals explained (December, 1968) that while the rate of Rs. 529.22 per ton was fixed for supplies in respect of the Acceptance of Tender of July, 1956 the supplies for which the payments were made by the Railway actually related to a later order of November, 1956.

23. Excessive procurement and non-utilisation of Double Line Block Instruments.

Pursuant to a decision taken in 1958, to install lock and block working on the double line sections of the Central Railway, the Ministry of Railways (Railway Board) invited global tenders in 1959-60 and arranged for the procurement of three types of double line block instruments. Two of them, the SGE type and the Sykes

type were already in use on Indian Railways. However, keeping in view the need for standardisation of instruments incorporating all the basic good features of the available block instrument and also improving the essential features of safety and their eventual manufacture in the country, an order for an advanced type of Block instrument, known as the Diado type, was also placed under the above global tender in February, 1961 for supply of 316 sets at a cost of Rs. 12.16 lakhs. 260 Nos. were allotted to the Central Railway and 56 Nos. to Northern Railway. The supplier was asked to assemble 66 Nos. in India, with a view to developing indigenous capacity, and was paid Rs. 37 thousand extra for the purpose.

A series of modifications were found necessary as a result of testing the sample instrument in October, 1961 subsequent to the placement of order which were carried out partly by the supplier and partly in Railway Workshops. The Northern Railway received the instruments by January, 1965 and the Central Railway between November, 1964 and September, 1965.

On the Northern Railway, these instruments are yet to be commissioned (January, 1969). When the instruments were commissioned on the Central Railway, on their receipt, there were a large number of failures of instruments in the field. Further, since the instruments were not suited to sections where A. C. electric traction was introduced, some of them were shifted to other double line sections.

The supplier was advised as early as March, 1965, in reply to their enquiry regarding further production of instruments of this type, that the same were not likely to be in demand for some time. Subsequent orders for double line block instruments were only for the SGE type, as the indigenous manufacture had been fully developed, though these machines do not incorporate some of the improved safety features and involve more operational cost.

24. Northern Railway—Non recovery of cost of deficient signalling stores supplied by a firm.

44 two doll signal posts were ordered on a Calcutta firm through D.G.S.&D. at a cost of Rs. 92 thousand. They were received between May, 1962 and October, 1962, but a large number of components were found to be deficient. The matter was reported between June, 1962 and November, 1962 to the D.G.S.&D., who carried out the inspection. After protracted correspondence with the firm the D.G.S.&D. asked the Railway Administration, in February, 1966, to furnish certain data regarding the supplies to enable them to start the process of recovery, the firm having refused to make good the deficiencies. This data was furnished in March, 1966. However

the cost of deficient stores estimated at Rs. 44 thousand is still to be recovered from the firm to whom 90% payment of Rs. 83 thousand had been made. Meanwhile, as the doubling project for which the stores were indented brooked no delay, the work was completed by utilising released material available with the Railway.

25. **Extra expenditure in the purchase of semi-trailers for the container freight service between Bombay and New Delhi.**

The Ministry of Railways (Railway Board) invited open tenders on 1st July, 1967 for 13 road units comprising one tractor and one semi-trailer each, required for the container freight service between Bombay and New Delhi which was scheduled for inauguration on 1st October, 1967. The tenders were due for opening on 16th August, 1967 but the date of opening was preponed to 21st July, 1967.

As there was no suitable offer for tractors, the Ministry placed order for 13 numbers of Ashok Leyland "Comet" tractor chassis through D.G.S.&D's rate contract with 25th September, 1967 as the date of delivery. The tractors were without cabs. Since cabs were necessary for making the tractors roadworthy, the Ministry of Railways (Railway Board) addressed the two Zonal Railways on 26th and 28th of September, 1967, that is, after the scheduled date of delivery of tractors to make necessary arrangements for the provision of cabs.

For the semi-trailers, the Ministry placed the order on the fourth lowest tenderer at the rate of Rs. 24,875 per trailer with the date of delivery as 25th September, 1967. The lowest offer was rejected on grounds of technical unsuitability while the second and third lowest offers were rejected on grounds of unsuitable delivery dates. The second lowest tenderer who offered the trailers conforming to all technical specifications at the rate of Rs. 20,035 per trailer revised the delivery schedule after a discussion with one of the members of the Tender Committee on 8th August, 1967 and indicated their readiness to commence delivery from the first week of October, 1967 and to supply the trailers at the rate of one to two trailers per day, through a letter received in the Railway Board on the 19th August, 1967. However, the Tender Committee had already recommended the acceptance of the fourth lowest tender on 10th August, 1967. The formal orders were placed on the firm on 25th August, 1967.

The tractors were received at Delhi by 13th October, 1967 and at Bombay by 20th October, 1967. The six semi-trailers ordered for the Northern Railway were received on due date of delivery, namely, 25th September, 1967; but the remaining seven ordered for Western

Railway were received only on 1st and 21st October, 1967. Two cabs were fitted on the trailers on the Northern Railway on 1st October, 1967 and 9th November, 1967 and one cab on the Western Railway on 25th November, 1967. The service could, therefore, be introduced only from 20th November, 1967 at the Delhi end with only two road units and on 25th November, 1967 at the Bombay end with one road unit. (After completing the cab-building on the other tractors, the remaining road units were commissioned for service on subsequent dates spread over a period of more than 4 months, after the formal inauguration on 20th November, 1967).

Apart from the delay in the receipt of the cabs, there was also delay in obtaining relaxation from the Delhi Administration to ply the units, the weight of which exceeded the maximum permissible laden weight. In a meeting held on 22nd July, 1967 with the representatives of the Delhi Administration, the latter opined that the matter would require to be examined in greater detail particularly with reference to the safety aspect. On 4th August, 1967 the Superintendent of Police (Traffic) informed the Railway Board that no relaxation of rules would be possible in respect of these vehicles. A road trial was scheduled to be held only on 11th August, 1967. (The permission was eventually given only on 16th November, 1967).

Thus, at the time of finalising the tenders on 10th August, 1967, neither the arrangements for the provision of cabs essential for making the tractors roadworthy finalised nor was the position regarding relaxation to ply the road units in Delhi clear. The urgency with which the semi-trailers were purchased at higher rates involving extra expenditure of Rs. 63 thousand has not been established in as much as the scheduled date of opening had not been adhered to and the service was inaugurated (with only two of the thirteen units) after the revised delivery dates of the second lowest tenderer.

26. Northeast Frontier Railway—Loss due to acceptance of overdue supplies at higher rates.

Consequent on the failure to take timely procurement action in 1966-67, the stock position of hose pipes (22" x 2") came down to a very low level in July, 1967. The Administration, therefore, invited telegraphic tenders to meet the immediate requirements. The lowest rate obtained was Rs. 7.82 each but as the delivery period of six weeks was not considered suitable, an order for 19,500 Nos. of hose pipes was placed on the next higher tenderer in August, 1967, at the rate of Rs. 8.08 each. For the balance

requirement of 55,627 Nos. (for the contract period till April, 1968) an express indent was placed on the D. G. S. & D. in August, 1967 for delivery by October, 1967. Although the lowest rate obtained in response to the telegraphic tenders was lower than the rate of Rs. 8.08 each under the D.G.S. & D. rate contract, neither the D.G. S. & D. nor the Railway Board was informed of the position. The extant rules also required such an action.

The indent placed by the Railway Administration was covered by the D.G.S. & D. by a supply order placed in August, 1967 against their running contract with 31st October, 1967 as the delivery date. The material was, however, not received from the suppliers on the scheduled date and the Railway Administration, anticipating delay, purchased, again through telegraphic tenders, 5,000 hose pipes in October, 1967 at the rate of Rs. 8.08 each (on grounds of early delivery) and 39,500 Nos. in October and December, 1967 at the rate of Rs. 6.95 each. No action was, however, taken to cancel an equivalent quantity of hose pipes not supplied by the D.G.S. & D. supplier although, in December, 1967 the Tender Committee had specifically recommended that order for 20,000 Nos. should be cancelled. The overdue supplies to the extent of 44,950 Nos. received by the Railway Administration against the D.G.S. & D. contract after the scheduled dates at the higher rates resulted in avoidable expenditure of Rs. 51 thousand.

27. Northern Railway—Loss due to leakage of kerosene oil in transit.

Shortages occurred in kerosene oil purchased from M/s. Indian Oil Corporation in sealed tins each containing 18.5 litres. Out of a total of 4,391 kilolitres of oil purchased by the Northern Railway Administration during the three years 1963-64 to 1965-66 a quantity of 139 kilolitres, that is about 3.2 per cent., was received short by the consignees due to leakage in transit by rail. It is understood that in the case of supplies from two other oil companies the loss was about 1 per cent. The value of kerosene oil lost was Rs. 48 thousand. The Corporation repudiated the claims preferred by the Administration since they were using tins of acceptable quality. The loss was attributed by the Corporation to rough shunting and handling.

The Administration stated (January, 1969) that they were pursuing the question of compensating the Railway for the abnormal loss with the Corporation.

On the other Railways too the leakage was about 3 per cent., though prior to 1965 it was generally below 2 per cent.

WORKS EXPENDITURE

28. North Eastern Railway—Avoidable expenditure in the procurement of quarry products.

Prior to 1963-64, the requirements of quarry products for Samastipur Railway district were being met from a quarry at Bhikhnathoree. As the supplies from the quarry were getting exhausted, the Administration decided to develop two more sources one at Balbal, 20 Kms. from Narkatiaganj, where about 12 to 15 lakh cft. of quarry products were available per year and the other situated at a distance of 48 Kms. from Bagaha Station which itself was located 45 Kms. away from Narkatiaganj. The rates for the Bagaha quarry were 55 to 80 per cent. higher in view of the long distance involved in bringing the products to the rail head.

The Administration obtained supplies from both the quarries for the two seasons ended 30th September, 1964 and 30th September, 1965 but did not train out the materials in full. The supplies obtained and the quantities trained out from the two places were as follows:—

Season ended	Supplies	(In lakh cfr.)
		Quantity <i>trained</i> out.
30-9-1964		
Balbal	6.78	0.15
Bagaha	4.85	3.25
30-9-1965		
Balbal	12.00	3.02
Bagaha	8.23	2.13

Thus, more quantities could have been trained out from Balbal quarry during the two seasons, instead of obtaining supplies from Bagaha quarry at higher rates. In addition to the supplies available from Balbal quarry, there were also about 14.86 lakh cft. of quarry products manufactured during the period 1962-63 to 1964-65 lying untrained at Bhikhnathoree itself.

It may be mentioned that the Gaunaha-Bhikhnathoree section was relaid, raising the axle load capacity of the section and permitting movement of heavier engines on the Narkatiaganj-Bhikhnathoree section. The work was completed by September-October, 1964. But the quantity of quarry products trained out during the season ended 30th September, 1965 from Balbal and Bhikhnathoree quarries was only 3.96 lakh cft. against a total of 24.35 lakh cft. trained out in the previous year, before the completion of the relaying work. Thus, procurement of 8.23 lakh cft. of quarry products from Bagaha quarry for the season ended 30th September, 1965 was

completely avoidable as an equivalent quantity was available in the Balbal and Bhikhnathoree quarries for being trained out. The avoidable extra expenditure on this quantity was Rs. 2.67 lakhs.

29. Western Railway—Extra expenditure in the procurement of ballast.

The specifications for the procurement of ballast on the Railway specify the quality and size but do not specify whether it should be hand broken or machine crushed. The general practice was also to accept supplies conforming to specifications with no price preference for machine crushed ballast. In May, 1962 a proposal to obtain machine crushed ballast at higher rates in Bhavnagar Division was approved by the Administration but neither a policy decision to that effect taken nor the specifications amended. When a similar proposal was approved on the Rajkot Division in September, 1964, the Divisional Accounts Officer objected to the practice (in November, 1964) and the matter was referred to the Administration for the issue of a directive to procure only machine crushed ballast. The latter, however, decided in February, 1965 that it would not be correct to issue such orders especially when hand broken ballast was available at much lower rates. Nevertheless, machine crushed ballast continued to be procured in Bhavnagar Division, as also in Rajkot Division, till April, 1967, when instructions were issued to procure ballast as per specifications, that is, without specifying the mode of breaking.

A total of 1.86 lakh cubic metres of machine crushed ballast was procured in these two Divisions at higher rates, of which 0.77 lakh cubic metres was after November, 1964. The extra expenditure in respect of 0.49 lakh cubic metres, for which comparable rates are available, works out to Rs. 1.60 lakhs.

30. Central Railway—Extra expenditure due to manufacture of R.C.C. slabs.

The work of construction of a Defence Siding at Ambazari (Nagpur) included construction of bridges and culverts requiring R.C.C. slabs. A part of the requirement (8,000 cft.) of the R.C.C. slabs was met by manufacturing slabs at a Railway concrete depot during 1965-66 and the balance (5,347 cft.) was met by casting the slabs to the Railway's specifications through the agency of contractors at the site of the work, under a contract placed in January, 1967. The cost of the slabs manufactured at the Railway concrete depot (including transport and handling charges) worked out to Rs. 21 per cft. whereas

the cost of the slabs manufactured through the agency of the contractor at the site of the work worked out to Rs. 8 per cft.

The Railway Administration stated (December, 1968) that manufacture in the concrete depot was resorted to, in preference to casting at the site, in order to ensure uniformity of standard and quality control. The manufacture of slabs required inside the premises was undertaken at the site as traffic inside the factory premises was light and slow. It may be mentioned that in a similar work for another Defence factory the entire requirement of R.C.C. slabs, for use both inside and outside the factory premises, was met by casting the slabs at site.

The avoidable extra expenditure in obtaining the slabs from the Railway concrete depot was Rs. 1.04 lakhs.

31. Eastern Railway—Infructuous expenditure in the provision of a turn-table.

Pending introduction of electric traction in the entire down country sections of the Eastern Railway the Ministry of Railways (Railway Board) decided in December, 1962, to introduce diesel traction in down country section as well as Sahibganj loop from April, 1963 as a temporary measure. Diesel engines did not require a turn-table but the Railway Administration sanctioned, in April, 1963, the provision of a turn-table for steam engine at Pakur Station on the Sahibganj loop at an estimated cost of Rs. 2 lakhs. The work of providing a turn-table pit and outlet drains was commenced in June, 1963 and was completed in December, 1963. While the turn-table was in the process of erection, the Administration decided in January, 1964 to stop further work and transfer the turn-table to Farakka. The expenditure of Rs. 70 thousand on the above engineering work was thus infructuous.

The Administration explained (December, 1968) that the final decision to dieselise the section was taken by the Railway Board only in October, 1966 but the Administration took the initiative in January, 1964 to stop further work as a precautionary measure.

32. Northeast Frontier Railway—Infructuous expenditure on an M.G. Shunting neck at Dalkhola station.

An existing M.G. Goods shed at Dalkhola (a dual gauge point) had to be dismantled and shifted to make room for a third running line for the B.G. The plans were approved in January, 1964 and the work was completed in August, 1964. A separate proposal was

included in the works programme for 1963-64 to provide for a M.G. shunting neck at the station to maintain uninterrupted operation of trains on the M.G. trunk route. Though this plan required modification in view of the shifting of the M.G. Goods shed, the detailed estimate as per the original plans was sanctioned for Rs. 1.44 lakhs in March, 1964 and earthwork carried out between July, 1964 and September, 1964.

The work was finally abandoned in May, 1966 as it was found that due to the introduction of B.G., the traffic on M.G. came down to about 2 wagons per day in either direction. It may be mentioned that the construction of B.G. line was commenced as early as October, 1963 and the consequent diversion of traffic to B.G. was known to the Administration. The infructuous expenditure of Rs. 37 thousand was, therefore, avoidable.

PLANT AND MACHINERY

33. Under-utilisation of imported "On track tie tampers and Ballast cleaners".

In pursuance of the recommendations of the Railway Accidents Enquiry Committee (1962) that mechanical tamping should be introduced on Indian Railways, the Ministry of Railways (Railway Board) decided to procure "On track ballast cleaners" for removing the dirt from the ballast and "On track tampers" for tamping the cleaned ballast. Only two manufacturers from Switzerland and Austria could supply these highly sophisticated machines. Five "On track tie tamping machines" and one "On track ballast cleaner", alongwith spares required for 3 years, were procured from these two foreign firms at a cost of Rs. 21 lakhs (FOB) through orders placed in May, 1962, and August, October and November, 1964. These were received and commissioned between October, 1963 and December, 1966.

The tampers were expected to tamp 160 track Kms. per annum of normal track and 100 Kms. of freshly relaid track. The tamping actually done during 1966 and 1967 was less than 80 track Kms. per machine on an average. The poor utilisation was partly as a result of the machines going out of order and partly due to non-availability of adequate line blocks for working the machines (the average line block made available per day ranging from 50 minutes on Central Railway to about 2 to 3 hours on Eastern and South Eastern Railways against the optimum of 4 to 5 hours required) which reduced the overall availability of the machines to about 50 per cent.

Similarly, the ballast cleaning machine was expected to clean track ballast at the rate of 7,000 linear metres per month, but the actual performance was only 923 linear metres per month in 1967 and 379 linear metres per month in 1968. The poor performance of this machine was also due to non-availability of adequate block period on Central Railway.

There was also no saving by way of reduction in permanent gang strength as expected, except some expenditure on casual labour when the machines were used after track relaying. On the other hand, expenditure was incurred on the operation and maintenance of the machines. The net additional expenditure after giving credit to the work performed by the machines was about Rs.4.54 lakhs for the year 1967.

The Ministry of Railways (Railway Board) explained (December, 1968) that the tamping machines were completely imported machines of a highly sophisticated type consisting normally of about 12,000 parts and it was not possible to keep all types of spare parts to cater for break down.

Though the machines already imported were not being fully utilised, further orders were placed in March, 1966 for 12 Nos. of bigger and more versatile tamping machines, from the Austrian firm at a cost of £3.80 lakhs (Rs. 68.38 lakhs). 9 machines have been delivered so far (December, 1968). Imported spare parts worth Rs. 3.04 lakhs were also ordered in September, 1967 for the existing machines. There are, however, no prospects of developing the indigenous capacity either for the manufacture of or for repairing these machines.

34. Loss due to defective supplies of plant and machinery.

Plant and machinery purchased at a total cost of Rs. 37 lakhs on three Zonal Railways and a Production Unit could not be utilised due to the receipt of defective supplies or with certain deficient parts.

(a) Northern and South Eastern Railways—

Three imported wheel turning lathes were purchased at a total cost of Rs. 16.80 lakhs for turning the wheels of diesel and electric locomotives stationed at Waltair, Mughalsarai and Kanpur. Although they were received in March/April, 1966, the foundation for installation was completed only in January/February, 1967 and the installation was completed in March, 1967, that is, after a delay of nearly one year.

During the trial of the lathe installed at Mughalsaraj some defects were noticed by the firm's engineers in the electric circuit. Two valves were also damaged. The defects and the damaged parts have not been set right so far. It is stated to be under trial and adjustment by the service engineer of the firm (December, 1968).

Meanwhile, the loco wheels are being sent for turning to other workshops involving extra expenditure. The Administration stated that the question of recovering the extra expenditure on this account from the firm is under their examination.

The other two lathes have been working since August, 1968 but the electronic device of one of them is still to be commissioned.

(b) *Chittaranjan Locomotive Works—*

(i) Based on open tenders, orders for the supply of 26 electric ovens costing Rs. 3.54 lakhs were placed in June, 1965 on an indigenous firm. The proto-type ovens as developed by the suppliers were tested by the Administration in the firm's premises and certain improvements found necessary for satisfactory performance were got incorporated. Although all the ovens were received between September, 1966 and January, 1967, only 19 ovens have been commissioned so far (December, 1968) which also showed certain defects after some periods of continuous operation. The remaining 7 ovens were cannibalised to keep the ovens already commissioned to give continuous service. The Administration stated that further improvements were also carried out on 11 ovens out of 19 in service and the results were satisfactory. The defects were pointed out to the suppliers for rectification but without any response so far (December, 1968). A sum of Rs. 3.16 lakhs had already been paid to the firm.

(ii) Two welding machines valued at Rs. 4.43 lakhs were received in January, 1964 and July, 1964 respectively. The machines have not given satisfactory performance so far in spite of certain modifications made in the electronic circuits and provision of water cooling arrangements. The work in the electric locomotive project is, therefore, being carried out by manual welding.

(iii) One Milling Machine costing Rs. 11.80 lakhs purchased in March, 1965 and installed in June-July, 1965 has not given satisfactory performance due to certain defects in its clutches. Though the firm has replaced the two clutches, one of them is still to be fitted (December, 1968).

(c) *Central Railway*:—

Twelve concrete immersion vibrators valued at Rs. 28,200/- were purchased through D.G.S. & D. in January, 1962 for use in a construction project. The supplies were rejected by the Administration as they were found to be defective and the supplier agreed in June, 1962 to replace the defective vibrators. The new ones received in March and June, 1965 were also found defective. These are not working despite repeated repairs carried out by the suppliers. Five of these were handed over to the firm in August, 1968 for carrying out further repairs. The Administration could not attribute the defects to defective design or defective manufacturing process. The firm had already been paid a sum of Rs. 25,560/-.

35. **Central Railway—Non-utilisation of a timber impregnation plant.**

A timber impregnation plant costing Rs. 59 thousand was procured in June, 1960 for treatment of non-durable hard wood at the Matunga workshops. A further expenditure of Rs. 35 thousand was incurred on ancillary works. The operation of the plant needed a regular supply of a wood preservative solution. Though the firm from whom the plant was procured offered to supply this solution at the time of the placement of order in November, 1959, the Administration decided to prepare it departmentally by mixing the chemicals as the same was considered much cheaper than the rate quoted by the firm for the solution. Action to procure the chemicals through Director General, Supplies and Disposals was initiated in May, 1961. Copper sulphate which was available under Rate Contract was procured in June, 1963 at a cost of about Rs. 19 thousand. Another chemical, Potassium Dichromate, was procured in March, 1964 at a cost of Rs. 45,587. The third chemical, Arsenic Pentoxide, could not, however, be procured as it involved foreign exchange.

The plant worked in 1965 for some time with the limited quantity of solution received from the firm. The plant was again put into commission in September, 1968 with a substitute chemical, Boric acid, but worked for only 16 days in September, 1968, 7 days in October, 1968, 3 days in November, 1968 and 1 day in December, 1968. Thus, the plant procured and installed at a cost of Rs. 94 thousand about 8 years ago is yet to be fully utilized (January, 1969).

36. **Northern and South Eastern Railways—Loss due to premature condemnation of Air Compressors.**

In the following cases Air Compressors of a foreign make valued at Rs. 3.86 lakhs were declared unserviceable resulting in their

premature condemnation due to non-availability of spare parts from indigenous sources :—

NORTHERN RAILWAY:

The Railway Administration imported 12 mobile Air Compressors at a cost of Rs. 2.75 lakhs through an Indian firm for use on a construction project, after inspection by an Officer of the D.G.S. & D. Initial trials were taken in June, 1960 and 95% payment was made to the firm. It was, however, noticed that 4 out of the 24 batteries supplied with the compressors started giving trouble within three months of their receipt. Soon after, the engine and the electrical system of the Air Compressors also developed defects which were rectified by the Administration. Four of the Air Compressors, however, stopped working during the period, from September, 1961 to February, 1963. Since the firm refused to attend to these machines on the ground that the agency had passed to another firm, the Railway Administration forfeited the balance payment of 5% amounting to Rs. 13,776.

The repair and maintenance of these Air Compressors presented difficulties due to non-availability of spare parts in the country. The Railway Administration, therefore, cannibalised 4 of the defective Air Compressors to keep the others in service and sold them in auction for Rs. 8,000 each in January, 1967. The performance of other eight Air Compressors has also been unsatisfactory and six of them have not been put to much use for long periods ranging upto 8 years. The Administration, however, stated that they are usable.

SOUTH EASTERN RAILWAY:

Fourteen Air Compressors were imported by the Railway Administration through two Indian firms during the period from 1959 to 1960 at a total cost of Rs. 3.49 lakhs. Twelve of the Air Compressors, while in use on construction projects, developed defects in their engine/fuel system and were ultimately sent to a workshop for repairs during July, 1965 to January, 1967. It was estimated that the cost of spares required for repairs would be Rs. 2.27 lakhs involving foreign exchange of Rs. 1.68 lakhs. In view of the uneconomical nature of repairs, the Railway Administration, condemned these Air Compressors, 9 in July and October, 1965 and 3 in June, 1967.

37. Northern Railway—Non-utilisation of imported power hammer.

A 3 ton pneumatic power hammer imported from a foreign firm by February, 1957 at a cost of Rs. 2.19 lakhs for the Charbagh workshops has hardly been put to any use so far. The hammer received

in 8 packages was installed in July, 1961, 4 years and 5 months after the receipt of the machine and 3 years and 8 months after the receipt of the packing list in November, 1957. This delay was attributed to "reorganisation of Mill-wright shop involving the shifting of crane repair shop to a new site", and non-receipt of complete foundation drawings (which were not received even subsequently).

On installation, the trial working was not found satisfactory due to frequent tripping of the electric circuit and difficulties in the operation of the valve gear. However, neither the foreign suppliers nor their Indian agents (the agency having changed hands) had rendered any assistance in putting the hammer in order despite the matter having been taken with the foreign firm.

In July, 1964 the stuffing box and the cylinder on the operator's side of the hammer got cracked. This was attributed to certain manufacturing defects.

The agreement with the firm provided for 80% payment on proof of despatch and balance 20% on receipt of stores by consignee in good condition, the final inspection note being due for issue after final inspection at site after installation. However, the 20% payment was released by the D.G.S. & D. in two instalments in October, 1958 and October, 1960, subject to the condition that the full cost of the plant should be refunded if the consignee rejected the same as being not in accordance with the terms and conditions of the contract.

The hammer is yet to be recommissioned (January, 1969). Meanwhile, the couplings and connecting rods which were to be manufactured by the hammer are being obtained from other Railway workshops and Ordnance Factories.

38. Central Railway—Injudicious purchase of a press brake machine.

A press brake machine of 80-ton capacity costing Rs. 68 thousand was purchased in August, 1965 for use in the manufacture of wagons in Matunga workshops. The purchase was processed in pursuance of a decision to manufacture 4-wheeler wagons in the Railway workshops taken in June, 1961 and develop capacity for manufacturing 5 wagons per day. As the 150-ton capacity press brake machine already available for revenue maintenance work was not considered sufficient to meet the additional requirements, the proposal for the purchase of 80-ton capacity machine was initiated in March, 1963. Although the actual orders for the manufacture of wagons

placed on this workshop were progressively reduced from 5 wagons to 2.4 and 2.2 wagons per day in August, 1963 and October, 1964 respectively, the indent for the new press brake machine was placed in February, 1965 followed by the order in May, 1965. The machine received in August, 1965 was installed in the fitting shop in October, 1966 at an additional expenditure of Rs. 11 thousand when the wagon manufacturing programme was further reduced to 1.3 wagons per day.

As the 150-ton capacity machine already available was found adequate to cope up with the overall requirements of both the construction and repair work, the new machine was treated as surplus stock in March, 1968 and was offered to other departments in July, 1968.

The Administration stated (December, 1968) that the estimated load at the workshop was adequate for keeping both the machines occupied on single shift basis and one machine occupied for 2 shifts. The Matunga workshops normally work in 2 shifts.

39. South Eastern Railway and Northeast Frontier Railway—Non-utilisation of diamond core drilling machines.

Two Diamond core drilling machines were ordered on a firm in April, 1963 by the D.B.K. Railway Project Administration for investigating the underground strata for designing the foundation of the bridges on certain doubling works. The cost of the two machines was Rs. 1.02 lakhs including foreign exchange of Rs. 29 thousand. Though the machines were to be supplied in the same month they were received by June, 1963 without the full complement of accessories. The firm completed the supply of all accessories only about 3 years later in May, 1966.

Due to late receipt of the machines they could not be utilised on the works for which they were obtained. While one of the machines was put to use on South Eastern Railway in connection with some other works, the remaining machine was transferred to Northeast Frontier Railway in December, 1966.

The Northeast Frontier Railway Administration acquired this machine, as well as one other machine from D.B.K. Railway Project at a cost of Rs. 68 thousand, against a provision made in an estimate for permanent restoration of the Lumding-Badarpur hill section badly affected with heavy slips by the rains in 1966. The relevant estimate amounting to Rs. 1.22 crores submitted to the Railway Board in October, 1966 was, however, not sanctioned, and the two machines are, therefore, idle.

UTILISATION OF ASSETS

40. South Eastern Railway—Utilisation of imported electric locomotives.

Para 16 of the Audit Report, Railways, 1967 referred to the short-fall in the indigenous production of electric locomotives and the consequent import of 85 electric locomotives at a cost of Rs. 84 crores during the Third Plan period, despite which, bulk of the passenger services on the electrified sections had to be run on steam/diesel traction. Further investigations into the utilisation of the imported electric locomotives on the South Eastern Railway revealed that although the anticipated goods traffic had not materialised and it was possible to divert some of the surplus multipurpose imported locos to passenger services at the permissible restricted speed upto 64 Kmph., the Administration delayed the diversion of the same for over a year till December, 1966.

Stabling of electric locomotives was considered undesirable since insulation level and characteristics of several electrical equipments deteriorated and batteries got discharged, requiring constant attention to keep them in good working order. On the other hand, utilisation of these locos was expected to result in a saving of Rs. 1.29 lakhs (Rs. 0.74 lakh in fuel costs and Rs. 0.55 lakh in operating expenses) per month or Rs. 15.5 lakhs per annum.

The surplus locos available (after making 15 per cent. allowance for ineffective locos) in October, 1965 was 3, which rose to 9 in April, 1966, 15 in May, 1966 and 25 in September, 1966; but electric locos were used for running passenger trains only from December, 1966 (after the level of surplus locos reached 31 in November, 1966) without any alteration in the time table.

The Administration explained (December, 1968) that the diversion could not be made earlier as the goods traffic trends, particularly in the peak period, had to be carefully watched.

It may be mentioned that, as stated in the Audit Report, 1967, the traffic (particularly, the coal and mineral traffic) was lagging behind the expectations from the beginning of the Third Plan period. In fact, the Administration approached the Railway Board for according the necessary approval in August, 1965 and again in June, 1966. (The approval was given only when the Administration approached for a third time in October, 1966).

The Administration further stated that there were a large number of failures in the electric locos which could be controlled only by August/September, 1966.

It is, however, observed that the loco failures referred to were largely in the WAG class meant to carry only goods traffic and not in the WAM class eventually diverted to passenger services. It may also be mentioned that the South Eastern Railway had, throughout the relevant period, a surplus of about 70 steam locos (equivalent to 7 per cent of the total holdings) to cope with any unforeseen increase in the demands of goods traffic.

41. Southern Railway—Delay in utilisation of Metre Gauge Parcel Vans.

Forty seven Metre Gauge Parcel Vans built by the Integral Coach Factory against the Rolling Stock Programme of 1962-63 and 1963-64 were received by the Southern Railway during the period from March, 1966 to June, 1966 for use on Metre Gauge sections of the Railway. As the dimensions of these vans differed from those of the existing stock, sanction of the Additional Commissioner of Railway Safety, Bangalore for putting them on line was obtained in April, 1966 for running these Parcel Vans on various M. G. sections of the Southern Railway at a maximum permissible speed of 75 kmph. While 21 of these Parcel Vans were moved in June, 1966 for running on North M. G. Sections, 25 Parcel Vans were pressed into service on South Metre Gauge at the speed of 75 kmph., only in May, 1967 i.e. after a delay of one year.

The commissioning of these parcel vans was linked up with a proposal to increase the speed limit of A.C. Locos to 80 kmph. on the electrified section of the South Metre Gauge system. This proposal was awaiting the approval of the Research, Design & Standards Organisation and Railway Board and even at the time these vans were pressed into service (May, 1967) approval of the competent authority was not received for authorising a speed of 80 kmph. The maximum permissible speed on the entire metre gauge system including the electrified section does not exceed 75 kmph. even now (January, 1969). The delay in pressing the vans into service was, therefore, avoidable.

Thus, 25 Parcel Vans, manufactured at a cost of Rs. 28.09 lakhs were not utilised for a period of one year, entailing both loss of revenue and payment of dividend to General Revenues amounting to Rs. 71 thousand without deriving any benefit.

42. Central Railway—Non-completion of facilities for salt traffic at Uran.

Development of salt trade along the West Coast was one of the main considerations on which construction of Diva-Panvel-Uran

Railway line was sanctioned in May, 1961 at a cost of Rs. 3.05 crores. The line was completed and opened for goods traffic in January, 1966.

The estimate included an arterial siding from Uran to Mora Bunder, costing Rs. 9 lakhs, to cater to the needs of the traffic from salt pans located away from the Uran station from which salt has to be brought by country craft. On a suggestion by the Salt Department in 1962, the proposed siding was extended by another 1500 ft. as the site selected earlier could be reached by the craft only once in a fortnight during high tides. Some additional facilities such as wharf wall, a warehouse and loading ramps alongside the terminals of the siding were also provided for berthing and unloading of country craft. Since these additional facilities estimated to cost Rs. 6.85 lakhs were not required for loading of the salt into wagons, the Administration suggested to the Salt Department and the Salt Merchants Syndicate, who were the main beneficiaries of these facilities, to bear the cost thereof. As the question of apportionment of the cost could not be finalised, the work was stopped in November, 1965 after completing the earthwork and bridges at a cost of Rs. 9.5 lakhs out of the revised estimated cost of Rs. 12.5 lakhs.

Meanwhile, while the traffic from the salt pans situated around Uran Station is brought to the station by road, the traffic from salt pans located away from the area remains untapped for rail traffic. A major portion of this traffic moves by country craft to Chandni Bunder siding for the purpose of onward movement by rail.

43. **Northeast Frontier Railway—Provision of excessive facilities at New Cooch Behar station.**

The Administration provided at New Cooch Behar station, a loco shed with ancillary facilities, a sorting yard and reception and despatch yard in connection with the construction of the new B.G. line from Raninagar to Jogighopa. The facilities were provided as it was anticipated that goods trains would originate from and terminate at the station and for forming and breaking of the trains a shunting engine would be homed there.

However, no goods trains terminated at or originated from the station and as such neither the shunting engine was homed nor the facilities provided could be utilised. The total cost of the facilities provided at the station was Rs. 17 lakhs.

The Administration explained (January, 1969) that facilities on this section were initially provided on *ad hoc* anticipation as no traffic survey was conducted and the project had to be completed in two working seasons.

44. Northeast Frontier Railway—Provision of avoidable facilities at New Domohani Station.

In August, 1963, the General Manager of the Administration indicated that on the new B.G. Line it was sufficient to provide crossing stations at every 12 Kms. (8 miles). However, three stations, namely, Jalpaiguri Road, New Domohani and New Maynaguri were provided within a distance of 12 Kms., New Domohani being located 8 Kms. from Jalpaiguri Road and 4 Kms. from Maynaguri Road. Neither were the reasons for providing a crossing station at variance with the general decision recorded nor was the approval of General Manager obtained.

The construction of New Domohani Station was undertaken in July, 1963 and the work was completed in February, 1965. The station was opened for traffic in May, 1965. A total of 13 staff including one Station Master and 2 Assistant Station Masters were also provided at a total salary of about Rs. 2,100 per month.

As a result of a directive issued by the General Manager in July, 1967, the provision of crossing station was reviewed and the station was converted into a flag station a year later in September, 1968. For the flag station only one booking clerk and one porter at a total salary of Rs. 336 are required. Excluding the station building, platform and approach road, quarters for essential operating staff and track maintenance staff, the cost of avoidable facilities due to provision of a crossing station came to Rs. 2.14 lakhs.

The Administration explained (December, 1968) that Domohani is located at a distance of about one and a half miles from the turbulent river Teesta over which the largest bridge on the B.G. is situated calling for constant vigilance and protection and stabling lines were required, in the event of breaches occurring. The above comment does not relate to provision of additional tracks and the vigil over the bridge could apparently be kept even from a flag station.

The Administration also explained that after the completion of Farakka barrage there is likely to be a complete change in the pattern and movement of traffic to North Bengal and Assam. Provision of signalling arrangements and excessive quarters at an intermediate station and posting of staff in anticipation of such a change in pattern of traffic was possibly not justified.

45. Northern Railway—Delay in dismantlement of a Railway line.

After partition the utilisation of line capacity in one of the sections of Northern Railway (26 Kms) came down to 7 trains each way as against the available line capacity of 15 trains each way. A proposal, was therefore, initiated in 1949 to introduce single line working on this section in place of the existing double line working. This proposal, which was considered from time to time, was not implemented due to uncertain political conditions. In September, 1964 the Railway Administration again examined the question of converting this double line section into single line as a result of the suggestion given by the Member Transportation (Railway Board). The dismantlement of the second line was expected to save an expenditure of Rs. 1.65 lakhs per annum on repairs and maintenance and the cost of staff employed for the maintenance of the line. But the approval for the dismantlement of one of the lines was sought for in February, 1965 and was given by the Railway Board only in March, 1966. However, the estimate for taking the work in hand was submitted to the Railway Board two years later in May, 1968 after the matter was taken up in Audit in April, 1968. The estimate was sanctioned by the Railway Board on 8th August, 1968. Meanwhile 31 gangmen were surrendered from 1st August, 1968 though single line working has not been introduced so far (January, 1969).

The Ministry of Railways (Railway Board) explained (January 1969) that any reduction in the gang strength could be made only after the double line was converted into a single line or a little earlier.

46. South Eastern Railway—Acquisition of Land at Kalumna

In 1961, South Eastern Railway Administration obtained Railway Board's approval for acquisition of land near Nagpur for future development of Railway housing, keeping in view the formation of Nagpur Division. The proposal for acquiring land at Kalumna near Nagpur had been considered earlier in the years 1955-59 against an offer from a party at the rate of Re. one and eleven annas per square yard, but the same was dropped on the consideration that Kalumna was more than 4 miles away from the Railway Offices at Nagpur and the area being of black cotton soil, construction of staff quarters would be expensive, especially in foundation. The same party, when contacted again, quoted the rate of Rs. 4 per square yard in February, 1962. This was not accepted by the Administration and land acquisition proceedings under urgency clause were instituted. A sum of Rs. 12 lakhs representing value of 62 acres of land (3,00,080 square yards) at the rate of Rs. 4 per square yard, was, however, placed at the disposal of the Collector, Nagpur for arranging payment of compensation. The possession of land

measuring 62.05 acres was given to the Administration in June, 1962 and an advance payment of Rs. 4,00,429 was made by the Collector to the party in July, 1962. However, the award given by a Land Acquisition Officer in May, 1965, admitted compensation to the extent of Rs. 21,799 only. Thus a sum of Rs. 3,78,630 became recoverable from the party who has since gone to the Court. The case is at present subjudice.

Though the urgent acquisition of land in 1962 was intended to provide for housing, construction of quarters could not be undertaken because of the non-development of civic facilities by the Nagpur Corporation, and Railway's requirements subsequent to the formation of Nagpur Division with effect from 1st April, 1963, had to be met by constructing 539 quarters in three other places, namely, Ajni (300), Motibagh (166), and Mount Road (73).

The Railway Administration also acquired 35.73 acres of land at Kalumna from four other parties. The compensation paid as per award given in May, 1966 amounted to Rs. 24,090. The parties being dissatisfied with the award, have gone to the Court and the cases are subjudice.

The entire land measuring 97.78 acres for which a payment of Rs. 4.24 lakhs has been made so far, is thus lying unutilised.

OPERATION

47. Western Railway—Loss of revenue due to non-weighment of consignments.

The extant rules provide that consignments of full load wagons should be weighed at the first weighbridge station en route, if no weighbridge is available at the forwarding station. Alternatively, loading heights are required to be prescribed and load lines marked.

Loose sand stone wagons loaded at Makansar for a Cement Company at Sika could not be weighed at either of the stations due to want of weighbridge and hence were marked for weighment en route, at Wankaner Jn. A test check of consignments booked during the period from February to October, 1967 indicated that only 7 per cent. of the wagons had been weighed at Wankaner. Of the 148 wagons weighed, as many as 127 or 86 per cent. were found to be carrying excess weights. Computed on the basis of these excess weights detected in wagons weighed at Wankaner, loss of revenue in respect of 93 per cent. wagons not weighed en route, was estimated at Rs. 59 thousand for this period.

Loose cement clinker is booked in wagon loads by the same Cement Company, from Sika to Sabarmati stations on Western Railway. There is no Railway weighbridge provided at either Sika or Sabarmati. (The Company's weighbridge at Sika, located on their inward working line, is not open to inspection by Railway staff). Although there are 5 weighbridge stations en route, the wagons loaded at Sika, are marked for weighment at the destination station, where there is no weighbridge, with the remarks "Loaded in private siding. Not supervised by Railway staff. Destination to re-weigh and collect all charges". As a result, wagons are delivered at Sabarmati without any weighment, after collecting freight on the basis of carrying capacity of the wagon instead of the actual weight carried. Test checks conducted at Jamnagar weighbridge station on 4th, 11th and 12th May, 1968 revealed that in respect of nineteen wagons, 13 wagons indicated excess weights. Computed on the basis of these excess weights, the loss of revenue was estimated at Rs. 44 thousand, on the total number of wagons booked for the Company during 1967.

The Administration explained (January, 1969) that in respect of wagons loaded at Makansar, the test checks were conducted on wagons detained after visual check for overloading. The Administration further explained that it was not considered practicable to provide load lines and that weighment en route results in detention to wagons.

It was further stated that instead of an earlier (April, 1968) proposal of installing a weighbridge at Makansar, it was proposed (January, 1969) to install a weighbridge at Sika which would deal with both sand stone traffic from Makansar and cement clinker traffic to Sabarmati.

48. Western Railway—Non-recovery of siding charges.

An assisted siding was constructed for the use of a Cement Company at Sevalia, in April, 1950. The rules provide for recovery of interest and maintenance charges on the basis of the capital cost borne by the Railway, and in addition, haulage charges to cover the cost of placement and removal of wagons. The Company, however, requested the Railway Administration to place wagons in the assisted siding and take away returned wagons therefrom, without any extra charge, as they would be giving the Railway plenty of inward and outward traffic from their Sevalia Works. This was not agreed to, and the Chief Traffic Manager advised the General Manager of the then B.B. & C.I. Railway in June, 1950 that extra shunting was involved in placing and removing wagons into and from the siding, and the time taken for these operations was 40 minutes. The siding charges on this basis worked out to Rs. 8 per placement at the rate of

Rs. 12 per shunting engine hour. But no formal notification regarding recovery of siding charges was issued by the Railway Administration. Instead, a remark was given in the Tariff that 'shunting of wagons is done by Company's own engine'. However, in actual operation, all wagons meant for the company are initially placed on the siding by railway engine, and thereafter the company's engine hauls these wagons over the private siding inside the factory premises where these are loaded/unloaded and are placed back on the assisted siding. These wagons are thereafter hauled by railway engine over the assisted siding, and taken to the yard for onward despatch to destinations. Thus, a specific service is rendered by the Railway in placing wagons at and removing wagons from the point at which interchange with the company's engine takes place, but no charges on this account are being recovered from the Company.

The siding charges recoverable from the Company on account of haulage by railway engine to and from the siding, for the period 1-4-1950 to 30-6-1968, on the basis of placement time assessed in 1950, work out to Rs. 1.38 lakhs.

49. Northeast Frontier Railway—Non-recovery of the cost of construction of a Sugar Mill Siding.

At the request of the Secretary, Assam Co-operative Sugar Mill, a siding for their Sugar Mill to be established at Barua Bamangaon, was sanctioned and the party deposited their estimated share of cost amounting to Rs. 71,362 in April, 1957. The siding was completed and opened to traffic in August, 1957.

In July, 1958 the party asked for certain additional works which were completed by the Railway Administration on a priority basis. Neither the estimate was revised nor the party was asked to deposit additional share of the cost, though the extant rules also required such action. The estimate was finalised in October, 1960 for an amount of Rs. 2.29 lakhs out of which party's share worked out to Rs. 1.81 lakhs. The party has failed to deposit the balance amount of Rs. 1.10 lakhs so far, that is, even after 11 years of the date of opening of the siding. The Administration is, however, continuing the placement of wagons in the siding on payment of siding charges.

50. South Eastern Railway—Non-recovery of interest and maintenance charges in respect of assisted sidings.

The Public Accounts Committee (Second Lok Sabha), in para 45 of their 40th Report submitted to the Parliament in January, 1962, commented on the unsatisfactory position in regard to the recovery of interest and maintenance charges in respect of assisted sidings

and recommended that a uniform formula should be evolved for recovery of such charges and the old agreements should be reviewed to bring them over to the new pattern.

In December, 1962 Ministry of Railways (Railway Board) issued general orders that in the case of assisted sidings, interest should be recovered at the rate of 4 per cent. on the book value of the capital cost of the siding borne by the Railway, and repairs and maintenance charges should be recovered at the rate of $4\frac{1}{4}$ per cent. on the book value of the capital cost of the siding borne by the Railway or its present day cost, whichever was more. It was also enjoined that a clause to this effect should be introduced in the existing agreements after giving six months' notice to the parties concerned. In May, 1964, these orders were amended to the effect that interest charges should be recovered at the current dividend rate.

However, these orders have not been implemented on the South Eastern Railway so far. Out of the 177 sidings on this Railway, 71 are governed by old agreements which do not provide for recovery of annual interest and maintenance charges. No agreements have been executed so far in respect of the other 106 sidings. Though interest and maintenance charges are being billed for at $8\frac{1}{2}$ per cent. of the capital cost borne by the Railway, the progress of recovery has not been satisfactory. The outstandings due upto the year 1966-67, as at the end of December, 1968, were Rs. 5.40 lakhs including Rs. 2.14 lakhs due from the siding owners governed by the old agreements up to the year 1965-66. These outstandings were assessed on the basis of the rates prevailing prior to the issue of the Railway Board's orders in December, 1962. The outstandings on the basis of orders issued in December, 1962 and May, 1964 would be higher.

51. South Eastern, Western and Southern Railways—Outstanding rent for railway land occupied by private sidings.

In March, 1964, Ministry of Railways (Railway Board) issued general orders that in respect of railway land on which private sidings are constructed, rent may be realised at 6 per cent. of the market value of the land. Prior to the issue of these orders, no rent on this account was being recovered except that a nominal rent of Re. 1 was being realised on the Southern Railway. On South Eastern Railway, these orders were implemented from 1st April, 1964 and action was initiated to complete the preliminary formalities such as, measurement of the area occupied by sidings, preparation of agreement plans, obtaining acceptance of the parties thereto and fixation of market value of the land. However, out of the total dues amounting to Rs. 9.98 lakhs in respect of 43 sidings, for the period 1st April, 1964

to 31st March, 1968, only Rs. 72 thousand have been recovered so far (January, 1969) and the balance dues are still to be realised. The rent charges in respect of 20 sidings are yet to be assessed, pending acceptance of agreement plans by the parties.

On Western Railway, a sum of Rs. 35 thousand is outstanding in respect of 8 sidings; and rent is yet to be fixed in respect of 27 other sidings (August, 1968). On Southern Railway, a sum of Rs. 40 thousand relating to 6 sidings is pending recovery, and in respect of 8 other sidings, the bills are yet to be preferred (January, 1969).

HANDLING OF COAL

52. North Eastern Railway—Avoidable expenditure due to extension of a coal handling contract.

In November, 1965, a contract for handling of coal in a newly-opened coal dump at Samastipur was awarded to a contractor for the period from 15th November, 1965 to 31st October, 1966. The rates for unloading of coal from BOX wagons and loading in M. G. wagons in this contract were 75 paise per tonne and 40 paise per tonne respectively; whereas the rates for the same items of work entrusted to another contractor in Samastipur Loco Shed were 55 paise per tonne and 65 paise per tonne respectively.

The shed contract was to expire on 30th September, 1966 and the Administration had invited tenders for awarding a fresh contract on 4th August, 1966 with 9th September, 1966 as the date of opening. Nevertheless, it was decided to extend the dump contract on 31st August, 1966 for a period of one year upto 31st October, 1967 at the same rates. The formal letter of extension was issued on 9th September, 1966, that is, on the date of opening of the tenders for the shed. The rates obtained and finalised for the shed contract for the period 1st October, 1966 to 30th September, 1967 were only 51 paise per tonne and 41 paise per tonne for unloading and loading respectively.

Subsequently, when the dump contract expired on 31st October, 1967, the rates accepted for unloading of coal from BOX wagons and for loading in M.G. wagons for the period from 1st November, 1967 to 31st October, 1968 were only 40 paise per tonne and 45 paise per tonne respectively.

The expenditure on the handling of coal at the rates of the dump contract during the extended period, compared to that on the basis of

the rates obtained for the shed contract, was higher by Rs. 34 thousand.

53. South Central Railway—Loss due to extension of contracts.

A contract for sale of coal ashes of the loco shed and workshops at Lallaguda for the period from 12th May, 1961 to 31st March, 1962 was awarded to a contractor for a lump sum payment of Rs. 83,775. After the expiry of this period, the contract was extended, through separate letters, for one or two months each time, till 31st December, 1963, on the same terms and conditions as were stipulated in the original agreement subject to the condition that the contractor would be liable to pay the difference in amount, if any higher rate was subsequently quoted or offered during the extended period.

The Railway Administration invited tenders in November, 1963 and a fresh contract for the period from 1st January to 31st December, 1964 was awarded to a new contractor for a sum of Rs. 1,46,520. Based on these higher rates, the Railway Administration claimed a sum of Rs. 91 thousand from the former contractor as the difference for the extended period of contract from 1st April, 1962 to 31st December, 1963. The contractor, however, refused to pay this amount on the ground that the claim of the Railway Administration was not legally sustainable. He, however, deposited a sum of Rs. 43,402.23 in January, 1965 towards the difference in sale value for the period from 1-12-1963 to 31-12-1963.

In a similar case, a contract for sale of coal ashes at Secunderabad station given for a period of one year from 1st April, 1961 to 31st March, 1962 for a sum of Rs. 31,000 was extended from 1st April, 1962 to 30th April, 1963 and re-allotted from 16th to 30th November, 1963 on similar conditions as described above. In this case, out of a sum of Rs. 51 thousand claimed by the Railway after the finalisation of a new contract, a sum of Rs. 34,874 was recovered from the contractor.

Piecemeal extensions of the contracts without duly safeguarding the legal position of the Administration thus resulted in the non-recovery of a total amount of Rs. 1.03 lakhs.

54. Southern and South Central Railways—Non-utilisation of coal-ing cranes.

With a view to improving the efficiency of engine fuelling, the Ministry of Railways (Railway Board) decided, in February, 1961, to install electric-gantry cranes in loco sheds where the daily rate of

loading was 250 tons and above. Accordingly, four cranes were procured for installation at Basin Bridge, Bitragunta, Vijayawada and Rajahmundry. While the crane at Basin bridge was designed, assembled and erected by the Administration in October, 1965, the other three cranes were supplied by a private firm between September and December, 1965. The bunkers for all these cranes were fabricated by a firm to the design furnished by the Administration and were erected departmentally. The design of the bunkers, however, proved defective and had to be modified at a cost of Rs. 45 thousand.

The crane at Basin bridge was commissioned in June, 1966, after incurring a total expenditure of Rs. 6.33 lakhs. A review of the working of the crane revealed that during the 22 months after commissioning, the crane actually worked for only 419 days. The crane worked on a single shift upto 10th August, 1967 and on double shift thereafter but without any increase in the output. During the days it worked, it handled about 105 tonnes per day on an average against the assessed capacity of 360 tonnes (per three shifts). The quantity handled in any month did not exceed 45 per cent. of the installed capacity. Balance of the work was handled by contract labour employed at the sheds. The installation of the cranes was justified on the ground that mechanical handling would be cheaper than manual handling. It was estimated that the cost of engine fuelling by the crane at Basin Bridge would be 88 Paise per tonne (on three-shift basis). The actual cost of handling by the crane worked out to Rs. 1.39 per tonne, as against the contract rate of Rs. 1.20 per tonne.

The cranes at Vijayawada and Bitragunta were commissioned only in August, 1968 but the average quantity of coal handled by the cranes was less than 90 tonnes per day and bulk of the coal continues to be handled manually. The crane at Rajahmundry was initially commissioned in February, 1967 but was damaged in a gale and was recommissioned only in December, 1968. The expenditure on the cranes at these three places, which are now in South Central Railway, was Rs. 15.33 lakhs.

ACCOUNTAL OF STORES AND CASH

55. Northeast Frontier Railway—Non-maintenance of accounts for imported diesel loco spares.

A diesel loco shed was set up at Siliguri Junction in May, 1961. The spare parts for the maintenance of diesel locos imported from two U.S. firms under contracts placed in September, 1961 were received by the shed commencing from January, 1962. But a stores depot was set up only in April, 1963 and the Stores

Accounts Office was set up, after a further delay of three and half years, in September, 1966. Debits totalling Rs. 36.34 lakhs representing the value of spares were adjusted by the Administration in the accounts without correlating the payments to the actual receipt of materials. Further, although the spares were meant for the maintenance of locomotives and were, therefore, chargeable to Revenue, debits totalling Rs. 21.47 lakhs were adjusted to the Capital head 'Rolling Stock.'

The Numerical Ledger Cards at the Depot were opened in 1963-64 with the ground balances of stores found on the shop floor. Attempts made in January/February, 1965 at the physical verification of stocks were not successful for want of proper records. Even the original vouchers like invoices, packing lists, were stated to be not available. An account of the spare parts replaced by the firm under warranty clause was also not maintained.

56. Eastern Railway—Loss on account of excessive procurement and delay in disposal of C.I. Pipes.

Out of 2,726 numbers of C.I. Pipes received between October, 1956 and December, 1957 for laying a pipe line at Mughalsarai, 848 numbers costing Rs. 1.60 lakhs became surplus after completion of the work in October, 1958. These were not transferred to the Construction Stores Depot at Patratu but, being bulky and heavy, were kept outside the stores yard of the engineering subordinate at Mughalsarai. In December, 1965, the stocks of pipes were found disturbed and it was decided to shift the material inside a fenced area. When the materials were shifted in January, 1966, 89 pieces were found stolen. A further scrutiny of ledger cards disclosed a fictitious issue of 194 pieces accounted for in September, 1965. The employee held responsible for the fictitious account had already retired from service and the question of recovery of the cost of pipes from his pensionary benefits is stated to be under consideration. Meanwhile an amount of Rs. 7,000 had been withheld from his settlement dues.

The shortages noticed in December, 1965 were reported to the Railway Board and Audit only in March and April, 1968 respectively although, as per extant rules, such reports were required to be furnished soon after the event. The loss involved in the total shortage of 283 pipes was Rs. 53 thousand.

The surplus C.I. Pipes have not been completely disposed of so far (January, 1969) even after a period of 10 years.

57. Eastern Railway—Loss of cash from Fairlie Place cash office.

Cash earnings at various stations in Howrah Division of the Eastern Railway are received in sealed bags at the Headquarters cash office, Fairlie Place, Calcutta for shroffing prior to remittance into the Reserve Bank. As the Reserve Bank remained closed for the Pooja Holidays from 8th to 13th October, 1967, the cash shroffed from 7th to 10th of the month amounting to Rs. 29.48 lakhs was kept in one of the vaults inside the cash office strong room. Although the cash office was opened on the 14th (Second Saturday) for receiving cash, no remittance of the shroffed cash was made into the Reserve Bank. While placing further shroffed cash in the vault of the strong room on the following day, that is, on 15th October, 1967, it was noticed that the seal of the lock on the door of the vault was broken, the bolt of the lock cut by hacksaw and was tied by a sutli (twine). On checking the contents of the room, it was found that one sealed canvas bag containing Rs. 5 lakhs was missing. The matter was reported to the Police who arrested six Railway employees, including the assistant cashier, who were later released on bail. The Administration later placed them under suspension. The police investigation is stated to be still in progress (December, 1968).

The report of a Departmental Committee who had enquired into the matter is stated to be under examination by the Administration (December, 1968).

58. Southern Railway—Non-recovery of security deposit from staff entrusted with cash and stores.

The extant rules provide that employees entrusted with the custody of cash and stores should be required to furnish security and the Ministry of Railways (Railway Board) had issued instructions to the Administrations in May, 1955 (further amplified in July, 1959) asking them to specify the categories of staff in each Department from whom security deposits should be taken and the amounts thereof.

There had, however, been long delays on the Southern Railway in determining the categories of staff and fixing the amounts of security deposit. In respect of some departments, the work was completed as late as September, 1967. But, the question of taking security deposits from some categories of staff like new drivers of Government vehicles and Stores Head Clerks in the engineering offices on the Construction side is yet to be finally decided (January, 1969).

Even in respect of the various categories of staff for whom the amount of security deposit has been fixed, the recovery has not been completed, although, the Ministry of Railways (Railway Board) issued detailed instructions to the Administrations in October, 1964. A review conducted by the Southern Railway Administration revealed that in respect of 5,857 employees from whom a total of Rs. 18.90 lakhs was to be recovered as security deposit, an amount of Rs. 11.60 lakhs was still to be recovered from 3,864 employees as on 31st March, 1968.

The information collected on the Central Railway shows that an amount of Rs. 28.87 lakhs was still to be recovered from 5,611 employees as on 31st March, 1968. On the South Central and Western Railways, amounts of Rs. 16.86 lakhs (approx.) and Rs. 5.97 lakhs are yet to be recovered from 4,238 and 1,825 employees respectively. The particulars in respect of the other Zonal Railways are still awaited (January, 1969).

OTHER TOPICS OF INTEREST

59. **Infructuous expenditure in preparing a Project Report for a Steel Foundry at Naini.**

As an integral part of the proposal to set up a wagon building factory, the Ministry of Railways (Railway Board) had under consideration the setting up of a foundry for the manufacture of steel castings for wagons with Russian collaboration. The foundry was planned for a capacity of 10,000 tonnes of steel castings per annum. Although at the time of taking the decision to set up the foundry in December, 1962, it was intended that the foundry would be utilised initially for the manufacture of light Centre Buffer Couplers and later to meet the requirement of steel castings for wagons, but further at the time of preparing the list of items to be manufactured in the foundry in August, 1964, couplers for Broad Gauge wagons were excluded as the necessary capacity had already been built up in the private sector and it was decided to produce only wagon castings and Metre Gauge wagon couplers. It was also considered that it would be advisable to locate the steel foundry and the wagon building factory in close proximity as the major portion of the output from the steel foundry would be required for use in the wagon building unit.

Shortly thereafter, the Ministry decided, in September, 1964, to defer the setting up of the wagon building plant in view of the non-realisation of the estimated growth of traffic in the closing years of the Third Plan, and the corresponding need for pruning down the Fourth Plan targets. Further, the Ministry had also

decided in August, 1964 to taper down the steam locomotive production at Chittaranjan Locomotive Works. Consequently, there was a drop in the availability of load for the steel foundry at Chittaranjan which had been established earlier with a planned capacity of 10,000 tonnes of castings per annum. The load prospects of the Chittaranjan Steel foundry came down to about half the installed capacity as a result of this decision.

Nevertheless, the Ministry proceeded with the plans for the setting up of the second steel foundry. A contract was finalised with a Soviet Organisation in December, 1964, for rendering technical assistance in selecting the site for the steel foundry. On the basis of the Siting Report, it was decided in March, 1965 to locate the steel foundry at Naini. Another contract was finalised with the same organisation in October, 1965, for the preparation of a Detailed Project Report for the Steel Foundry.

The Ministry of Railways (Railway Board) later decided in November, 1966, by which time the Project Report was received, that in view of the slow growth of traffic the requirement of steel castings should be reviewed again in 1967 and 1968 before final decision to go in for the second steel foundry at Naini could be taken. After reviewing the requirements of steel castings again in August, 1967, the Ministry decided that the Naini Steel Foundry would not be required during the Fourth and the Fifth Plans and may even be shelved eventually in view of the reduction in the wagon building programme and reduced requirement of steel castings.

The expenditure on the selection of site and preparation of detailed Project Report was Rs. 21.85 lakhs. In addition, 835 acres of land was acquired at Naini by the Government of Uttar Pradesh, on behalf of the Railways, for the steel foundry and the wagon building factory at an approximate cost of Rs. 29 lakhs. The expenditure on the Project Report for which the agreement was signed as late as October, 1965 may not prove fruitful and the land is not likely to be put to any railway use in the near future.

The Ministry of Railways (Railway Board) explained (December, 1968) that the technical reports contained valuable information regarding selection of site and details of the project which might be made use of for setting up another steel foundry if necessity arose in the Sixth or subsequent Plans and that the Uttar Pradesh Government was advised on 14th September, 1967 that the land would not be required by the Railways.

60. Southern Railway—Transfer of ferry service.

The Indo-Ceylon ferry service between Dhanushkodi and Talaimannar was being operated by the Southern Railway till it was disrupted by the cyclone and tidal waves in December, 1964. The Railway had two vessels acquired in 1929, which were maintained by their Marine Workshops at Mandapam.

One of the vessels, T.S.S. Goschen, ran aground in the cyclone off the coast of Ceylon and an amount of Rs. 4.45 lakhs was spent in salvage operations and in bringing to Mandapam Workshops where it was berthed from August, 1965. The vessel was, however, not repaired fully, pending a final decision about its future and the repair work was stopped in February, 1966, after incurring an expenditure of Rs. 62 thousand. It was sold to a private party two years later in May, 1968 for Rs. 1.44 lakhs, rendering an expenditure of Rs. 3.63 lakhs infructuous. The crew of the ship who were engaged on multifarious jobs for these three years are now being utilised, after the sale of ship, in the Marine Workshops, though they are not fully suited for the jobs.

The other vessel T.S.S. Irwin was transferred in December, 1965 to the Shipping Corporation of India to whom the ferry service was also handed over. Although the vessel is being run on the ferry service from March, 1966, the price of the vessel is still to be settled (December, 1968). While the Administration estimated its value at Rs. 10 lakhs, the Corporation asked for transfer free of cost. The services of the staff, except six, are still to be finally transferred to the Corporation.

The assessed value of the Marine Workshops at Mandapam, inclusive of residential quarters, is Rs. 28.22 lakhs. Efforts made by the Administration to transfer the Workshops to Madras Government or some other agency have not proved successful so far (January, 1969). The workshops are being utilised for repairs to wagons and manufacture of other stores, although the staff, with a salary bill of Rs. 3.05 lakhs per annum, are not fully suited for the jobs. General stores worth Rs. 1.57 lakhs rendered surplus in the Workshops also await disposal.

61. Western Railway—Avoidable payment of higher rates for power supply.

The Administration takes power for its use at Kota and Jaipur from Rajasthan State Electricity Board. The question of obtaining suitable tariffs for the supply had been under discussion with the Electricity Board and the latter issued provisional tariff schedules

effective from 1st July, 1961, containing High Tension tariff suitable for industrial loads and other usual tariffs for low tension supply. Since the loads at the two places were of the mixed type, the matter was pursued with the Electricity Board for providing a suitable tariff schedule. Meanwhile, however, the benefit of the H.T. tariff was availed of at Kota for the wagon repair shop where suitable metering equipment had been installed, while low tension supply continued to be drawn for the Railway colony, offices and hospital.

The Electricity Board published final tariff schedules, effective from April, 1964, which included a tariff for mixed load of the type the Administration was able to offer. This tariff could not, however, be availed of at Kota for the Railway colony, offices and Hospital upto February, 1967, since the necessary meters were not installed till then. It may be mentioned that while the estimate for providing necessary installations to draw the H.T. supply for the wagon repair shop sanctioned in June, 1957, provided for installing a H.T. metering equipment, a similar provision was not made in the estimate for providing H.T. distribution system for the Railway colony etc. sanctioned in May, 1960. By not providing the metering equipment for the H.T. supply from April, 1964, the Railway Administration incurred an additional expenditure of Rs. 2.4 lakhs during the intervening period.

At Jaipur, the Administration had provided a suitable network, including metering equipment for drawing the H.T. supply as early as November, 1962, at a cost of Rs. 1.92 lakhs. But due to delay in finalising a suitable agreement with the Electricity Board, while the loads for loco workshop and running shed were segregated in September, 1963, the balance load continues to be paid at Low Tension rates. The assessed loss for a period of three years from May, 1964, works out to Rs. 25 thousand.

62. Eastern Railway—Infructuous expenditure due to delay in finalisation of disciplinary proceedings.

For alleged offence of taking part in an illegal demonstration in a running shed on the 20th July, 1957, four fitters were removed from service—three from the 1st December, 1958 and one from the 3rd December, 1958. Three of them filed suits in the Sealdah Civil Court, which held the orders of removal void in March, 1964, in view of a number of defects in the Departmental Enquiry proceedings and ordered their re-instatement with effect from the dates of their removal from service. The Administration's appeal in the court of the Fourth Additional District Judge, Alipore against the order of the Sealdah Civil Court was rejected. The Administration, therefore, set aside, in March, 1965, their orders of removal of the three

fitters from service, but placed them under suspension with retrospective effect from the dates of their removal (1st December, 1958, in two cases and 3rd December, 1958, in one case) for fresh departmental disciplinary action. Fresh charge sheets against the staff were issued in March-April, 1967 and June, 1968, that is, two to three years after their re-instatement. The departmental proceedings are still in progress (January, 1969). An amount of Rs. 38 thousand was paid to these staff upto October, 1968 as subsistence allowance during suspension period.

63. Recoveries at the instance of Audit.

During the year 1967-68, an amount of Rs. 18.09 lakhs was 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, a further amount of Rs. 4.00 lakhs was noted for recovery.

An upward revision, made at the suggestion of Audit, in the rate of commission charges in respect of Railway warrants and credit note facilities extended to State Governments/Ministries of Government of India, resulted in the accrual of additional revenue assessed at about Rs. 14.77 lakhs per annum.

A. K. Mukherji

(A. K. MUKHERJI),
Director of Railway Audit.

NEW DELHI;

Dated the ~~10th~~ 10th February, 1969.
~~31st~~ 31st Magha, 1890.

Countersigned.

S. Ranganathan

(S. RANGANATHAN),
Comptroller & Auditor General of India.

NEW DELHI;

Dated the ~~10th~~ 10th February, 1969
~~21st~~ 21st Magha, 1890.

