







सत्यमेव जयते

**REPORT OF THE  
COMPTROLLER AND AUDITOR GENERAL  
OF INDIA**

**FOR**

**THE YEAR 1975-76**

**UNION GOVERNMENT (RAILWAYS)**



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## **PREFATORY REMARKS**

This Report relates mainly to matters arising from the Appropriation Accounts of Indian Government Railways for 1975-76 together with other points arising from audit of the financial transactions of the Railways.

2. The cases mentioned in this Report are among those which came to notice in the course of test audit during the year 1975-76 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports ; matters relating to the period subsequent to 1975-76 have also been included, wherever considered necessary.

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



## CHAPTER I

### COMMENTS ON APPROPRIATION ACCOUNTS, 1975-76 AND CONNECTED DOCUMENTS

#### 1. Financial Results

The Railway budget for the year 1975-76 envisaged a surplus of Rs. 23.03 crores. The actuals, however, showed a deficit of Rs. 61.11 crores. The anticipated and actual revenue receipts and expenditure for the year 1975-76 and the actuals for the preceding three years are shown below :—

	Actuals 1972-73	Actuals 1973-74	Actuals 1974-75	Budget 1975-76	Actuals 1975-76	Variation with reference to budget
	(crores of rupees)					
1. Gross Revenue receipts	1162.77	1138.19	1415.19	1678.65	1775.51	+96.86
2. Revenue expenditure	998.34	1082.78	1341.55	1457.74	1638.48	+180.74
3. Net revenue (1-2)	164.43	55.41	73.64	220.91	137.03	-83.88
4. Payment to General Revenues	161.51	170.92	*187.47	197.88	198.14	+0.26
Surplus (+) Deficit(-) (3-4)	+2.92	-115.51	-113.83	23.03	-61.11	-84.14

\*excludes Rs. 15.79 crores, liability of previous year discharged in 1974-75.

The net revenue before payment of dividend was only Rs. 137.03 crores against the budget anticipation of Rs. 220.91 crores. The shortfall is attributable to increase in expenditure on account of post budgetary factors. These have been dealt with in paragraph 3 below.

For the third successive year the Railways had to borrow from General Revenues to meet the shortfall in payment of dividend as the net revenue was not sufficient to cover the full payment of dividend and the balance in the Revenue Reserve Fund was also inadequate.

The withdrawals from the fund were Rs. 170.02 crores towards Dividend equalisation (Rs. 61.11 crores), repayment of instalments of loan (Rs. 94.27 crores) and interest on the outstanding loans (Rs. 14.64 crores). Taking into account the opening balance (Rs. 16.58 crores) in the fund and interest on balances (Rs. 3.30 crores), an amount of Rs. 152.21 crores was borrowed from General Revenues for meeting the liabilities of the fund. The fund had a balance of Rs. 2.07 crores at the end of 1975-76.

The Railways also borrowed Rs. 22.34 crores for meeting expenditure on works chargeable to Development Fund including interest on the outstanding loans as the balance in that fund was not adequate to cover this expenditure. At the end of 1975-76, the Railways owed Rs. 460.04 crores (Rs. 152.54 crores on account of Development Fund and Rs. 307.50 crores on account of Revenue Reserve Fund).

There were net accretions to Depreciation Reserve Fund (Rs. 3.41 crores), Pension Fund (Rs. 9.55 crores) and Accident Compensation, Safety and Passenger Amenities Fund (Rs. 7.70 crores).

The operating ratio of the Railways (ratio of gross working expenses to gross earnings) was 89.32 per cent during 1975-76

against 92.41 per cent in 1974-75, 93.39 per cent in 1973-74 and 84.47 per cent in 1972-73.

The payment to General Revenues during 1975-76 was made in accordance with the recommendations of the Railway Convention Committee, 1973 approved by Parliament in December 1974. The quantum of relief in payment of dividend works out to Rs. 33.06 crores for the year 1975-76 as against Rs. 22.06 crores in 1971-72, Rs. 24.01 crores in 1972-73, Rs. 25.17 crores in 1973-74 and Rs. 29.46 crores in 1974-75 as per the recommendations of the Railway Convention Committees, 1971 and 1973.

During the year 1975-76 the Railways had sought for exemption in payment of dividend on capital outlay of Rs. 83.38 crores in respect of 128 unremunerative branch lines involving an abatement of dividend of Rs. 4.58 crores. The Railways claimed this exemption though the capital outlay in respect of unremunerative branch lines is still to be assessed precisely in accordance with the recommendations of the Uneconomic Branch Lines Committee, 1969. The Railways had also informed the Railway Convention Committee, 1973 that pending such assessment the amount of Rs. 42.21 crores as assessed earlier would be adopted for purposes of computation of amount exempt from dividend liability. The abatement of dividend claimed on this additional outlay of Rs. 41.17 crores amounted to Rs. 2.28 crores. [*Vide* also para 1.8 of the Report of the Comptroller and Auditor General of India for the year 1974-75—Union Government (Railways)].

The deferred dividend on new lines (that is, dividend accrued but not payable during construction and the five-year moratorium period thereafter) outstanding at the end of 1975-76 was Rs. 78.04 crores of which Rs. 44.75 crores were for new lines which had already completed the moratorium period.

The outlay on the Annual Plan for the year 1975-76 was :—

	Budget	Actuals	Vari- tion
	(crores of rupees)		
Capital	172.50	243.99	+71.49
Depreciation Reserve Fund	120.00	124.57	+4.57
Development Fund	18.00	16.32	—1.68
Open Line Works—Revenue	7.50	7.61	+0.11
Metropolitan Transport Projects	10.00	6.88	—3.12
Accident Compensation, Safety and Pas- sengers Amenities Fund	0.14	0.33	+0.19
TOTAL	328.14	399.70	+71.56

There were excesses under all the Plan heads except Development Fund and expenditure on Metropolitan Transport Projects.

The excess of Rs. 71.49 crores under Capital (41.4 per cent) occurred under rolling stock mainly due to revision of 'transfer prices' (the price at which the locomotives are sold to the zonal Railways) of locomotives and more production of coaches and wagons, Manufacture suspense and Store suspense to cover more purchases of stores.

The saving of Rs. 3.12 crores (31.2 per cent) in respect of Metropolitan Transport Projects was due to slow progress of works (particularly of Mass Rapid Transit System between Tollygunge and Dum Dum Cantonment) on account of non-finalisation of plans, estimates, etc. During earlier years also the funds provided in the Budget for Metropolitan Transport Projects could not be utilised fully (as indicated below) for the same reasons.

Period	Provision	Actuals	Savings
	(crores of rupees)		
1969—74 (Fourth Plan)	14.41	8.66	5.75
1974-75	18.00	7.11	10.89
1975-76	10.00	6.88	3.12

## 2. Revenue Receipts

The revenue receipts during 1975-76 were Rs. 1775.51 crores which were more than the Budget estimates by Rs. 96.86 crores. The details are shown below :—

	Actuals 1974-75	Budget 1975-76	Actuals 1975-76	Vari- tion with reference to budget
	(crores of rupees)			
Passenger earnings				
Upper Classes	44.49	46.68	53.04	+6.36
Second Class	368.06	430.38	461.09	+30.71
TOTAL	412.55	477.06	514.13	+37.07
Other Coaching earnings	69.21	76.10	89.42	+13.32
Goods earnings	917.50	1084.50	1150.27	+65.77
Sundry earnings	39.02	39.20	50.04	+10.84
Suspense	—30.09	—6.00	—36.85	—30.85
Gross Traffic receipts	1408.19	1670.86	1767.01	+96.15
Miscellaneous receipts	7.00	7.79	8.50	+0.71
Total Revenue receipts	1415.19	1678.65	1775.51	+96.86

In the Budget presented in February 1975 passenger earnings were estimated at Rs. 477.06 crores. The actual passenger earnings were more than the Budget estimates and the passenger traffic in terms of originating passengers during 1975-76 had increased by 21.28 per cent over the level of 1974-75.

In respect of goods earnings the Budget estimate of Rs. 1084.50 crores was framed on the assumption that the Railways would carry an additional revenue earning traffic of

18 million tonnes during 1975-76. The Budget also envisaged withdrawal of subsidised rates for carriage of foodgrains and pulses (Rs. 35.50 crores) and for the transport of iron ore and manganese ore for export (Rs. 3.50 crores). The rates for these commodities were brought in alignment with current operating costs and within the framework of the standard freight structure. The actual materialisation of goods traffic was more than anticipated and was 196.8 million tonnes (revenue earnings), that is, an increase of 23.2 million tonnes over the level of 1974-75. In terms of net tonne-kilometres the increase was 11.1 per cent. The overall average lead, however, was 664 kilometres as against 683 kilometres in 1974-75.

The head 'suspense' represents earnings taken into the account of the Railways but awaiting realisation. The balance under this head is the amount of un-realised earnings. The table below shows the gross earnings and the amounts of un-realised earnings for five years :—

Year	Gross earnings	Un-realised earnings accretion during the year	Un-realised earnings balance at the end of the year
1971-72	1101.69	5.10	51.17
1972-73	1165.73	3.31	54.48
1973-74	1146.99	9.11	63.59
1974-75	1438.28	30.09	93.68
1975-76	1803.86	36.85	130.53

*Crores of rupees*

In the Budget for 1975-76 it was assumed that earnings awaiting realisation would increase by 6 crores only as it was expected that the difficulties of the consignees in the payment of railway dues will not persist during 1975-76 and it would be possible to realise railway dues from them more promptly. This expectation did not, however, materialise and the actual accretion was to the extent of Rs. 36.85 crores.

The Ministry of Railways (Railway Board) stated (March 1977) that it was mainly due to non-payment of dues by Steel Plants and State Electricity Boards.



### 3. Revenue Expenditure

The revenue expenditure during 1975-76 was Rs. 1,638.48 crores which was more than the budget estimates by Rs. 180.74 crores. The details are shown below :—

	Actuals 1974-75	Budget 1975-76	Actuals 1975-76	Variation from Budget
	(crores of rupees)			
I. Working Expenses				
(i) Administration, staff welfare and operating staff	437.43	464.49	520.82	+56.33
(ii) Repairs and Maintenance	452.74	486.00	557.62	+71.62
(iii) Fuel	197.02	235.21	254.52	+19.31
(iv) Miscellaneous expenses including operation other than staff and fuel, payments to worked lines and suspense	99.25	112.76	137.41	+24.65
(v) Appropriation to Depreciation Reserve Fund	115.00	115.00	115.00	..
(vi) Appropriation to Pension Fund	15.85	16.80	24.25	+7.45
(vii) Appropriation to Accident compensation, Safety and Passenger Amenities Fund	6.65	7.53	7.90	+0.37
II. Miscellaneous expenditure such as cost of Railway Board and its attached offices, Surveys, Audit and Subsidy paid to branch line companies	11.78	12.45	13.35	+0.90
III. Open Line Works-Revenue	5.83	7.50	7.61	+0.11
TOTAL	1341.55	1457.74	1638.48	180.74

The increase in revenue expenditure over that of the previous year was Rs. 296.93 crores.

The increase of Rs. 180.74 crores over the budget reflects the net effect of increase (Rs. 223.57 crores) and savings (Rs. 42.83 crores).

The increase in expenditure was mainly on account of five post-budget increases in the rates of dearness allowance sanctioned by the Government in September 1975 retrospectively from 1st October 1974, 1st November 1974, 1st December 1974, 1st February 1975 and 1st March 1975 (Rs. 104.84 crores), more receipts of stores and debits therefor (Rs. 26.31 crores) higher level of expenditure on overtaking the arrears of rehabilitation, intensive repairs, maintenance and overhaul of locomotives and other rolling stock (Rs. 24.73 crores), revision of electricity tariffs (Rs. 8.78 crores), more consumption and revision of prices of fuel oil (Rs. 8.26 crores), payment of arrears as a result of revision of pay and allowances (Rs. 8.22 crores), more provision for disbursement of pensionary charges during the year (Rs. 7.45 crores), increase in cost of coal (Rs. 4.12 crores), more payment of freight charges on carriage of revenue stores (Rs. 4.08 crores), adjustments in respect of "Suspense" (Rs. 4.07 crores), increase in consumption of electricity (Rs. 4.07 crores), fluctuation in adjustment of undercharges and overcharges (Rs. 2.71 crores), compensation for goods lost damaged etc. (Rs. 2.55 crores), payment of house rent and other compensatory allowances (Rs. 1.66 crores), more payment of Sales Tax, Excise Duty and cess on coal (Rs. 1.54 crores) more expenditure on catering stores (Rs. 1.48 crores), payment of travelling and running allowances (Rs. 1.39 crores), and aggregate of other variations (Rs. 7.31 crores).

The savings in expenditure were mainly due to certain economy measures adopted (Rs. 20.28 crores), non-implementation of the Award of Miabhoj Railway Labour Tribunal (Rs. 15.37 crores), non-filling up of vacancies (Rs. 2.51 crores), less consumption of coal consequent on substitution of steam traction by electric traction (Rs. 2.31 crores), non-receipt of debits for Railway Protection Force staff (Rs. 1.25 crores) and less adjustment in respect of contribution to provident fund (Rs. 1.11 crores).

The Appropriation to Pension Fund was raised to Rs. 24.25 crores from Rs. 16.80 crores envisaged in the budget. The disbursement of pension and other retirement benefits amounted to Rs. 30.01 crores during the year. The amount to be appropriated to Pension Fund is estimated on *ad hoc* basis. The Public Accounts Committee (1972-73) in its seventy seventh Report had recommended that in order to avoid marked fluctuations in the appropriation to the fund, actuarial studies should be undertaken at frequent intervals in future. The Ministry of Railways had informed the Committee in June 1973 that a fresh study on the basis of data as on 31st March 1970 was in progress. This is yet to be completed.

#### 4. Budgetary Control

The number of demands voted for the year was 23 aggregating Rs. 2,801.91 crores. During the year sixteen supplementary grants were obtained for Rs. 277.69 crores as against thirteen supplementary grants for Rs. 101.69 crores obtained during 1974-75.

The number of charged appropriation for the year was seven for a total sum of Rs. 1.90 crores. During the year eleven supplementary appropriation for Rs. 1.12 crores were obtained.

The disbursement during the year showed an excess of Rs. 55.11 crores over the total grants and appropriations as shown below :—

Particulars	Voted Grants	Charged Appropriation	Total
			(crores of rupees)
1. Original	2,801.91	1.90	2,803.81
2. Supplementary	277.69	1.12	278.81
3. Total	3,079.60	3.02	3,082.62
4. Total disbursement	3,135.50	2.23	3,137.73
5. Excess/saving	+55.90	-0.79	+55.11
6. Percentage of net excess (+)/saving (-) to total grant/appropriation	+1.8	-26.2	+1.8
7. Percentage of net savings in the previous year <i>i.e.</i> , 1974-75	1.4	35.4	1.4

## 5. Savings in Grants and Appropriations

### A. Savings in Voted Grants

The net excess of Rs. 55.90 crores mentioned in paragraph 4 is made up of a shortfall under nine grants (Rs. 29.45 crores) and excess under 12 grants (Rs. 85.35 crores).

There were no variations in two grants voted for appropriation to Depreciation Reserve Fund and Pension Fund.

Savings of Rs. 18 crores under Grant No. 18—Appropriation to Development Fund and Rs. 5.03 crores under Grant No. 19—Appropriation to Revenue Reserve Fund are attributable to non-materialisation of revenue surplus of Rs. 23.03 crores anticipated in the budget.

A shortfall of Rs. 2.94 crores occurred under Grant No. 4—Working Expenses—Administration.

The shortfall is attributable to savings achieved through economy measures taken during the year (Rs. 1.42 crores), less payment of arrears towards the implementation of recommendations of Third Pay Commission (Rs. 0.83 crore), less debits received for Order Police (Rs. 0.55 crore), less payment of arrears of dearness allowance (Rs. 0.20 crore) and non-filling up/non-operation of certain posts (Rs. 0.13 crore) partly offset by increased expenditure on account of pay and allowances (Rs. 0.11 crore) and aggregate of minor variations (Rs. 0.08 crore).

A shortfall of Rs. 1.43 crores occurred under Grant No. 14—Construction of New Lines. The savings mainly occurred under Metropolitan Transport Projects owing to non-finalisation of plans, estimates, contracts, etc., and economy measures.

A shortfall of Rs. 1.29 crores occurred under Grant No. 22—Accident Compensation, Safety and Passenger Amenities Fund. The saving is mainly attributable to less payment in respect of

accident compensation (Rs. 1.48 crores) partly offset by more expenditure under Safety Works (Rs. 0.19 crore).

The balance of shortfall of Rs. 0.76 crore occurred under two revenue grants and two miscellaneous grants and was made up of minor variations.

### B. *Savings in Appropriations*

A net saving of Rs. 79 lakhs occurred in ten charged appropriations. The significant savings were under Appropriation No. 6—Working Expenses—Operation Staff (Rs. 37.10 lakhs), Appropriation No. 8—Working Expenses—Operation other than Staff and Fuel (Rs. 22.58 lakhs), Appropriation No. 22—Accident Compensation Safety and Passenger Amenities Fund (Rs. 10.34 lakhs) and Appropriation No. 15—Open line Works—Capital, Depreciation Reserve Fund and Development Fund (Rs. 6.22 lakhs). The balance of savings was under six appropriations offset by excess of Rs. 2.57 lakhs under Appropriation No. 5—Working Expenses—Repairs and Maintenance.

## 6. **Excess over Grants and Appropriations**

During the year under report excesses occurred under twelve grants and one appropriation aggregating Rs. 85.38 crores.

### A. *Voted Grants*

The aggregate of the excesses under various grants was the largest during 1975-76 as compared to the previous six years as shown in the table below :—

Year	Grants	Amount (crores of rupees)
1969-70	4	2.34
1970-71	2	0.21
1971-72	9	46.20
1972-73	4	10.21
1973-74	Nil	Nil
1974-75	4	17.36
1975-76	12	85.35

The Public Accounts Committee (1973-74) in its Ninety Sixth Report had recommended that system of estimation of expenditure on the Railways should be improved. The Ministry of Railways (Railway Board) informed the Committee in April 1974 that necessary instructions had been issued to all Railways and Production Units that the expenditure should be assessed very carefully after taking all relevant factors into consideration and actual expenditure strictly controlled to be within the sanctioned allotment and that the expenditure should not exceed the provision. The Railway Board further stated that they had intensified the control of expenditure against the sanctioned grant through the introduction of the system of exchequer control.

In order to meet the requirements of additional funds, the Ministry of Railways (Railway Board) obtained supplementary grants for Rs. 247.20 crores under eleven grants out of twelve in which excesses occurred. The supplementary grants, however, proved inadequate.

The details of the excesses during 1975-76 which require to be regularised under Article 115 of the Constitution of India are as under :—

Grant	Final grant	Actual expenditure	Excess	Percentage
3, Payments to Worked Lines and others	25,38,000	27,60,645	2,22,645	8.77

*2 crores* The excess occurred mainly on Central Railway (Rs. 1.79 crores) due to more payment of net earnings to Central Provinces Railway on account of increase in traffic earnings of that railway.

5. Working Expenses—Repairs and Maintenance	569,71,26,000	583,57,62,582	13,86,36,582	2.43
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The final grant includes supplementary grant of Rs. 55.88 crores obtained in March 1976 to meet increased expenditure under this grant on account of additional dearness allowance

sanctioned by Government and wages to staff including decasualisation of labour and more expenditure on repairs to locomotives, carriage and wagons in running sheds and workshops, repairs to electrical multiple units stock, better train lighting arrangements, etc.

The excess occurred on all the Railways. The excess of Rs. 13.86 crores was mainly due to receipt of more stores, spares, etc. and debits therefor including increase in their prices (Rs. 6.48 crores), more shed and shop repairs (Rs. 5.28 crores), fluctuations in the adjustment of undercharges and overcharges (Rs. 2.06 crores), periodical overhaul to rolling stock (Rs. 0.65 crore) and aggregate of minor variations (Rs. 0.27 crore), partly offset by saving due to less adjustment in respect of Stock Adjustment Account (Rs. 0.88 crore).

6. Working Expenses—				
Operating Staff	322,07,76,000	323,85,81,248	1,78,05,248	0.55

The excess of Rs. 1.78 crores occurred mainly on account of increase in expenditure on additional dearness allowance (Rs. 84.51 lakhs), more payment of travelling, running, overtime, house rent, city compensatory and night duty allowances (Rs. 39.16 lakhs), payment of arrears as a result of revision of pay and allowances (Rs. 14.93 lakhs), grant of special increment to loyal staff and appointment of their wards (Rs. 20.64 lakhs) and aggregate of minor variations (Rs. 18.81 lakhs).

7. Working Expenses—				
Operation (Fuel)	262,51,35,000	269,06,97,946	6,55,62,946	2.50

The excess occurred on all Railways. The largest excess occurred on South Eastern Railway (Rs. 2.08 crores). The excess of Rs. 6.56 crores occurred mainly due to more consumption of high speed diesel oil (Rs. 2.14 crores), less credits on account of subsidy in respect of freight on sea-borne coal and throw forward debits for sea freight (Rs. 1.45 crores), more

payment of handling and freight charges on fuel (Rs. 1.31 crores), more consumption of electric energy (Rs. 0.83 crore), more consumption of coal and increase in statutory prices and average rates of coal (Rs. 0.38 crore), fluctuation in adjustment of losses on fuel (Rs. 0.29 crore) and aggregate of minor variations (Rs. 0.16 crore).

8. Working Expenses— Operation other than staff and fuel	88,36,72,000	97,89,24,809	9,52,52,809	10.78
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A supplementary grant of Rs. 9.81 crores was obtained in March 1976 and the same proved inadequate.

The excess occurred on all Railways. Although largest excess of Rs. 2.18 crores occurred on Eastern Railway, the Administration surrendered Rs. 0.29 crore under this grant in January 1976.

The excess of Rs. 9.53 crores was mainly due to increase in consumption of consumable stores, clothing, stationery, etc., and receipt of more debits therefor (Rs. 7.08 crores), more payment for electric energy due to increase in consumption (Rs. 0.96 crore), more payment of compensation claims in respect of goods lost or damaged (Rs. 0.94 crore), realisation of less credits on account of auction sales (Rs. 0.55 crore), more debits from other Railways in connection with the missing wagons carrying Railways' coal (Rs. 0.50 crore), and aggregate of minor variations (Rs. 0.46 crore), partly offset by fluctuations in adjustment through Stock Adjustment Account (Rs. 0.96 crore).

9. Working Expenses— Miscellaneous Expenses	57,51,25,000	60,60,98,053	3,09,73,053	5.88
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A supplementary grant of Rs. 5.79 crores was obtained in March 1976. This proved inadequate.

The largest excess of Rs. 0.93 crore occurred on South Eastern Railway.

The excess of Rs. 3.10 crores was mainly due to adjustment of more liability under suspense head "Demands Payable" (Rs. 2.64 crores), more expenditure on account of adjustment of freight and handling charges on revenue stores (Rs. 1.78 crores), and aggregate of minor variations (Rs. 0.38 crore), partly offset by less adjustment of expenditure in respect of Central Emergency Force and on Territorial Army units (Rs. 1.70 crore).

10. Working

Expenses—

Staff

Welfare	52,58,89,000	53,03,30,345	44,41,345	0.84
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The excess of Rs. 44.41 lakhs was mainly on account of certain expenditure taken under this grant due to change in classification (Rs. 27.62 lakhs), more expenditure on medical stores, and reimbursement of medical expenses (Rs. 14.20 lakhs), more payment of arrears as a result of revision of pay and allowances (Rs. 8.52 lakhs), more expenditure under health and welfare services (Rs. 8.38 lakhs) and aggregate of minor variations (Rs. 3.19 lakhs), partly offset by saving due to less number of staff sent for training (Rs. 17.50 lakhs).

The largest excess occurred on Northern Railway (Rs. 24.26 lakhs) followed by Southern Railway (Rs. 18.95 lakhs) and North Eastern Railway (Rs. 8.21 lakhs), partly offset by savings on other Railways.

13. Open

Line

Works—

Revenue	7,50,29,000	7,62,00,840	11,71,840	1.56
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The excess of Rs. 11.72 lakhs occurred mainly due to more receipt of materials, plant and machinery and debits therefor than anticipated.

## 15. Open

Line Works— Capital, Deprecia- tion Re- serve Re- and Deve- lopment Fund	985,78,58,000	1031,35,27,304	45,56,69,304	4.62
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With a view to controlling the expenditure under this grant particularly in respect of "Stores Suspense" the Railway Board had kept a reserve of Rs. 34.18 crores from the original grant. This reserve was distributed to the Railways in March 1976.

During the course of the year two supplementary grants for Rs. 116.13 crores were obtained in January and March 1976 to meet increased expenditure under Rolling Stock (Rs. 74.51 crores), Works (Rs. 3.01 crores), Stores Suspense (Rs. 22.85 crores) Manufacturing Suspense (Rs. 31.16 crores), etc. The excess occurred over the final grant.

The excess occurred on all Railways and Production Units except Central Railway, the Diesel Locomotive Works and the Integral Coach Factory. The largest excess occurred on Eastern Railway (Rs. 14.97 crores) followed by Southern Railway (Rs. 13.70 crores), South Eastern Railway (Rs. 6.31 crores), North Eastern Railway (Rs. 4.92 crores), and Northeast Frontier Railway (Rs. 4.21 crores).

The net excess of Rs. 45.57 crores occurred under Rolling Stock (Rs. 4.92 crores), Works (Rs. 8.12 crores), Stores Suspense (Rs. 22.18 crores), Manufacturing Suspense (Rs. 11.31 crores) and Development Fund (Rs. 1.01 crores), partly offset by shortfall under Miscellaneous Advances (Rs. 1.97 crores). Brief reasons for variations are given below :—

Rolling Stock—The excess was mainly due to more procurement of rolling stock and debits thereof and more expenditure on rationalised construction programme.

Works—The excess was mainly due to more receipt of permanent way materials (Rs. 6.22 crores), accelerated progress on certain works (Rs. 1.19 crores), more receipt of stores, machinery and debits, therefor (Rs. 0.69 crore), and aggregate of minor variations (Rs. 0.14 crore), partly offset by savings due to less debits received from Land Acquisition authorities than anticipated (Rs. 0.12 crore).

Stores Suspense—The excess was mainly due to non-receipt of stores and debits therefor (Rs. 20.26 crores), more purchases of high speed diesel oil coal and coke (Rs. 4.97 crores), more receipt of stores returned from works (Rs. 3.40 crores), fluctuation in adjustment through Stock Adjustment Account (Rs. 2.97 crores), receipt of more manufactured materials from workshops (Rs. 1.36 crores), procurement of more engineering stores, spares for diesel locomotives etc. (Rs. 1.25 crores), and aggregate of minor variations (Rs. 0.22 crore), partly offset by more issues to Manufacturing Suspense (Rs. 7.68 crores) and Works (Rs. 4.57 crores).

Manufacturing Suspense—The excess was mainly due to more drawal of stores from stock (Rs. 7.69 crores), more direct purchases of stores (Rs. 3.82 crores), more production (Rs. 1.32 crores), less credit of material returned from works (Rs. 0.74 crore) and aggregate of minor variations (Rs. 0.04 crore), partly offset by more issues of manufactured materials to Stock (Rs. 1.36 crores) and Works (Rs. 0.94 crore).

Development Fund—The excess was mainly due to accelerated progress of certain works and procurement of more materials.

Miscellaneous Advances—The saving was due to non-adjustment of certain amounts consequent on revision of allotment of wheel sets and components to the Railways.

16. Pensionary Charges—Pension Fund.	26,08,99,000	30,31,15,919	4,22,16,919	16.18
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The excess occurred on all Railways except Production Units and in Miscellaneous establishments. A supplementary grant of Rs. 8.02 crores was obtained in March 1976. It proved inadequate.

The excess of Rs. 4.22 crores occurred mainly due to receipt of more debits from Accountants General (Rs. 2.31 crores), settlement of more cases of death-cum-retirement gratuity than anticipated (Rs. 1.16 crores), superannuation pension (Rs. 0.60 crore) and family pensions, etc. (Rs. 0.15 crore).

17. Repayment of loans from General Revenues and interest thereon—Development Fund.	7,30,63,000	7,33,29,136	2,66,136	0.36
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There was a minor excess in the adjustment of interest payment on loans taken from General Revenues.

21. Appropriation to Accident Compensation, Safety and Passenger Amenities Fund.	7,76,91,000	7,89,99,214	13,08,214	1.68
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The excess was mainly due to increase in the number of originating Passenger traffic than anticipated during the year. A supplementary grant of Rs. 23.71 lakhs was obtained in March 1976, which proved inadequate.

#### B. Charged Appropriations

5. Revenue Working Expenses— Repairs and Maintenance	15,00,000	17,56,877	2,56,877	17.13
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The excess was due to more decretal payments than anticipated.

#### 7. Admitted debits

Every debit or disallowance against a station by the Traffic Accounts office or cash office, whether arising from error in charging fare or freight, short remittance of cash, base coin or other causes is payable by the station staff through whose fault it has been incurred. Out of debits and disallowances raised through advice of internal check or error-sheet, those not disputed by a station are treated as 'admitted debits'. The rules provide that the acceptance of the employee found responsible for the error and the debit should be obtained promptly by the Station Master and where such acceptance is not received within 15 days the matter should be reported to the Divisional Commercial Superintendent for necessary action. The admitted debits are cleared either by payment in cash or by recovery through the salary bills of the staff concerned; it is also cleared by write off if the amount becomes irrecoverable. Till such debits are cleared the amount is shown as outstanding against the station concerned. The clearance of such outstandings is watched by the Railway Administration through its Commercial branch at the Divisional and the headquarters level as well as at the level of the Railway Board.

A review of the position of admitted debits raised upto 31st March 1975 on all Zonal Railways disclosed that Rs. 51.92

lakhs were outstanding on 31st March 1976 out of which Rs. 1.62 lakhs pertained to the periods prior to 1966-67 and in certain cases these dated back to periods earlier than 1958-59. The outstanding amounts as on 31st March 1976 were very heavy on the Eastern, Northern, South Eastern and North Eastern Railways as indicated below :—

Railway	Amount (lakhs of rupees)
Eastern	22.23
Northern	12.17
South Eastern	6.11
North Eastern	4.29

The details—yearwise and railwaywise—are shown in Annexure I.

The delay in clearance of admitted debits is attributed mainly to :—

- (i) transfer of staff from one station to another and omission/delay in advising the outstanding relating to such staff;
- (ii) omission to collect the dues in certain cases at the time of retirement;
- (iii) recoveries being made in instalments through pay-sheets;
- (iv) cases pending in courts of law or awaiting finalisation of departmental enquiry proceedings; and
- (v) suspension of recovery due to deaths, transfers, resignations, retirements and suspension of staff.

## CHAPTER II

### MARKETING AND SALES ORGANISATION

#### 8. Marketing and Sales Organisation

8.1 Amongst various measures taken by the Indian Railways to get back high rated traffic to rail as well as to retain the traffic by providing customer oriented service, an important one was the setting up during 1967 of Marketing and Sales Organisation in the Railway Board and the zonal Railways [c.f. Appendix I to Forty-fifth Report of the Public Accounts Committee (1971-72)]. The important objectives and functions of this Organisation are :—

- (a) to maintain close liaison with manufacturers and trading interests and to ascertain and solve their problems in connection with expeditious and safe transportation of their goods by rail by improving the quality of service;
- (b) to plan and provide inter-modal services combining the advantages of rail and road transport like freight forwarder service, container service and quick transport service;
- (c) to keep a watch on the loading of high profit yielding commodities for which daily quota of wagons have been fixed or guaranteed;
- (d) to take up measures to arrest the effect of rail-road competition and to have co-ordination between rail and road transport;
- (e) to undertake marketing research, prospecting and development; and

- (f) to undertake commodity/road surveys to ascertain commodity-wise pattern of traffic moving by road and the points between which this traffic moved with a view to assessing as to which of this traffic could be brought to railways with advantage.

8.2 This organisation has also been entrusted with the following functions :—

- (a) formulation of earnings budget and monitoring the trend of earnings including those from the Uneconomic branch lines ;
- (b) commercial planning and development ;
- (c) study of the economic development of new lines and projects; and
- (d) to initiate measures to retain traffic on the Railways by introduction of special rates.

8.3 The Marketing and Sales Organisation in the Railway Board functions under a Joint Director and in each Railway it is under direct superintendence and control of a Chief Marketing and Sales Superintendent in Senior Administrative grade assisted by Marketing and Sales Officer/Assistant Marketing and Sales Superintendents and Commercial Inspectors, etc. The expenditure incurred on the organisation during 1974-75 and 1975-76 was as indicated below :—

Railways	1974-75	1975-76
	(Lakhs of rupees)	
Central	3.79	3.92
Eastern	3.36	3.71
Northern	6.38	7.10
North Eastern	0.84	0.84
Northeast Frontier	0.41	0.43
Southern	5.03	5.43
South Central	3.34	3.59
South Eastern	5.44	5.44
Western	3.66	5.33
Railway Board	1.41	2.06
Total	33.66	37.85



8.4 The activities of the Marketing and Sales Organisation of the Railways to achieve the objectives mentioned above have been generally reviewed in audit. The results of review are contained in the succeeding paragraphs.

#### *Loading of high profit yielding commodities*

8.5 In October 1970, the Railway Board identified 47 commodities, raised to 80 commodities from 1st October 1975, as having fairly high profit yielding potential. The Marketing and Sales Organisation on the Railways were required to keep a special watch on the loading of and earnings from these commodities. The following table shows the quantum of this traffic *vis-a-vis* the total revenue earning goods traffic loaded during 1971-72 to 1975-76 and the earnings therefrom :—

Year	Total revenue earning traffic		Quantum of high freight yielding commodities		Percentage of column (4) to (2)	Percentage of column (5) to (3)
	carried (million tonnes)	earnings (crores of rupees)	carried (million tonnes)	earnings (crores of rupees)		
1	2	3	4	5	6	7
1971-72	170.1	655.69	11.4	104.82	6.70	15.99
1972-73	175.3	695.95	11.3	105.94	6.45	15.22
1973-74	162.0	644.23	10.5	97.03	6.48	15.06
1974-75	173.6	868.86	(*10.2)	12.4 130.29	7.15	14.99
1975-76	196.8	1095.74	13.5	153.17	6.86	13.95

NOTE :—Figures in columns 4 to 7 against the years 1974-75 and 1975-76 are in respect of 80 commodities and therefore, not comparable with those relating to years 1971-72 to 1973-74 which pertain to 47 commodities.

\*Pertains to 47 commodities.

8.6 There has been a downward trend in the proportion of high profit yielding traffic to the total revenue earning traffic during 1975-76. There has also been a perceptible decline in the earnings from high rated traffic in proportion to total revenue during each of the last five years.

8.7 The railwaywise origin of high profit yielding traffic is indicated below :—

Origin of high profit yielding traffic

Railways	Fortyseven commodities			Eighty commodities (lakh tonnes)	
	1971-72	1972-73	1973-74	1974-75	1975-76
Central	12.66	13.58	13.93	14.49	15.04
Eastern	15.29	16.77	15.96	23.76	26.75
Northern	11.50	10.55	12.37	21.25	27.77
North Eastern	8.43	6.59	6.70	6.97	9.44
Northeast Frontier	7.07	5.48	4.92	5.08	5.90
Southern	13.26	14.33	13.07	18.13	12.21
South Central	11.27	12.07	10.15	11.22	13.03
South Eastern	17.45	17.47	13.26	11.60	13.05
Western	17.43	16.42	14.51	11.54	11.63
Total	114.36	113.26	104.87	124.04	134.82

There had been marked deterioration in the loading of high profit yielding traffic on the South Eastern and Western Railways followed by North Eastern (except in 1975-76) Northeast Frontier and Southern (during 1975-76) Railways. The shortfall is mainly attributed to :—

- (a) general economic recession including drop in production of industrial goods owing to severe power cuts, credit squeeze, labour unrest, etc.;
- (b) dislocation of railway operations due to deterioration of law and order situation, agitations, strikes and go-slow by Railwaymen culminating in the strike of May 1974.
- (c) restrictions imposed on booking of traffic due to operational difficulties; and
- (d) inadequate supply of empty wagons, particularly covered wagons.

The drop in traffic in Northeast Frontier Railway in subsequent years as compared to 1971-72 has been attributed by the Railway Board mainly to the commissioning of through road services to North Bengal/Assam with the construction of Farakka Barrage over the Ganga.

8.8 The Railway Board stated (March 1977) that in evaluating the performance of the Marketing and Sales Organisation it should be borne in mind that the recurring expenditure on this Organisation in 1975-76 was less than one per cent of the total freight earnings *viz.*, 0.03 per cent.

It may, however, be pointed out that the increase in the volume of the traffic and consequently in the gross freight earnings of the Railways is a natural consequence of the expansion of economic activity and the rise in the Gross National Product. Further, the freight earnings of the Railways increased, amongst other reasons, due to increase in the freight rates from time to time.

During 1972-73 Railways carried 49.29 million tonnes of 'Other goods' which included high profit yielding traffic and excluded low rated bulk traffic. The volume of this traffic carried during 1975-76 was 46.53 million tonnes and the level of such traffic carried during 1972-73 had not been achieved.

The Railway Board expected (March 1977) that the level of this traffic in 1976-77 would be 48 million tonnes of which the high profit yielding commodities (80) would be about 14 million tonnes representing an increase of 5.1 per cent over the previous year.

8.9 A brief analysis of a few selected commodities carried by rail is given in the following paragraphs.

#### Tea

8.10 The total production of tea and the quantities moved by rail were as under :—

Year	Production	Movement	Percentage of column 3 to 2
	(lakh tonnes)	by rail	
1	2	3	4
1971-72	4.31	2.80	65
1972-73	4.56	1.94	42
1973-74	4.68	1.99	42
1974-75	4.93	1.98	40
1975-76	4.38	1.16	26

8.11 The major portion of traffic in tea originates on North-east Frontier Railway as Assam and North Bengal regions are the major tea producers. Traffic booked from various stations of this Railway is indicated below :—

Year	Production	Originating traffic (lakh tonnes)	Percentage of Column 3 to 2
1	2	3	4
1968-69	3.03	1.85	61.0
1969-70	2.99	1.92	64.3
1970-71	3.19	1.65	51.7
1971-72	3.31	2.06	62.2
1972-73	3.51	1.30	37.0
1973-74	3.68	1.36	37.0
1974-75	3.83	1.46	38.0
1975-76	4.04	0.65	16.0

8.12 Tea meant for export used to be moved from stations on Northeast Frontier Railway to Kandla Port by all-metre-gauge specials. As a result of normalisation of conditions of working at Calcutta Port, tea traffic to Kandla has been reduced substantially with corresponding increase in traffic to Calcutta. Consequently, the lead became shorter, but due to transshipment involved in the movement by rail at New Bongaigaon and construction of road bridge across the Ganga at Farakka, traffic was diverted to road.

The Railway Board has stated (February 1977) that station to station rates with suitable freight reduction have been introduced to combat the diversion to road and in order to minimise detention at transshipment points this traffic is moved in block-rake. These are long term measures and their effect would be known after the trade is convinced of the better facilities offered.

#### *Rubber Tyres and Tubes*

8.13 Eastern Railway serves two major rubber tyres and tubes industries. Besides, there are several other small units served by this Railway.

There has been fluctuation in the traffic handled on this Railway as indicated below :—

Year	Originating traffic (thousand tonnes)
1969-70	33.44
1970-71	25.62
1971-72	26.17
1972-73	20.51
1973-74	34.81
1974-75	23.73
1975-76	25.41

The Railway Board stated (February 1977) that this region passed through worst of the time during 1970-71 to 1973-74; the forces of law and order were on the retreat; bundhs, go-slow, etc., were the order of the day. The capital was shy, the productivity low and the industries were languishing. The Railways' operation in the eastern sector was also adversely affected by the factors beyond the control of the Railway.

8.14 The Eastern Railway Administration promised to one of the tyre industries as early as March 1969 to supply adequate empties free from defects, to curtail transit time and avoid delays in issuing railway receipts, etc. A review of the position indicated that rejection of empties due to their being unfit for loading was generally on the high side, ranging between 15.35 per cent and 41.5 per cent during the period 1969-70 to 1972-73 as against 18.76 per cent during 1968-69. Against 1,654 wagons supplied during 1975-76, the number of wagons rejected as unfit was 257 or about 15.5 per cent. The wagons booked from the Siding of rubber tyre industry in Sealdah area were taking 20 to 25 days to reach Bombay. These wagons were required to be attached regularly to super express goods trains at Howrah and Shalimar but they were invariably hauled by ordinary goods trains.

*Carpet*

8.15 Woollen carpets are manufactured in and around Bhadohi in Uttar Pradesh. The traffic which is mainly for export is booked from Bhadohi station of Northern Railway to Bombay and Howrah from where it is shipped. In these cases the transit time is of utmost importance as the carpets are generally offered for carriage by rail 10 to 15 days in advance of the date of sailing. According to Railway's own assessment the traffic carried by rail during 1971-72 to 1974-75 were :—

Year	Movement by rail (thousand quintals)	Earnings (lakhs of rupees)
1971-72	16.11	1.95
1972-73	46.66	4.88
1973-74	28.66	3.30
1974-75	13.67	1.95
1975-76	11.69	1.60

8.16 The decline in traffic was attributed by the Marketing and Sales Superintendent, Northern Railway, to transit delay and consequent diversion of traffic to road. With a view to cutting down transit delays, the Northern Railway Administration decided in 1971-72 to attach wagons loaded with this traffic to passenger trains. In consequence the traffic increased during 1972-73. However, in April 1973, due to 'operational reasons' the Administration reverted to the old system of despatching wagons by work trains upto Mughalsarai. The running of the trains was extremely irregular and involved a transit time of 6.45 hours (for a distance of 45 kms). This step resulted in decline of traffic as indicated in the table above.

The Railway Board stated (February 1977) that the earlier system of carrying this traffic by passenger train had to be given up as this was operationally not feasible. Further, the production of raw wool in Rajasthan dropped during the years 1973-74 and 1974-75 and this affected the manufacture of carpets

at Bhadohi. It further stated that the Railways evolved other movement patterns to ensure expeditious clearance of this traffic to ports; the transit delays had been cut down and the carpet traffic in wagon loads was moving expeditiously.

### Raw wool

8.17 The raw material for woollen carpets is obtained by the manufacturers of Bhadohi from a woollen mill at Bhagat-ki-kothi (Rajasthan). The Northern Railway Administration introduced a scheme of "guaranteed clearance of small traffic" in September 1969 according to which this guaranteed traffic was required to be cleared by quick transit service. As the delays in transit could not be curtailed and traffic started diverting to road, the Railway Administration decided in May 1972 to despatch such consignments *via* Rattangarh, Delhi Sarai Rohilla, Kanpur and Janghai. Even then transit delays were not curtailed and almost the entire traffic had been lost to the Railways as indicated below :—

Year	Production (quintals)	Despatch by rail (quintals)	Percentage of column 3 to 2
1	2	3	4
1973-74	7,123	3,490	49
1974-75	6,537	2,490	37
1975-76	4,712	232	5

The earnings from this traffic in 1969-70 was Rs. 95,323 and in 1975-76 it dropped to Rs. 7,170.

It has been stated by the Railway Board (February 1977) that this diversion has been due to trade's interest in speedier transit to the consuming centres than what is possible by rail.

*Cotton raw (pressed and unpressed)*

8.18 The production of cotton raw (pressed and unpressed) and the quantities moved by rail during 1969-70 to 1975-76 were as under :—

Year	Cotton raw (million bales)	Production (million tonnes*)	Cotton— pressed and un- pressed— Move- ment by rail (million tonnes)	Percen- tage of column 4 to 3
1	2	3	4	5
1969-70	5.57	0.947	0.443	46.8
1970-71	4.76	0.809	0.376	46.5
1971-72	6.95	1.182	0.443	37.5
1972-73	5.74	0.976	0.407	41.7
1973-74	6.31	1.073	0.447	41.7
1974-75	7.08	1.204	0.340	28.3
1975-76		not available	0.382	not avail- able

The major portion of this traffic originates from Northern Railway, followed by Western and Central Railways. On Northern Railway the traffic had been increasing from year to year since 1972-73 and rose from 0.099 million tonne in 1971-72 to 0.16 million tonne in 1975-76.

The loading on Western Railway declined from 0.16 million tonne in 1971-72 to 0.044 million tonne in 1975-76. The production in the areas served by Western Railway in Gujarat and the loading figures are given below :—

Year	Production (bales)	Production (million tonnes*)	Loading (million tonnes)	Percentage of column 4 to 3
1	2	3	4	5
1971-72	29,58,765	0.503	0.163	32.4
1972-73	18,32,249	0.311	0.163	52.4
1973-74	19,98,704	0.341	0.118	34.6
1974-75	17,40,473	0.296	0.097	32.8
1975-76	17,20,291	0.292	0.044	15.1

\*Conversion based on 1 bale-170 kgs.



On Central Railway the traffic declined from 0.07 million tonne in 1971-72 to 0.062 million tonne in 1974-75. The Central Railway Administration became aware in April 1974 that a textile mill in Kerala was receiving ten thousand bales of full-pressed cotton every year from Bombay by road. Further, it was known (April 1975) that certain mills in Coimbatore were receiving six to seven lakh bales of fully pressed cotton every year from Maharashtra, Madhya Pradesh and Gujarat mostly by road because of quicker transport and door to door delivery, though road transport was costlier than rail transport.

### Tobacco

8.19 On Southern Railway, tobacco tendered for despatch by rail are moved to various destinations. The quantities booked along with corresponding quantities produced are given below for the years 1971-72 to 1975-76 :—

Year	Tobacco produced (tonnes)	Tobacco booked by rail (tonnes)	Percentage of column 3 to 2
1	2	3	4
1971-72	35,000	962	2.75
1972-73	22,000	1014	4.6
1973-74	42,000	526	1.25
1974-75	52,800	249	0.47
1975-76	not available	329	not available

Of the total quantity of tobacco produced in the area served by the Southern Railway, only a small percentage is moved by the Railway.

8.20 On South Central Railway, the Railway's share of traffic of Flue-cured Virginia tobacco, which is exported, was maintained, even though production had come down. The production figures and the quantity transported by rail were as follows :—

Year	Production (lakh tonnes)	Rail movement	Percentage of column 3 to 2
1	2	3	4
1973-74	1.56	0.34	21.7
1974-75	0.95	0.31	32.9
1975-76	0.88	0.29	33.0

### *Gunny bags*

8.21 Gunny bags are an item of high rated traffic. Due to restrictions on booking of traffic and other difficulties on Eastern Railway, the Gorakhpur Unit of Fertiliser Corporation of India had been getting its requirements of gunny bags from Calcutta mostly by road. During 1974 as against 33.6 lakh bags moved by road, only 3.3 lakh bags moved by rail.

The Railway Board stated (February 1977) that the Fertiliser Corporation of India was contacted and assured of better service and that it had advised its dealers in July 1975 to make despatches only by rail. The despatches from Howrah had increased markedly in 1975-76 over 1974-75.

### *Freight forwarder scheme*

8.22 Under this scheme, introduced in 1969, approved freight forwarders collect and deliver consignments from/to the godown of the individual traders at the forwarding and destination stations in "smalls" and offer them for transportation by rail between specified terminals in wagon loads. Such traffic is generally carried in conventional wagons or containers by nominated quick transit service or express and super express goods trains. The number of pairs of points between which the freight forwarder scheme was available during 1971-72 to 1975-76 and the number of wagons loaded and freight earned are mentioned in the table below :—

Year	Number of pairs of points having the scheme	Number of wagons loaded under the scheme	Freight earned under the scheme (lakhs of rupees)
1971-72	15	4,539	124
1972-73	31	8,964	243
1973-74	54	15,414	398
1974-75	67	12,872	387
1975-76	67	12,491	418

There had been a drop in the loading of wagons on all Railways during 1974-75 and 1975-76 mainly due to (a) imposition of restrictions in booking, (b) stiff road competition and (c) steep increase in lump sum freight charges

fixed for the freight forwarder due to revision in tariffs with effect from 15th September 1974.

8.23 In the case of two Railways the points noticed are mentioned below :—

The North Eastern Railway Administration sanctioned the scheme in August 1972 between Kanpur and Gorakhpur and in September 1973 between Kanpur and New Gauhati. The Marketing and Sales Superintendent informed the Railway Board in November 1973 that the freight forwarder appointed for the service between Kanpur and Gorakhpur did not offer any traffic due to octroi difficulties at Kanpur. At the instance of the Railway Administration, the Nagar Mahapalika, Kanpur, agreed in September 1973 to exempt the traffic offered by the freight forwarder from Octroi duty. The scheme, however, did not fructify even thereafter as the lead was short and there were overnight road services between these points. As many as six freight forwarders were appointed by the Railway Administration but no traffic was offered by them.

The scheme, sanctioned in 1973, between Kanpur and Gauhati was introduced in February 1976; traffic of six wagon loads only was offered by the freight forwarder up to June 1976.

On the Western Railway, though three freight forwarders were appointed in December 1973 mainly for piece goods traffic moving from Ahmedabad to Bangalore, no traffic was offered due to excessive transit time by rail as compared to road services. On the Vadodara Junction—Shalimar route, main traffic by road is baby food. The transit time by road was 5 to 7 days against 15 to 20 days taken by the railways. In April 1974 three freight forwarders were appointed to offer baby food traffic to the Railways. For curtailing the transit time by rail it was proposed to attach wagons from Vadodara

Junction to the then existing Kankaria--Shalimar quick transit service. The scheme was withdrawn in September 1974 as there was no report of traffic from Vadodara. The scheme was reintroduced from August 1975 when it transpired that one of the freight forwarders had in fact given traffic during July-August 1974 to the extent of one wagon every alternate day.

The Railway Board stated (February 1977) that it would be worth mentioning that the freight forwarder service introduced by the Western Railway between Carnac Bridge-Ghaziabad/New Delhi proved extremely popular with the trade as, against the loading of 94 wagons in 1971-72, 469 wagons were loaded in 1975-76.

#### *Container Service*

8.24 Container Service offers facility of safe transport of goods from the premises of the consignor to that of the consignee without any handling at the goods sheds. The containers are to be moved by nominated express goods trains. The containers have a capacity of 4.5 tonnes/5 tonnes. The containers are transported by specially designed flats.

8.25 During 1971-72, container service was available between 9 pairs of stations. It has been raised to 12 pairs of stations by 1974-75 as indicated in Annexure II. The following table gives the total number of containers loaded and freight earned :—

Year	Pairs of stations between which services are available	Number of containers loaded	Earnings (lakhs of rupees)
1971-72	9	31,880	144
1972-73	9	28,759	141
1973-74	11	29,205	157
1974-75	12	30,329	204
1975-76	12	36,939	271

It will be seen from the figures of loading and earnings of the services between 9 pairs of stations which have been continuing since 1971-72, indicated in the table below that there was a shortfall in the number of containers loaded during

1972-73 to 1974-75 as compared to that in 1971-72 :—

Year	Number of containers loaded	Earnings (lakhs of rupees)
1971-72	31,880	144
1972-73	28,759	141
1973-74	27,261	142
1974-75	28,199	185
1975-76	33,485	243

8.26 The following features came to notice in the course of review of the performance of selected services :—

- (a) increase in turn-round (interval between date of despatch from base station and return thereto) due to detention of containers at terminals and idling of containers for want of traffic;
- (b) delays in releasing the containers by the parties which adversely affected the turn-round of containers and flats (to discourage the traders penalty by way of demurrage is not leviable under the extant rules for detention of containers); (it has been stated by the Railway Board (February 1977) that some detention to containers at consignees' premises is an inherent feature of any transport system and that the container services being a nascent one, it has not been considered desirable to impose the levy of demurrage/wharfage);
- (c) the transit time continued to increase;
- (d) loading of containers on some routes had declined;
- (e) conventional and BOX wagons had been used for carrying the containers due to non-availability of flats;
- (f) general economic recession in the country and drop in production of industrial goods owing to severe power cut, labour unrest, etc.; and
- (g) dislocation of railway operations due to deterioration in law and order situation, strikes and go-slow by Railwaymen culminating in the strike of May 1974.

These are further analysed in the succeeding paragraphs.

8.27 The number of containers loaded *vis-a-vis* the target as

Sl. No.	Name of Service	Loading (target per annum)
1.	Carnac Bridge—Asarva near Ahmedabad—Western Railway	1200
	Asarva—Carnac Bridge	1200
2.	Carnac Bridge—New Delhi	3568
	New Delhi—Carnac Bridge	3644
3.	Salt Cotaurs—Bangalore	1924
	Bangalore—Salt Cotaurs	1115
4.	New Delhi—Howrah } Howrah—New Delhi }	2376
5.	Wadi Bandar—Salt Cotaurs	1800
	Salt Cotaurs—Wadi Bandar	1800
6.	Wadi Bandar—Secunderabad	1800
	Secunderabad—Wadi Bandar	1800
7.	Wadi Bandar—Yeshwantpur*	2082
	*Yeshwantpur—Wadi Bandar	1662
	*(near Bangalore City—Southern Railway)	
8.	Bangalore/Salt Cotaurs—Shalimar	1400
	Shalimar—Salt Cotaurs/Bangalore	1400
9.	Wadi Bandar—Shalimar	1684
	Shalimar—Wadi Bandar	1469
10.	Carnac Bridge—Kota	1200
	Kota—Carnac Bridge	600
11.	New Delhi—Salt Cotaurs/Bangalore	540
	Bangalore/Salt Cotaurs—New Delhi	540
12.	Pune—Salt Cotaurs	910
	Salt Cotaurs—Pune	560

NOTE:—The figures of actual loadings are inclusive of ad-hoc

per the Project Reports was as follows :--

Number of containers loaded during				
1971-72	1972-73	1973-74	1974-75	1975-76
1416	1266	1080	904	480
1352	1257	1024	660	435
5301	4810	4614	5154	6468
4846	4667	4174	3169	3733
1655	1351	876	537	257
1559	1138	477	352	286
1625	1466	1428	1398	1497
1639	1602	1621	2000	3035
1781	1486	1420	1979	1657
1262	1002	1230	1159	698
1683	1320	1169	1404	1253
1478	1272	1278	1732	1129
1303	913	926	1383	2531
955	699	1110	1167	775
946	1102	1046	1136	1325
958	1351	977	1221	2998
984	1132	1428	1482	2551
1137	925	1353	1334	1745
..	..	156	250	723
..	..	160	212	686
..	..	698	505	973
..	..	960	1111	1337
..	..	..	58	277
..	..	..	22	90

movements also.

The loadings were generally much below the targets in respect of the services mentioned at Sl. Nos. 1, 3, 5, 6, 7, 10 and 12 of the table above.

8.28 During October 1975 to December 1976, the detention of flats at New Delhi ranged between 67 hours and 135 hours in respect of New Delhi—Howrah service; between 98 hours and 138 hours in respect of New Delhi—Carnac Bridge service and between 70 hours and 104 hours in respect of New Delhi—Salt Cotaurs/Bangalore/Secunderabad service. The detention of flats at New Delhi adversely affected the optimum utilisation of flats and containers.

8.29 Six containers, each having carrying capacity of 5 tonnes, are generally carried on a flat. However, due to non-availability of flats, conventional/BOX wagons had been used for transporting the containers resulting in under-utilisation of the capacity of such wagons since the actual load placed in such wagons was 8 and 23 tonnes against the carrying capacity of 22 and 55 tonnes respectively. The number of conventional/BOX wagons so used is mentioned in the table below :—

Name of service	Number of containers transported in conventional/BOX wagons.			Percentage of containers carried in conventional/BOX wagons to total number of containers carried.		
	1973-74	1974-75	1975-76	1973-74	1974-75	1975-76
Bombay—Madras	279	774	1,012	20	39	61
Madras—Bombay	244	407	1,114	20	32	51
Bombay—Secunderabad	148	664	639	13	47	42
Secunderabad—Bombay	155	620	639	12	41	42
Bombay—Bangalore	152	468	929	16	34	47
Bangalore—Bombay	227	308	1,006	22	29	50
Bombay—Calcutta	21	39	1,031	1	3	38
Calcutta—Bombay	..	18	545	..	1	24

The conventional/BOX wagons were used mainly because of (i) supply of flats not matching with the provision of containers; (ii) non-availability of flats owing to their detentions at base stations, en-route, and on other Zonal Railways; and (iii) detention of flats marked for repairs.



It has been stated by the Railway Board (February 1977) that utilisation of BOX wagons in place of flats was a temporary feature; 150 flats were under manufacture and the present shortage would be made good when these flats were received.

8.30 The containers are required to be transported by nominated super express/express goods trains. While in respect of three services from New Delhi to (i) Bombay, (ii) Howrah and (iii) Salt Cotaurs/Bangalore the containers were generally attached to nominated trains, in respect of four services mentioned in the table below a large number of them had been carried by other trains. Consequently, the transit time exceeded the permitted time resulting in lesser turn-round of the containers. The table below shows the number of containers that arrived at Bombay by other than the nominated trains :—

Particulars of service	No. of containers carried by other than nominated trains				Percentage of containers carried by other than nominated trains to total number of containers			
	1972-73	73-74	74-75	75-76	72-73	73-74	74-75	75-76
Madras—Bombay	841	506	1223	1120	56	41	96	51
Secunderabad—Bombay	1240	1104	1400	990	91	85	90	65
Bangalore—Bombay	496	677	1171	1290	62	66	98	64
Calcutta—Bombay	372	436	504	211	33	31	29	10

It has been stated by the Railway Board (February 1977) that efforts are made to clear the booked containers by other goods trains on the days on which nominated goods train is not scheduled to run.

8.31 The turn-round time (interval between dates of despatch and return to base station) of containers and flats of Central Railway exceeded the target time as will be seen from the table below :—

Service	Target (days)	Turn-round time (days)			
		1972-73	1973-74	1974-75	1975-76
Bombay—Madras—Bombay	11	15.8	23.7	23.3	18.4
Bombay—Secunderabad—Bombay	8	11.6	11.9	12.6	16.5
Bombay—Bangalore—Bombay	12	13.2	13.9	14.4	14.9
Bombay—Calcutta—Bombay	13	15.4	23.9	22.6	16.2

The turn-round was affected due to detentions of containers in consignees' premises and more transit time of containers and flats.

8.32 Transit time taken by containers on their return journey is shown below :—

Name of Service	Target (days)	Actual transit time (days)			
		1972-73	1973-74	1974-75	1975-76
Madras—Bombay	5	5.7	10.4	12.9	6.6
Secunderabad—Bombay	3.5	5.1	6.9	7.8	6.3
Bangalore—Bombay	5.5	7.9	10.8	11.4	8.9
Calcutta—Bombay	6	5.4	8.6	9.8	6.6

The Railway Board stated (February 1977) that there had been significant improvement in the transit time taken during 1976-77 (7 months).

8.33 In respect of services terminating on Central Railway and services originating from New Delhi containers were hauled empty as follows :—

Name of service	Number of containers hauled empty			Percentage of empty containers to total number of containers hauled		
	1972-73	1974-75	1975-76	1972-73	1974-75	1975-76
Madras—Bombay	500	215	1456	33	16	67
Secunderabad—Bombay	118	Not available	1028	9	Not available	67
Bangalore—Bombay	175	93	1234	22	8	60
Calcutta—Bombay	185	411	835	17	23	38
New Delhi—Bombay	Not available	1953	2862	Not available	37.8	43.4
New Delhi—Howrah	Not available	565	2573	Not available	28.7	41.8

The Railway Board stated (February 1977) that on account of basic imbalance of traffic streams and day to day fluctuations in offering of traffic by customers, empty haulage of containers was inescapable.

8.34 Five tractor trailer units meant for transport of containers from firm's premises to Railway stations and *vice versa*, costing Rs. 6 lakhs, have been lying unused on Central Railway since September 1974 owing to a dispute with Maharashtra Government regarding Railway's liability for payment of vehicle tax.

8.35 On the basis of anticipated number of containers to be loaded monthly during 1975-76, the Railway Board allotted four additional tractors and matching semi-trailers for the container service running between Secunderabad and Wadi Bandar. These were received during March and May 1975, and have been lying in the open at the container terminal at Secunderabad. The South Central Railway Administration is unable to put these tractors, costing Rs. 2.72 lakhs, to use even on a trial basis for want of matching fifth wheel assemblies and semi-trailers, costing Rs. 1.02 lakhs, which are yet to be supplied by a Calcutta firm. In July 1976, considering the downward trend in the loading of containers at Secunderabad, the South Central Railway Administration requested the Railway Board to transfer these tractors to some other Railway, but the latter did not agree and directed the Railway Administration to explore the feasibility of utilising them by other departments for the time being.

8.36 Similarly, 3 out of 5 tractor units procured in 1973-74 by Northern Railway for New Delhi—Howrah and New Delhi—Carnac Bridge service have been idling for want of trailers and other components required for putting these vehicles into operation. These cost Rs. 2 lakhs approximately.

### Station to Station Rates

8.37 Station to station rates below the normal tariff rates are quoted by the Railways, where justified, to attract traffic to railways and to secure additional revenue. The rate to be quoted should be such that it leaves some margin after meeting the cost of operation.

8.38 For despatch of motor cars and scooters from Bombay area and Chinchwad near Pune to important metropolitan centres, station to station rate at 3 to 35 per cent below the normal tariff had been sanctioned by the General Manager, Central Railway, from time to time since July 1969. However, traffic did not materialise upto the expectation as supply of special type of vans to the extent required was not guaranteed.

8.39 The despatches in respect of total number of vans loaded with motor cars and tempos/auto-rickshaws respectively, which included loading at special station to station rates, were as indicated in the table below :—

Year	Number of vans loaded	
	Motor cars	Auto-rickshaws
1972-73	766	289
1973-74	624	258
1974-75	555	272
1975-76	532	249

The Railway Board stated (February 1977) that the fall in traffic was mainly due to (i) drop in production of Fiat cars from a level of 13,192 in 1972-73 to 12,229 in 1975-76, (ii) increase in local consumer demand and (iii) disturbed law and order conditions and dislocation of Railway operations resulting in shortage of special type of vans. As regards fall in loading of tempos and auto-rickshaws, it was attributable to factors like speedier transit and competitive rates offered by road hauliers.

8.40 There was diversion of traffic to road in respect of lubricating oil including industrial and insulating oil booked from Wadi Bandar on account of increase in freight rates due to upward classification of these commodities with effect from 15th February 1975. The traffic carried by rail fell from 52,899

tonnes in 1974-75 to 23,071 tonnes in 1975-76. This drop is stated by the Railway to be partially off-set by increase in loadings from other stations in Bombay Division. The Railway Administration introduced a special rate, 10 per cent below the normal tariff rate, for wagon load traffic from Wadi Bandar to Madras with effect from 11th March 1976. This got neutralised in general freight increase from 1st April 1976.

### *Quick Transit Service*

8.41 Under this scheme (originally introduced in April 1956) delivery of goods is guaranteed within a fixed time on payment of 5 per cent surcharge (subject to a minimum of one rupee), in addition to ordinary freight charges, and if delivery is not effected within the stipulated period, the surcharge is refunded. Quick transit service wagons are moved by super express/nominated express goods trains.

8.42 The total amount of surcharge collected and amount refunded are indicated in the table below :—

	1971-72	1972-73	1973-74	1974-75	1975-76
				(lakhs of rupees)	
Surcharge collected	31.38	37.31	41.48	41.69	48.77
Amount refunded	2.75	4.70	11.88	10.15	8.58
Percentage of refund to surcharge collected	8.76	12.59	28.64	24.35	17.59

Note: These figures are still (March 1977) to be verified by the Railway Administrations.

8.43 A review of six services (mentioned below) disclosed that the incidence of refund of surcharge due to non-delivery of consignments within the guaranteed period had been increasing.

Sl. No.	Pairs of points between which the services are available.	Date of introduction	Transit time fixed (in days)
1.	Salt Cotaurs—Belanganj (Agra)	1st October 1956	13
2.	Raichur—Wadi Bandar	15th March 1972	5
3.	Lucknow—Wadi Bandar	9th February 1969	12
4.	Carnac Bridge—Ballabgarh	25th February 1972	6
5.	Kanpur—Wadi Bandar	1st February 1960	10
6.	Cochin Harour terminus—Wadi Bandar	2nd May 1969	10

The amounts of surcharge realised and refunded during 1971-72 to 1975-76 in respect of these services are shown below :—

Year	Amount realised	of surcharge refunded	Percentage
1971-72	71,660	10,215	14.25
1972-73	1,20,464	30,398	25.23
1973-74	73,145	50,720	69.34
1974-75	72,674	44,691	61.49
1975-76	72,022	33,048	45.88

Two other services between (i) Coimbatore and Wadi Bandar and (ii) Tiruchirappalli and Wadi Bandar introduced in October 1966 and January 1970 respectively had to be withdrawn during August-September 1976 due to poor results. The percentage of refunds of surcharge to the total collection in respect of these services had been increasing as shown below :—

Service		1971-72	1972-73	1973-74	1974-75	1975-76
Coimbatore to	C	17,154	36,354	17,422	3,087	1,018
Wadi Bandar	R	1,935	11,404	14,725	3,029	537
	P	11.37	31.37	84.53	98.12	52.75
Tiruchirappalli	C	14,823	35,021	28,618	28,312	9,777
to Wadi Bandar	R	1,535	9,057	18,601	18,237	5,084
	P	10.36	25.86	65.00	64.41	52.00

(C—Collected, R—Refunded, P—Percentage).

8.44 The following services are available from/to Rajindra Nagar Goods Shed (Patna Junction) of Eastern Railway :—

Sl. No.	Pairs of points between which the services are available	Date of introduction	Transit time fixed (in days)
1.	Wadi Bandar—Rajindra Nagar Goods shed	10th April 1970	12
2.	Manmad—Rajindra Nagar Goods shed	1st October 1973	12
3.	Nasik Road—Rajindra Nagar Goods shed	1st October 1973	13
4.	Lasalgaon (near Manmmad Junction Station of Central Railway)—Rajindra Nagar Goods shed	1st October 1973	12
5.	Ballabgarh—Rajindra Nagar Goods shed	10th April 1971	10
6.	Pablikhas (near Meerut Cantt-Northern Railway)—Rajindra Nagar Goods shed	July 1975	7

The incidence of refund of surcharge due to non-delivery of consignments within the guaranteed period had been increasing as shown in the table below :—

Year	Amount of surcharge <u>realised</u> refunded		Percentage of column 3 to 2
	Rs.	Rs.	
(1)	(2)	(3)	(4)
1971-72	18,507	791	4.3
1972-73	21,585	3,224	14.9
1973-74	28,808	6,067	21.1
1974-75	30,013	4,933	16.4
1975-76	34,779	5,809	16.1

NOTE : The figures are yet (March 1977) to be verified by the Railway Administration

The high incidence of refunds has been attributed to late running of trains due to late line clear, engine failures, engineering restrictions, detentions enroute, haulage of wagons loaded with such consignments by ordinary goods trains instead of by nominated ones and detention of quick transit service wagons in the yards enroute. A test check of the records of Mughalsarai and Danapur yards for the year 1975-76 revealed that detention of such wagons ranged between 15 hours (in May 1975) and 221 hours (in December 1975).

The Railway Board stated (February 1977) that these factors are part of day to day railway operation and unavoidable in nature.

8.45 A review of the performance of quick transit services in operation between (i) New Delhi-Kankaria-Ahmedabad, (ii) New Delhi-Kota and (iii) New Delhi-Surat disclosed that during June to December 1975 surcharge had been refunded almost to the extent of 100 per cent, in respect of (i) and (ii) and in the case of (iii) the refund varied between 66 and 100 per cent. The circumstances under which delivery of consignments could not be effected within the guaranteed period are still (February 1977) to be investigated by the Railway Administration.

8.46 In certain cases wagons carrying quick transit service consignments were sealed through to destination stations irrespective of weight loaded resulting in underloading of wagons and

consequent loss of revenue to Railways. A few such instances are :—

- (a) The quick transit service from Lucknow to Madras, Howrah and Wadi Bandar is generally availed of for booking of consignments of iron and general goods to Madras, tobacco, general goods and grains to Howrah and achar (pickles), agarbati, etc. to Wadi Bandar. During the period May 1972 to October 1974, such consignments loaded in 343 wagons were sealed through to all these three destinations and the weight loaded in each wagon ranged between 12 to 21 quintals against the minimum of 90 quintals prescribed for a through sealed wagon.
- (b) Consignments of glassware are booked in “smalls” from Ferozabad to Wadi Bandar and Howrah and are carried by weekly quick transit service. During the period August 1972 to December 1974, such consignments loaded in 191 wagons were sealed through to Wadi Bandar and Howrah even though the pay load in each wagon was seldom more than 40 quintals (in some cases it was as low as 6 quintals) against minimum load of 60 quintals.

The Railway Board stated (February 1977) that the procedure of sealing and despatching the wagons with available consignments through to destination after a reasonable load had been achieved, without unduly detaining the booked consignments instead of despatching to the next repacking points, had the added merit of ensuring better utilisation of the wagon and yielding turn-round.

8.47 A review of the performance of selected services on Western Railway, *viz.*, (i) Carnac Bridge-Jaipur, (ii) Carnac Bridge-Kankaria and (iii) Ghaziabad-Carnac Bridge revealed that during April 1975 to March 1976 surcharges realised had almost wholly been refunded. A further analysis to find out



the reasons for refund disclosed that consignments booked ex-Muzaffarnagar to Anand (served by Ghaziabad-Carnac Bridge service) during December 1974, February 1975, December 1975 and January 1976 had generally been received after 10 to 15 days against the guaranteed transit time of 9 days. Though, in some cases wagons were received at Anand within the stipulated time they were placed for unloading after the expiry of the target time. In respect of quick transit service wagons booked ex-Nagda (Western Railway) to Rajpura (Northern Railway) during 1975, the delay ranged between 1 and 17 days at the forwarding station itself.

The Railway Board stated (February 1977) that the first two services involve break of gauge and consequently difficulty was being experienced to adhere to the target.

8.48 On the North Eastern Railway the following services were in operation during the years 1973-74 to 1975-76.

- (a) Jayanagar Nepal Siding—Nautanwa
- (b) Kankaria—Muzaffarpur/Narayanpur Anant
- (c) Wadi Bandar—Muzaffarpur/Narayanpur Anant

Except during the month of December 1975 (when 102 consignments were booked) no traffic was offered at Jayanagar Nepal siding during 1974-75 and 1975-76. The service between Muzaffarpur/Narayanpur Anant and Wadi Bandar was also not satisfactory on account of late handing over of quick transit service wagons by broad gauge system to North Eastern Railway at transhipment/interchange points and detentions of consignments at Wadi Bandar itself (varying between 34 <sup>and</sup> 41 days during March 1975).

8.49 On the South Central Railway, in certain cases the quick transit service traffic had not been received at destination station within the guaranteed period mainly due to late handing over of quick transit service wagons by the adjoining Railways resulting in heavy incidence of refunds of the surcharge. The extent of traffic received after the guaranteed period ranged between 47 per cent and 84 per cent during the period 1973-74 to 1975-76.

The Railway Board stated (February 1977) that in the cases of streams of traffic involving long leads over more than one railway and those involving break-of-gauge it had generally been found difficult to stick to transit time.

### *Road and industrial surveys*

8.50 As mentioned earlier, an important function of the Marketing and Sales Organisation is to undertake commodity/road surveys to ascertain commoditywise pattern of traffic moving by road and the points between which this traffic moved with a view to assessing as to which of this traffic could be brought to railways with advantage.

8.51 The survey reports and the action taken thereupon by different railways were reviewed. The salient points noticed are indicated below :

#### (a) Central Railway

(i) The Marketing and Sales Organisation of the Central Railway carried out 11 surveys during 1970-71 to 1975-76. The reports of surveys carried out during 1971-72 at Panvel Petrol Naka and at Panvel Palaspe Naka (near Bombay) contained statistical data about number of trucks moved and nature and quantum of traffic carried by road. It did not contain information about transit time taken by road hauliers *vis-a-vis* by rail between the same pairs of points, freight charges, etc. nor did it contain recommendation of the survey team about the measures to be taken for winning traffic to Railways.

The Railway Board stated (February 1977) that the truck crew did not carry necessary information and did not agree to furnish this information to the Railway officials.

(ii) During 1975-76, four surveys were undertaken at (a) Wadi Naka No. 10 (near Nagpur) on National Highway No. 6 (between Calcutta and Dhulia, Maharashtra), (b) Dhulia at junction of National Highways No. 3 (between Bombay and Agra) and No. 6 and (c) Raksha check point at Jhansi on National Highway No. 25 (between Shivpuri, near

Gwalior, and Lucknow) and (d) Sahaganj Octroi post, Agra. The reports of the survey teams were submitted to the Railway Administration in 1975. The teams did not make any recommendation except in the case of (a). According to the recommendation, certain measures were to be taken by Railway Administration to serve traffic in onion, textile goods, steel pipes and structural materials moving by road from Nagpur.

The Railway Board stated (February 1977) that onion and textile traffic is a short lead traffic best suited to road transport. However, for textile traffic from Nagpur, freight forwarder schemes from Nagpur to New Delhi, Madras and Bombay had since been introduced.

(iii) Survey of industries in Chinchwad-Pimpri-Bhosari areas near Pune was carried out in August-September 1973. According to the report of the survey team, there was considerable diversion of high rated traffic from rail to road due to operating restrictions imposed from time to time on supply of wagons and loading of traffic. There were complaints from traders against longer transit time, irregular supply of open wagons for crane traffic and non-availability of cranes of capacity higher than 20 tonnes. The Survey team recommended replacement of the existing 20 tonnes fixed crane by a crane of higher capacity and to introduce the scheme of street collection and delivery of traffic in the area.

The Railway Board stated (February 1977) that operational restrictions had been imposed in public interest; street collection and delivery services had been introduced in Pune City; installation of a higher capacity crane had been considered but rejected; a container service between Pune and Madras was operative.

The measures taken by the Railway Administration to retrieve the traffic diverted to road does not seem to be effective as only 1,506, 1,589 and 1,233 wagons were booked from this area during 1973-74, 1974-75 and 1975-76 respectively against 1625 wagons in 1972-73.

(iv) The survey of Faridabad-Ballabgarh Industrial Complex undertaken during March-April 1973 disclosed that difficulties were experienced by trade due to frequent restrictions on booking

of traffic by rail, irregular and erratic supply of wagons, detentions at originating points, enroute, etc. Though Faridabad had been declared as a restriction-free station from June 1971, a number of restrictions were imposed on this Goods shed causing hindrances in the free movement of traffic. The existing terminal facilities were also considered to be inadequate.

The Railway Board stated (February 1977) that operating restrictions had to be imposed in public interest and that proposal for augmenting terminal facilities had to be dropped due to difficult ways and means position and heavy cost involved. The Railway Board also stated that suggestions made by the trade to improve loading, unloading and storage facilities and to introduce a scheme of guaranteed clearance, removal of operating restrictions, etc., had been implemented. However, the traffic booked in this section declined from 14,506 wagons in 1973-74 to 10,340 wagons in 1975-76.

#### (b) Eastern Railway

Two industrial surveys and six road surveys were carried out on this railway during 1972-73 to 1975-76. According to the report on the survey made in the industrial area at Durgapur during January 1976, the major portion of the products of industries situated at Durgapur, such as alloy steel, cast iron, steel spring, chemicals, gas cylinders, electrodes, etc., were moving by road to far off destinations like Madras, Bangalore, Bombay, Faridabad, Delhi, etc. The diversion from rail to road was attributed to (a) longer transit time by rail (b) imposition of restrictions (c) non-supply of empties (wagons) (d) loss due to pilferage enroute and (e) delays in settlement of claims for losses and damages to consignments. In a majority of the cases the transit time taken by the Railways was 2 to 3 times more than that by road. The transit time to Madras etc., had increased from about two weeks to 3-4 weeks.

The Railway Board stated (February 1977) that the constraints mentioned above are a story of the unfortunate past through which the Eastern Sector had to pass. It is a fact that

transit time from Durgapur to destinations in South by road is better than by rail. However, the efforts of the Marketing and Sales Organisation since the promulgation of Emergency had succeeded in securing additional traffic from accredited customers.

(c) Southern Railway

During the years 1971-72 to 1975-76, fifteen road surveys were undertaken by the Marketing and Sales Organisation of Southern Railway. The survey reports generally contained particulars of traffic that moved by road, loads carried, etc. Based on the reports of the survey, canvassing is stated to be done by the commercial officials with the consignors and consignees of goods which are considered susceptible of diversion to rail.

(d) Northern Railway

(i) Between 1970 and 1973, twelve commodity surveys, eleven road surveys and five industrial surveys were undertaken. The survey undertaken in December 1973 related to Industrial Estate, Okhla. The Survey Team in its report attributed diversion of traffic from rail to road to delays in supply of cranes, inadequate terminal facility at Okhla Station and belated clearance, ranging from 3 days to 7 days and above, of originating traffic. An additional crane is stated to have been provided for. However, the terminal facilities are still (October 1976) to be improved.

The Railway Board stated (February 1977) that the following action had since been taken by the Railway :—

- (i) an additional crane had been provided;
- (ii) a new pilot train had been introduced to expedite clearance of wagons awaiting despatch;
- (iii) some important customers in the Okhla Industrial Area had been brought on the container circuit; and
- (iv) Quick transit service had been introduced from Okhla to Bombay (Carnac Bridge).

Augmentation of the terminal facilities at Okhla could not, however, be taken up since the question of an underground railway for the metropolitan area was under consideration.

(ii) The road survey undertaken in July 1974 at the terminal tax barrier between Uttar Pradesh and Bihar border near Mughalsarai revealed that during three days of survey, 840 trucks loaded with goods weighing 78,653 quintals (approximately) passed through the check-post; of these, 744 trucks carried goods weighing 73,912 quintals for distances beyond 300 kms. The traffic, mostly originating from places in Delhi, Moradabad and Allahabad Divisions of Northern Railway, was high rated traffic, like carpets, iron and steel, cement, glassware, aluminium, spirit, alcohol, etc., and accounted for about 40 per cent of the total traffic carried by road. The diversion of traffic to road was attributed in the Survey report mainly to operating restrictions imposed by the Railway Administration from time to time.

The Railway Board stated (February 1977) that operational restrictions had to be imposed from time to time as the conditions warranted.

#### (e) South Eastern Railway

During the period 1971-72 to 1975-76 South Eastern Railway Administration conducted four road surveys at Kolaghat check-post (two in January-February 1973 and December 1973 and the other two in April and September 1975). These surveys revealed that the principal commodities carried by road to and from Calcutta were machinery parts, tea, medicines, cotton piece goods, electrical goods, paints, aluminium products, iron scrap, etc. It was found that traffic to Madras and Tatanagar were moving by road mainly because of cheaper freight rates by road which were inclusive of door to door service, saving in transit time and imposition of frequent restrictions for booking of goods by rail. Booking of goods from Shalimar Station to Madras only on nominated days also contributed to diversion of traffic to road. Shortage of covered wagons was also found to be one of the reasons of diversion of traffic to road.

In order to capture traffic from Shalimar to Salt Cotaurs (Madras), the South Eastern Railway Administration engaged freight forwarders for transportation of traffic by rail in "smalls" in conventional wagons; but it was observed in the road survey carried out between 4th and 7th September 1975 that some of the freight forwarders transported such traffic by road to Madras instead of offering it to the Railways.

#### (f) Western Railway

During the period 1971-72 to 1975-76, ten road and five industrial surveys were conducted at important traffic outlets in ten cities—Bombay (Bassein creek), Jaipur, Bhilwara, Vadodara, Bharuch, Ahmedabad, Ajmer, Chotila (Rajkot Division), Kota and Surendranagar. The survey teams did not make any recommendation except in the case of surveys at Bombay and Jaipur. In the case of the former, the Divisions were advised in February 1972 to find out ways and means for attracting traffic to rail and to examine the feasibility of running of point to point specials, loading on nominated days, provision of Railway Protection Forces' escorts and quoting of special rates. At Jaipur it was found that the traffic to Bombay was in "smalls" and for securing it the survey team felt that introduction of quick transit service was needed.

The Railway Board stated (February 1977) that the suggestion regarding introduction of quick transit service from Jaipur to Bombay for 'smalls' traffic could not be implemented due to break of gauge involved.

Surveys of industrial areas at Vapi, Vallabhvidya Nagar, Dewas, Udhna and Gandhidham were conducted during 1974 to 1976. The bulk of the products of industries at Vapi, Vallabhvidya Nagar, Dewas and Udhna, ranging between 70 per cent and 96 per cent, were found to be moving by road. Non-availability of wagons, excessive transit time by rail and more incidence of damages in transit were found by the survey team as the contributory factors for less traffic by rail.

## CHAPTER III

### D.C. ELECTRIC TRACTION

#### 9. D.C. Electric Locomotives (WCG-2)

9.1 Bombay-Igatpuri and Bombay-Pune sections of Central Railway were progressively provided with direct current (D.C.) electric traction since 1928-29. D.C. electric locomotives (57 numbers—41 freight type and 16 passenger type) which were in use on these sections since then had become due for replacement in 1963-64. In September 1963, the Railway Board decided to replace these 57 old D.C. locomotives during the Fourth Five Year Plan period. A formal order for the manufacture of ten 1,500 V D.C. freight type locomotives was placed on the Chittaranjan Locomotive Works by the Railway Board in October 1964.

9.2 In January 1965 the Central Railway Administration informed the Railway Board that owing to development and industrialisation in the Bombay area and the expansion of the Bombay Port and other factors, the traffic across Thull ghats (North-east line) and Bhore ghats (South-east line) was likely to be substantially heavier by the end of the Fourth Five Year Plan period than what it was then. It was, therefore, necessary to increase the line capacity on these ghat sections. It was considered by the Railway Administration that provision of locomotives capable of hauling 1,830 tonnes trailing loads in both the directions over these ghats (as against the then existing limitation of trailing loads of 1,250 tonnes during dry season and one thousand tonnes during monsoon) at speeds reaching 15 kms per hour would give an immediate increase of about 50 per cent in the line capacity for goods trains without having to increase the number of trains to be run.



9.3 The Central Railway Administration further pointed out to the Railway Board in June 1965 that keeping in view the fact that the authorised trailing loads on a neighbouring section viz., Igatpuri-Bhusaval Section, after electrification with 25,000 V A.C. traction had been specified as 2,314 tonnes in the up direction from Bhusaval to Igatpuri and 1,990 tonnes in the down direction from Igatpuri to Bhusaval, it would be desirable that the new D.C. engines for the Bombay—Igatpuri and Bombay—Pune Sections were designed to haul the same loads to avoid stepping down/up of the loads at Igatpuri. The higher trailing loads would also give substantial benefit in increasing the throughput across the ghat sections which were major bottlenecks.

9.4 Originally, the Railway Board, after due consideration of the relative merits of the BB and Co Co design locomotives, decided in 1965 to adopt the four-axled BB monomotor bogie design for locomotives for 1,500 V D.C. operation. One of the important considerations was that the production of BB design A.C. locomotives was already established at Chittaranjan Locomotive Works and the manufacture of D.C. locomotives of BB design would present no problem. However, in December 1966, the Railway Board decided to change over to six-axled Co Co design for the locomotives on the following considerations, amongst others :

- (i) The BB design motor would require considerable modification necessitating change in the bogie. This would, in turn, require prototype trials to prove the designs before bulk production commenced. With this appreciation the Chittaranjan Locomotive Works estimated that a prototype BB could be delivered in about 3 years time and bulk production could start only after 4 years. This schedule would be totally unsuitable as the requirements of Central Railway were urgent.
- (ii) For the Co Co design the Research, Designs and Standards Organisation had proposed to adopt

established traction motors and proved ALCO bogies. This would enable the Chittaranjan Locomotive Works to start outturn in about 2½ years' time and complete about 25/27 locomotives by March 1970.

- (iii) The overall foreign exchange commitment for the BB design would be more than for the Co Co design (the foreign exchange content of a BB design locomotive being about Rs. 1.20 lakhs more than that of a Co Co design locomotive). The total cost of BB design was, however, less by about Rs. 2.3 lakhs per locomotive.
- (iv) A fleet of 57 Co Co locomotives was expected to give about 30 per cent additional throughput as compared to the BB design.

Accordingly, the Railway Board, during 1964—68, placed orders on the Chittaranjan Locomotive Works for the manufacture of 57 D.C. electric locomotives (WCG-2) of Co Co design on priority basis. The production was scheduled to be started within 2½ years and an outturn of 25/27 locomotives was to be reached by March 1970.

9.5 The design for the locomotive was finalised by the Research, Designs and Standards Organisation and made available to the Chittaranjan Locomotive Works in 1967. As per the specifications, the locomotive was required to fulfil the following, amongst other operating requirements :

- (i) haul a trailing load of 3,660 tonnes 'BOX wagons' at a balancing speed of 80 kms per hour on level;
- (ii) starting and hauling a load of 1,830 tonnes at a balancing speed of 33.5 kms per hour on 1 in 100 gradient; and

- (iii) assisted by a similar banking locomotive, starting and hauling a load of 1,830 tonnes at a speed of 15 kms per hour on 1 in 37 gradient.

In other words, it was expected that this locomotive with a single banker would be capable of hauling a trailing load of 1,830 tonnes in ascending and descending directions on both ghat sections *viz.*, Kalyan—Pune and Kalyan—Igatpuri.

9.6 Three prototypes of the locomotives were manufactured in January, March and June 1971 and trial tests on these were conducted by Central Railway in March, April and July 1971. It was found that this locomotive was capable of hauling 1,600 tonnes mixed loads on Kalyan—Vasind portion of Kalyan—Igatpuri section (actual compensated gradient being 1 in 87.5 instead of 1 in 100) at a speed of 51 kms per hour as against the designed capacity of 1,830 tonnes at speed 33.5 kms per hour and when assisted by a similar banking engine was capable of hauling a load of 1,250 tonnes only at a speed of 33 kms per hour in the ghat section of Kasara—Igatpuri (the actual compensated gradient being 1 in 33.5 instead of 1 in 37) against the designed capacity of 1,830 tonnes at speed 15 kms per hour. The additional capacity created by this increase in speed for running additional number of trains was, however, not considered advantageous as this would necessitate procurement of 16 additional locomotives and execution of additional line capacity works.

9.7 In March-April 1972, the Research, Designs and Standards Organisation conducted "rating, performance, adhesion and continuous rating speed tests" on one of the three prototypes with a trailing load of 1,088 tonnes and found that the percentage of running adhesion ranged between 15.30 and 20 with continuous slipping on certain portions against the designed adhesion value of 23.2 per cent.

9.8 Although the performance of the prototypes was not satisfactory, series production of locomotives was undertaken and by September 1972, ten locomotives were delivered to Central

Railway. Yearwise outturn and cost of production of the locomotives delivered to Central Railway are indicated below :—

Year	No. of locomotives	Cost of locomotives (provisional) (rupees in lakhs)
1970-71	3 prototypes	87.63
1971-72	6	1,64.79
1972-73	14	3,77.97
1973-74	14	3,98.86
1974-75	13	4,71.86
1975-76	4	1,20.00
Total	54	16,21.11

9.9 Though the decision to adopt Co Co design was based *inter alia* on the considerations that there would be a saving in foreign exchange to the extent of Rs. 1.20 lakhs per locomotive (foreign exchange content was assessed at Rs. 2.79 lakhs in the case of a BB design locomotive and Rs. 1.59 lakhs in the case of a Co Co design locomotive) and the Chittaranjan Locomotive Works would be able to start outturn in about 2½ years and complete about 25/27 locomotives by March 1970, the actual expenditure on foreign exchange per locomotive was Rs. 3 lakhs as more components than contemplated originally had to be imported and there had been considerable delay in the actual production as would be evident from the table above.

9.10 The Railway Board stated (January 1977) that it was not considered desirable to wait for ideal conditions to prevail for the series manufacture to commence as the need for replacing old locomotives was pressing. It further stated that the hauling capacity of "the locomotives continues to be the same as that of the prototype. As regards the major equipments like traction

motors, M.A. sets (motor alternator sets), high speed circuit breakers etc., there has been significant improvement in the performance as a result of certain modifications which have been carried out and efforts are continuing” for further improvements.

9.11 During 1968-69 to 1973-74 estimates for works costing Rs. 8.14 crores were sanctioned for (i) strengthening the power distribution system by augmenting the capacity of the overhead equipment and substations to meet additional traction power requirement (including that for the new WCG-2 Co Co design locomotives (Rs. 2.65 crores); (ii) replacement of 2,500 KW rotary convertors on age-cum-condition basis by 3,000 KW rectifiers to augment the capacity of the converting plant (Rs. 3.98 crores); (iii) extension/provision of loops to hold 65/70 wagons at all stations in the two sections as against 45 wagons (Rs. 1.38 crores); and (iv) additional facilities at the locomotive shed, Kalyan, to facilitate inspection of 57 Co Co locomotives (Rs. 0.13 crore). These works were undertaken between 1969 and 1974 and have been executed to the extent of 70 to 100 per cent. The expenditure booked up to May 1976 was Rs. 12.90 crores, of which Rs. 5.27 crores were in respect of replacement works which would have been undertaken even otherwise on age-cum-condition basis.

### *Performance of Locomotives*

9.12 The new locomotives (four numbers) were brought into use for the first time in April 1972 in Kalyan—Igatpuri and Kalyan—Lonavla Sections and by the end of March 1975/March 1976, 43/54 locomotives were in service. Since these locomotives could not haul the loads for which they were originally designed, lower hauling loads (permissible load) based on actual experience of the working of these locomotives were fixed by the Railway Administration which is considered by the Research, Designs and Standards Organisation to be the capability of the ‘present design’. The original designed capacity

and the hauling capability of each of these locomotives are mentioned below :

Designed hauling capacity		
Plain section (Wadi Bandar-Kalyan)	3660 tonnes (BOX wagons)	
	2250 tonnes (four-wheeled wagons)	
Ghat sections (Kalyan-Igatpuri and Kalyan-Pune)	1830 tonnes in 1 in 100 gradient	
	1830 tonnes in 1 in 37 gradient assisted by one similar banking locomotive	
Permissible load (with reference to the actual capability of the design)		
Plain section (Wadi Bandar-Kalyan)	Down (ascending) and up (descending) direction: 2000 tonnes	
Ghat sections (Kalyan-Igatpuri Kalyan-Pune)	Down (ascending) direction :	1250 tonnes with one banker 1600 tonnes with two bankers
	Up (descending) direction :	1600 tonnes with one banker 1800 tonnes with two bankers

9.13 The actual gradient on Kalyan—Vasind portion of Kalyan—Igatpuri section is 1 in 87.5 compensated for curvature. Similarly, the actual gradient on Kasara—Igatpuri section is 1 in 33.5 duly compensated for curvature. However, on the advice of the Central Railway Administration that these two sections have gradients of 1 in 100 and 1 in 37 respectively the design parameters as adopted by the Research, Designs and Standards Organisation were gradients of 1 in 100 and 1 in 37 in these sections respectively. This is stated by the Research, Designs and Standards Organisation to be one of the factors for the poor performance of the locomotives.

9.14 The other reasons for the unsatisfactory performance of the locomotives stated by the Railway Administration were less locomotive axle load, stalling and lack of adequate hand brake power.

9.15 The performance of the equipments provided on these locomotives was found by the Railway Administration to be "far from satisfactory" which made the locomotives "very much unreliable". The traction motors, relays, motor alternators and

the high speed circuit breakers installed on these locomotives were found to be causing maximum defects.

9.16 It may also be mentioned that regenerative braking equipments which were considered necessary by the Research, Designs and Standards Organisation, are yet to be provided in the locomotives so far manufactured and supplied.

9.17 The availability of the WCG-2 locomotives and their utilisation during the years 1972-73 to 1975-76 were as under :—

	1972-73	1973-74	1974-75	1975-76
1. Average number of locomotives in service during the year	11.8	23.75	37.25	50.83
2. Average number of locomotives effective (fit for use)	6.03	18.5	29.8	40.9
3. Average number of locomotives in use				
Goods services	5.56	16.2	25.4	35.7
Other services	0.22	2.09	3.53	5.17
4. Average number of locomotives—spares	0.25	0.20	0.76	0.04
5. Engine kms* per day per locomotive in use				
Goods services	193	198	185	179
Other services	69	132	160	217
All services	189	188	180	184

9.18 In January 1975 the Railway Board appointed a Committee of Technical Officers for finalising modifications in order to improve the performance reliability of these locomotives. In its report of February 1975, the Committee recommended a full time team of engineers to assist the investigation by the Research, Designs and Standards Organisation, but such a team was not constituted till August 1975. However, the Research, Designs and Standards Organisation observed in August 1975

\*No target of engine kilometres per day per engine in use has been prescribed for WCG-2 locomotives. In respect of D.C. locomotives (WCM, WCG and WCP etc.) the target laid down by the Railway Board in August 1972 was 200 kms per day.

that "this class of locomotive..... is fundamentally unsuited for use as a reliable banker due to limitations imposed by the present type of traction motor as well as its control system as inbuilt in this design of locomotive".

9.19 In May 1972, the Central Railway Administration considered that in order to move the traffic anticipated in 1973-74 over the ghat sections and in view of the lower performance of the new WCG-2 Co Co design locomotives, it was essential that a system of double banking should be planned so that maximum advantage of the increased loads can be secured. The Railway Administration approached the Railway Board for provision of 10 locomotives on additional account for double banking. This was accepted by the Railway Board originally. Subsequently, in March 1975, the manufacture of 10 WCG-2 locomotives was held in abeyance as a locomotive of this design was not considered by the Railway Board as a reliable and suitable banker and it was decided to evolve indigenous design of a new banker.

9.20 As stated above, it was anticipated that the provision of these new locomotives would give an immediate increase of about 50 per cent in the line capacity for goods trains without having to increase the number of trains to be run in view of increased hauling capacity from 1,250 tonnes to 1,830 tonnes. It will be seen from the table below that on the Kalyan—Igatpuri section the increase in traffic had to be cleared by running additional trains while on the Kalyan—Pune section there has been no decrease in the number of trains run even though the traffic has been practically static.

	Average number of wagons cleared per day	Average number of trains run per day
Kalyan—Igatpuri		
1968-69	522	11.8
1973-74	621	14.4
1974-75	608	14.1
1975-76	702	14.9



Igatpuri—Kalyan		
1968-69	557	11.1
1973-74	606	12.3
1974-75	615	12.5
1975-76	721	13.6
Kalyan—Pune		
1968-69	323	7.6
1973-74	340	8.1
1974-75	293	7.2
1975-76 Kalyan—Lonavla	335	8.0
1975-76 Lonavla—Pune	323	7.2
Pune—Kalyan		
1968-69	357	7.0
1973-74	392	8.2
1974-75	370	7.8
1975-76 Pune—Lonavla	363	7.0
1975-76 Lonavla—Kalyan	391	7.4

9.21 It would thus be seen that

- (a) the loads hauled by the locomotives on these sections are very much less than their designed hauling capacity;
- (b) these loads have been hauled in the Ghat Sections by deploying two bankers instead of one banker only as envisaged in the design of the locomotives; and
- (c) there does not appear to have been any material increase in the capacity enabling the running of trains with heavier loads.

9.22 The Railway Board stated (January 1977) that “the shortfall in performance has been due to (a) the actual compensated gradient on the Kalyan—Vasind section being 1 in 87.5 and not 1 in 100 and on the Kasara—Igatpuri Ghat section being 1 in 33.5 and not 1 in 37; (b) non-realisation of the anticipated running adhesion characteristics (18.5 per cent average as against 23.2 per cent assumed for design purpose) which were based on the data available on WDM-2 locomotives with same trimount Co Co bogie, in the locomotives in the ghat section with combination of severe grades and curves and

unfavourable traction conditions, wet tunnel entrances etc.; and (c) the locomotive and train resistances being higher than standard values assumed in the design". It also stated that the locomotives turned out later were built with maximum axle load upto 22.5 tonnes as the prototype trials indicated the desirability of increasing the designed axle load of 22 tonnes to 22.5 tonnes. The deficiency in regard to hand brake power was subsequently overcome by suitable modifications. The Board further stated that "the performance of the WCG-2 locomotives is being constantly reviewed and remedial measures to improve the performance have been worked out. Consolidated efforts have also been made through the medium of Technical Study Group under the guidance of the Research, Designs and Standards Organisation since August 1975 to have a systematic study of the locomotive equipment defect to minimise line failures".

#### 10. Central Railway—Mercury arc rectifiers

Rectifiers are used for conversion of A.C. (alternating current) electric supply into D.C. (direct current) supply required for running of electric trains. The rail traction on the North-east Kalayan-Igatpuri Section and the South-east Kalyan-Pune Section of Central Railway have D.C. electric systems.

In September 1962 the Railway Administration decided to replace the existing two rotary converters (of 2,500 KW capacity) at the Lonavla sub-station by two mercury arc rectifiers of 3,000 KW capacity for the following reasons :

- (i) the rotary converters had exceeded their normal life of 25 years;
- (ii) they were often giving trouble due to wearing out of parts; spare parts were not available as the equipments had become obsolete;
- (iii) to augment the capacity of the converting plant; and
- (iv) to meet the power demands to cope with the anticipated increase in traffic during the Third Five Year Plan.

After going through the various formalities of preparation of and sanction to estimates, invitation of tenders, etc., the Railway Administration placed orders in December 1967 on a firm of Bombay for the supply of two mercury arc rectifiers (of 3,000 KW capacity) at Lonavla sub-station. The supply and erection was required to be completed by April 1970. The entire equipment ordered was received at Lonavla by early 1972; hundred per cent payment for supply of equipment and 20 per cent for erection, amounting to Rs. 33.31 lakhs (including foreign exchange element of Rs. 22.60 lakhs), was made to the firm between July 1968 and January 1972. However, the erection of the equipment has not been commenced so far (January 1977).

Meanwhile, to cater to the additional requirement of power for the increased traffic expected during the Third Five Year Plan, orders were placed in June 1967 on the same firm of Bombay for supply and erection of one mercury arc rectifier (of 3,000 KW capacity) at each of the two new sub-stations being set up at Thull Ghat (North-east line) and Upper Bhore Ghat (South-east line). The two mercury arc rectifiers were installed at these sub-stations in June 1972 at a cost of Rs. 74.29 lakhs (including foreign exchange element of Rs. 31.41 lakhs), as booked upto the end of August 1976.

Further, to meet the additional requirement of power for the traffic expected during the Fourth Five Year Plan period and also keeping in view the schemes for running D.C. electric locomotives (WCG-2 type) on the ghat sections (c.f., paragraph 9) it was proposed, amongst others, to provide an additional rectifier set of 3,000 KW capacity each, at Upper Bhore Ghat and Thull Ghat sub-stations (over and above one mercury arc rectifier provided earlier) as second unit as standby. The proposals were approved by the Railway Board in 1969 and 1968 respectively. Accordingly, orders for supply and erection of two silicon rectifiers were placed on the National Government Electric Factory, Bangalore, in October 1970, at a cost of Rs. 35.60 lakhs (inclusive of foreign exchange

element of Rs. 4.26 lakhs). The erection of silicon rectifier units at Upper Bhore Ghat and Thull Ghat sub-stations started in April 1976 and is in progress (January 1977). The expenditure booked upto August 1976 was Rs. 21.13 lakhs.

The final location of the four mercury arc rectifiers (two acquired in 1972 for Lonavla sub-station and in storage there and two installed at Thull Ghat and Upper Bhore Ghat sub-stations in 1972) had been under examination by the Railway Administration, the Research, Designs and Standards Organisation and the Railway Board, as indicated below :

- (i) In June 1973, the foreign collaborators of the National Government Electric Factory indicated that the silicon rectifiers were not designed to operate in parallel with the mercury arc rectifiers already installed at the Ghat sub-stations in June 1972. Thereupon, the Railway Administration approached the Railway Board in November 1973 to the effect that the two mercury arc rectifiers already acquired for Lonavla sub-station should be diverted for installations at the Ghat sub-stations since these sets are identical to the sets already installed there and that the two silicon rectifiers to be acquired for the Ghat sub-stations should be diverted for installation at Lonavla sub-station. The proposal was examined in consultation with the Research, Designs and Standards Organisation and the Railway Board advised the Railway Administration in September 1974 that no change need be made in the distribution of the equipments, that is, the mercury arc rectifiers should be installed at Lonavla sub-station and silicon rectifiers at the two Ghat sub-stations as per the original contract.
- (ii) In November 1974, the firm which had supplied and installed the mercury arc rectifiers at Upper Bhore Ghat and Thull Ghat sub-stations advised that the design of these rectifiers did not foresee the

requirements of connecting the silicon rectifiers to be installed at these stations. The Railway Administration, therefore, again approached the Railway Board in March 1975 for acceptance of the earlier proposal of diverting the two mercury arc rectifiers acquired for Lonavla sub-station to the Ghat sub-stations and silicon rectifiers ordered for Ghat sub-stations to Lonavla sub-station.

As directed by the Railway Board in April 1975, the matter was re-examined by a Technical Committee including an expert from the Research, Designs and Standards Organisation. The Committee recommended, in May 1975, that four sets of mercury arc rectifiers (two already installed at the two Ghat sub-stations in June 1972 and two awaiting installation at Lonavla sub-station) be ultimately diverted for installation on the Diva-Bassein Road Railway Electrification Project, which had been sanctioned; four numbers of 3,000 KW silicon rectifiers were to be procured for the Diva-Bassein Road Railway Electrification Project and diverted for installation at Thull Ghat, Upper Bhore Ghat and Lonavla sub-stations. The two silicon rectifiers already ordered on the National Government Electric Factory as second standby were also to be installed at the two Ghat sub-stations. The orders of the Railway Board on the recommendation about ultimate diversion of the four mercury arc sets to Diva-Bassein Road Railway Electrification Project are awaited (January 1977).

As a result, an expenditure of Rs. 35.13 lakhs (including foreign exchange element of Rs. 22.60 lakhs upto March 1976) on the proposed erection of two mercury arc rectifiers at Lonavla sub-station has remained unfruitful (January 1977).

The firm on which order for installation of mercury arc rectifiers at Lonavla had been placed claimed reimbursement of insurance charges (Rs. 68,552) incurred by it to cover storage risks during the period from 1st January 1972 to 31st December 1974. There being no specific provision in the contract

agreement with the firm, the claim has not so far (January 1977) been admitted by the Railway Administration. The firm did not renew the insurance policy on the two mercury arc rectifiers to cover risk since 1st January 1975 and disowned responsibility for any loss. Additional expenditure would also be incurred if the mercury arc rectifiers already installed on the Ghat sub-stations in 1972 and the mercury arc rectifiers stored at Lonavla were diverted to Diva-Bassein Road Railway Electrification Project.

It may also be mentioned that 98 items of components of the mercury arc rectifiers including the rectifier tank stored at Lonavla had been used by the Railway Administration to carry out repairs to the mercury arc rectifiers at Thull Ghat and Upper Bhore Ghat sub-stations. Consequently, the rectifiers at Lonavla are not complete in all respects.

The Railway Administration stated (January 1977) that the mercury arc rectifiers procured for Lonavla sub-station had not been installed there in view of (i) lower priority assigned to the work of replacement of rotary converters by rectifiers (ii) advisability of adjacent new sub-station at Upper Bhore Ghat getting stabilised before taking up the replacement work and (iii) the equipments being deficient in certain parts which had been cannibalised and used for repairs to the sets installed at the Ghat sub-stations. It also stated that the diversion of mercury arc units to Diva-Bassein Road Railway Electrification Project was tied up with the procurement of new silicon rectifier equipments for this project and final decision in this regard would be taken after detailed examination of optimum power supply arrangements required for the project, availability of funds, etc.

As stated earlier, the replacement of the existing rotary converters at Lonavla on age and condition basis had been taken up by the Railway Administration as early as 1962 and this was not related to the setting up of the new sub-station at Upper Bhore Ghat to cater for the additional power requirement for the enhanced traffic anticipated during the Third Five Year Plan.

As regards the mercury arc rectifier equipment, the Research, Designs and Standards Organisation had, in July 1974, indicated that the 'mercury arc rectifier sets are also fast becoming technologically obsolete'. Further, the firm which supplied the mercury arc rectifiers had informed the Railway Administration in February 1972 that due to recent fast development of semi-conductor type rectifiers, its Swiss principals had taken a decision to stop the manufacture of mercury arc rectifiers by the end of 1974.

In this context, it is not known how the deficiency of components of the rectifiers stored at Lonavla would be made good. It is also not clear whether installation of equipments, which have been considered as 'obsolete', would meet the requirements adequately.

## CHAPTER IV

### WHEELSETS AND OTHER COMPONENTS FOR ROLLING STOCK

#### 11. Import of wheelsets

11.1 Wheelset is a wagon component supplied by the Railways to the wagon builders for manufacture and supply of wagons. The Railways procure their requirements of wheelsets partly by import and partly from indigenous sources (M/s. Tata Iron and Steel Company and the Hindustan Steel Limited, Durgapur). During 1975-76 the Railways incurred additional expenditure of Rs. 1.32 crores in procuring 9,144 wheelsets from a French firm. Besides, the estimation of production of wagons was on the high side. This led to additional procurement of 9,144 wheelsets costing Rs. 10.63 crores from a Japanese firm, which resulted in excessive inventory. The purchases were financed through IDA credits. These cases are dealt with in the succeeding paragraphs.

#### *Purchase from French firm*

11.2 For the requirements of wheelsets for 1974-75, global tenders were invited by the Ministry of Railways (Railway Board) in September 1973 for 11,430 (20.3 tonne roller bearing) wheelsets with an option to increase the quantity by 30 per cent.

11.3 The lowest acceptable tender was of a French firm at FF 2168 (Rs. 4,022.26) f.o.b. and FF 2600 c. & f. (Rs. 4,823.75) per set. The French firm offered to commence delivery at the rate of 1,200 wheelsets per month beginning from 3 months of the placement of the order and complete the supply within 13 months. It also offered to supply 30 per cent of the optional quantity, if



ordered within the same period of 13 months. In response to the enquiry of the Ministry of Railways (Railway Board) as to what extent it could re-schedule deliveries making them quicker and in larger instalments, the firm offered delivery commencing within 2½ months of placement of order instead of 3 months as quoted earlier. It further stated that if the order was placed for the total quantity including 30 per cent optional quantity it would be able to maintain delivery at the rate of 1,200 sets per month for the first two months and thereafter at the rate of 1,500/1,600 sets per month and thus complete the supplies within 13 months.

11.4 In January 1974 the Tender Committee recommended placement of the order on the French firm for 11,430 wheelsets with an option to increase the quantity by 30 per cent. However, in March 1974 before the order was placed, it was felt that Rumanian firms might be interested in supplying this item on rupee payment basis. The French firm had been asked to extend the validity of its offer on five occasions, the last extension expiring on 27th March 1974. Pending the possibility of supplies from Rumanian sources being explored, an order was placed on the French firm on 26th March 1974 for 50 per cent of the tendered quantity, namely, 5,715 wheelsets with the option to order an additional 30 per cent of the tendered quantity, namely, 3,429 wheelsets during the currency of the contract. The firm was also asked to keep its offer open for the balance 50 per cent of the tendered quantity for four months. According to the Ministry of Railways (Railway Board) this was done to safeguard Railway's interests in case supplies from Rumania were eventually found to be costlier. A formal contract was placed on 11th April 1974. In terms of the contract the additional quantity of 5,715 wheelsets (50 per cent of the original tender) was to be ordered by 25th July 1974 and the optional quantity of 30 per cent could be ordered before the end of November 1974.

11.5 While accepting the contract on 22nd April 1974, the firm stated that it was agreeing to the contract conditions about ordering for additional quantity (5,715 numbers) and the optional

quantity of 30 per cent (3,429 numbers) of wheelsets to help the Indian Railways as one of its valued customers. It pointed out that no manufacturer could hold his prices firm from October 1973 to July 1974 taking into consideration the economic and financial crisis and the energy cost of production of its steel which had nearly doubled during this period. It, therefore, hoped that the Railway Board would arrive at an earlier decision than mentioned in the contract in respect of the balance and optional quantities of 5,715 and 3,429 wheelsets respectively as per relevant clauses of the contract and if possible, before the middle of June 1974 so that it might reserve Railways' quantity in its production schedule to enable it to effect deliveries already arranged.

11.6 On 5th June 1974 the Railway Board became aware that the Rumanian firms were not in a position then to supply the wheelsets required by the Indian Railways and action was initiated by the middle of June 1974 to order the balance quantity of 5,715 wheelsets on the French firm. On 1st July 1974 the French firm informed the Railway Board that it had requested for a decision on the order for extra quantities being taken well before 25th July 1974. It wanted a definite reply by return in respect of ordering of additional quantities in this contract so that raw materials could be immediately ordered. It further pointed out that in view of increase in costs of raw materials and labour, it would not be able to hold the price contracted for, for a long period unless a positive communication of Railways' intention was received. It was decided on 22nd/24th July 1974 to procure the additional wheelsets (5,715 sets) at the existing contract price from the French firm. An order was placed by telex on 24th July 1974 and a formal amendment to the contract was issued on 26th July 1974.

11.7 The firm informed the Railway Board on 26th July 1974 that the order by telex was received by it on that date. It declined to accept the order for the additional quantity on the ground that the acceptance of the contract was conditional to the Railways' ordering the additional and optional quantities before

the middle of June 1974 as per its covering letter of 22nd April 1974, which according to the firm, without doubt, modified its acceptance of the contract condition. The firm, however, offered to execute the order at 35 per cent price increase in case the same was agreed to before 1st August 1974. Again on 1st August 1974, the firm reiterated that the Railways' letter of acceptance exercising the option had been received after the expiry of the option.

11.8 After obtaining legal advice, the Railway Board informed the firm on 31st July 1974 that the additional order for 5,715 wheelsets had been placed within the stipulated date *i.e.*, 25th July 1974 and that the firm was bound to execute the additional order at the price stipulated in the contract. The firm was further advised on 6th September 1974 that in the event of its failure to make supplies it would be open to the Railway Board to make risk purchase and that the firm would be liable for liquidated damages and extra expenditure. In October 1974 the firm repudiated its liability for supplying the additional wheelsets ordered in July 1974 and further maintained that in consequence the option clause in the contract enabling the Railway Board to order additional 30 per cent of the tendered quantity was null and void.

11.9 In November 1974, the Railway Board invoked the option clause of the contract to order 30 per cent of the number tendered, namely, 3,429 wheelsets.

11.10 In December 1974, the Railway Board considered floating a risk purchase tender for procurement of 9,144 wheelsets (5,715 additional wheelsets plus 3,429 wheelsets against 30 per cent option) to sustain the wagon building programme for 1974-75 and to maintain the continuity of wagon manufacture in 1975-76. The Legal Adviser of the Board advised in April 1975 that, while the Railway Board could legally terminate the contract and resort to risk purchase of stores not delivered by the firm within the stipulated period, both in regard to

the additional and optional supplies ordered in July 1974 and in November 1974 respectively, it would be advisable to arrive at a settlement with the firm inasmuch as there was no arbitration clause in the contract, the firm was carrying on business in a foreign territory and, consequently, litigation proceedings and execution of a decree against the firm would be beset with considerable difficulty. The Railway Board, however, decided, in May 1975, to proceed with the risk purchase and face the difficulties in realisation of the extra expenditure from the foreign firm. On 12th May 1975 global tenders were invited for fresh supply and the orders for 9,144 wheelsets were cancelled on 29th May 1975 at the risk and cost of the firm.

11.11 Before the global tenders were opened, the French firm, on 21st June 1975, represented to the Railway Board that its inability to supply the wheelsets at the price stipulated in the contract of April 1974 was due to unprecedented inflation resulting in steep rise in the cost of raw material and labour which, it pleaded, should be deemed to be "Force Majeure". It offered to make supplies provided the price (FF 2168) stipulated in the previous contract was increased by half of the difference between the contract price and the lowest f.o.b., price to be received against the forthcoming tender, subject to a maximum ceiling of 35 per cent and a minimum of 25 per cent.

11.12 The lowest tender received in response to the global tender was from a Japanese firm, yens 2,61,000 (Rs. 7,457.14) f.o.b., per wheelset. The difference between the quotation of the Japanese firm and the price contracted for with the French firm in April 1974 worked out to Rs. 2,892.93 per set on the basis of the exchange rate ruling on the date of opening of the tender, namely, 23rd June 1975. Half of this difference amounted to an increase of 31.69 per cent over the contract price of April 1974 with the French firm.

11.13 At this point of time the Railway Board considered it expedient to arrive at a settlement with the firm. Orders

were, therefore, placed for 9,144 wheelsets in August 1975 on the French firm at a price of FF 2855 (Rs. 6,010.68) f.o.b., per set which entailed an additional expenditure of Rs. 1.32 crores as compared to the contract price of April 1974.

11.14 The Railway Board stated (November 1976) that due to the energy crisis (which occurred according to the Railway Board sometime in December 1973) there was worldwide inflation and prices rose very steeply and that the rates allowed to the French firm on the basis of the negotiated settlement in August 1975, was 31.69 per cent lower than the then prevailing market price.

11.15 It may be mentioned that the French firm which tendered in October 1973 had kept its offer open till 26th March 1974 (by agreeing to five extensions to the validity of its offer) when the Railway Board conveyed acceptance of the offer. In its letter of 22nd April 1974 accepting the contract the firm mentioned inflation, increased costs and the energy cost of production of its steel which had nearly doubled in that period. It, however, agreed to maintain the same price for the additional and optional quantities of wheelsets as per the contract but hoped for placement of orders by middle of June 1974. The firm also requested the Railway Board on 1st July 1974 for a reply in respect of ordering of additional quantities in the contract, so that raw materials could be ordered immediately, without asking for a price increase due to inflation. The Railway Board was aware by 5th June 1974 that no Rumanian firm was interested in supplying this item. But the placement of the order on 24th July 1974, a day before the last date, namely, 25th July 1974, for its placement and which, according to the French firm, was received by it on 26th July 1974 resulted in additional expenditure of Rs. 1.32 crores in the re-purchase of the wheelsets in August 1975 from the French firm.

11.16 It may also be mentioned that a Japanese firm on whom an emergency purchase order for 4 thousand wheelsets

had been placed on 11th April 1974 (at the same time order for 5,715 wheelsets had been placed on the French firm) had supplied the wheelsets at the same price as in an earlier contract of 1973 and which was lower than that of the French firm (Rs. 4,005.90 per set as against Rs. 4,022.26 of the French firm).

*Purchase from Japanese firm*

11.17 The matter relating to the placing of orders for wheelsets on the French firm had been under consideration of the Railway Board since January 1974. In February 1974 it was considered by the Railway Board that even if the orders were placed on the French firm by the middle of March 1974, supplies of wheelsets from the French firm could not be expected to reach the wagon builders until September 1974 due to longer transit time required for supplies from the Continent. It was also assessed that during April 1974 to August 1974 supplies of wheelsets would be available from the Hindustan Steel Limited at the rate of only 500 sets per month as against the requirement of 1,430 sets per month. This would result in stabling of a large number of wagons. Consequently, an emergency purchase order for 4 thousand wheelsets was placed on a Japanese firm on 11th April 1974. It was treated as a repeat order and the price payable was the same as in an earlier contract of January 1973, namely, Yens 135,800 (Rs. 4,005.90) per set stipulating delivery to commence from July 1974 at the rate of 500/1000 sets per month. The shipments against this contract were completed by January 1975, except for 60 wheelsets which were shipped in March 1975.

11.18 In July 1975, while deciding to place orders for 9,144 wheelsets on the French firm *vide* paragraphs 11.12 and 11.13, it was also decided to procure the same number of wheelsets, namely, 9,144 from Japan to meet the requirements of 1976-77 wagon building programme. Orders were placed on the same Japanese firm in August 1975 on the basis of the tender received

from it in response to the global tender floated in May 1975 risk purchase. The price per set contracted for was Rs. 11,6 (landed price). The deliveries were to be completed by May 1976.

11.19 The events leading to the ordering of 9,144 wheelsets for the requirements of 1976-77 are briefly mentioned below :

In discussions held earlier with the Planning Commission during December 1974, the Railway Board asked for Plan allocations for procurement of a minimum of 10 thousand wagons during 1975-76. The Planning Commission, however, felt that the Railways had already built up capacity of rolling stock to move a traffic of over 225 million tonnes and as such agreed to the acquisition of only 5,500 wagons (all types) during 1975-76. The Ministry of Railways (Railway Board) submitted a memorandum for decision of the Cabinet in April 1975 requesting for additional allocation of Rs. 33 crores to sustain the wagon production of about 11,500 numbers in 1975-76. In July 1975 the Planning Commission agreed for additional funds of Rs. 25 crores during 1975-76 for maintaining wagon production during 1975-76 at the level of 11,500 numbers as in 1974-75. The Railway Board, in May/June 1975, without consulting the Planning Commission, assumed that the wagon production in 1976-77 would also be 11,500 numbers as projected for 1975-76 in April 1975 which was approved by the Planning Commission in July 1975. Further the Tender Committee assumed in June 1975 a level of production of 14,500 four-wheelers during 1976-77 requiring procurement of 18,806 wheelsets and justifying placement of order for 9,144 wheelsets on the Japanese firm over and above the order for 9,144 wheelsets on the French firm.

11.20 The table below indicates the anticipated wagon building programme, the wheelsets required therefor and the wheelsets to be imported, taking into account the indigenous availability of 5,400 sets per year (12 × 450 per month) from the Hindustan Steel Limited (HSL) and 675 sets from M/s. Tata Iron and Steel Company (TISCO).

Estimates of		Availability of wheelsets			Difference of columns 5 and 2 to be met by imports	
wagon production*	requirements of wheelsets (20.3 tonne)	opening stock (on 1st April 1975) and dues from earlier imports	likely indigenous supplies (from HSL & TISCO)	total		
period	number of wagons*					
1(a)	(b)	2	3	4	5	6
(Estimation made in May—June 1975)						
1975-76	11660	17827@	5784	5400 675 (TISCO)	11859	5968 or say 6000
1976-77	11660	14262	..	5400	5400	8862
Total						14862
(Estimation made by Tender Committee in June 1975)						
1975-76	11660	17827@	}			19404
1976-77	14500	18806				
Increase in import requirements indicated by Tender Committee						4542

11.21 The estimations of the requirements of wheelsets for 1976-77 as made by the Tender Committee in June 1975 were on the high side for the reasons mentioned below :

- (a) Wagon production estimates at a level of 14,500 numbers during 1976-77 were not warranted on the basis of funds availability, as at that stage the funds availability even for 11,500 numbers could

@ includes buffer stock of 3,565 wheelsets.

\*in terms of four-wheelers.



not be known. This resulted in boosting up the import requirements of wheelsets by 4,542 sets *vis-a-vis* the assessment made earlier in May-June 1975 assuming wagon production of 11,660 numbers for 1976-77. Actually the budget provision for 1976-77 was for 9,200 wagons only.

- (b) The estimates for 1975-76 included provisioning of a buffer stock of 3,565 wheelsets; no reduction in the element of buffer stock was made by a reduction in the number of wheelsets planned for acquisition in 1976-77 even though the procurement action had been advanced by 4 months (normally for procurement of the requirements for 1976-77 tenders would have been floated around October 1975 while on this occasion orders had been placed in July-August 1975).

11.22 The comparative prices of wheelsets procured from the three suppliers are given below :—

(i) Indigenous (HSL)	Rs. 3,580 per set (November 1975).
(ii) French firm	Rs. 9,700 per set (landed price—order of July 1975).
(iii) Japanese firm	Rs. 11,620 per set (landed price—order of July 1975).

11.23 A review of the stock and order position made by the Railway Board in November 1975 disclosed that the requirement of wheelsets for six months from October 1975 to March 1976 was 9,142 (including 3,176 as buffer stock) and for 1976-77 was 12,704 sets making a total requirement of 21,846. As against this, the availability was 28,181 sets during this period (18,379 from imports and 8,100 sets from the HSL at 450 sets per month plus 1,702 wheelsets in stock). In November 1975 the HSL informed the Railway Board that it would increase its supplies to one thousand sets as against 450 sets per month. The Railways would, therefore, be left with surplus wheelsets in

1976-77 to the extent of 6,335 in addition to the buffer stock of 3,176 assuming that the HSL would continue to supply at the previous rate of 450 wheelsets per month and 16,236 if it stepped up its supplies to one thousand sets per month as promised. Consequently, in November 1975 the Railway Board approached the HSL to peg the supplies of indigenous wheelsets at 450 sets per month, as supplies at higher level would result in a sizeable number of imported wheelsets remaining unutilised during 1976-77. The HSL was also requested to regulate the supply of 20.3 tonne wheelsets at the committed level of 450 sets per month and utilise its balance capacity for other types of wheelsets and take up manufacture of loose wheels and axles for wagons which would otherwise have been imported, even though according to the HSL the production of loose wheels and axles was likely to lead to idle labour and under-utilisation of machinery. The HSL, however, advised the Railway Board in November 1975 to curtail its imports from abroad.

11.24 In view of the prospect of heavy unutilised stock and the lower price of indigenous wheelsets, the Railway Board approached the French and the Japanese firms in December 1975 for partial cancellation of the orders on them (3,644 or more sets on the French firm and 6,444 or more sets on the Japanese firm). Both the firms, however, declined. The French firm completed the supplies by the due date namely, May 1976. The Japanese firm had manufactured 6,028 sets by that date and at the request of the Railway Board, agreed to postpone supply of the balance 3,116 wheelsets to March—May 1977 instead of in May 1976. The Railway Board stated (January 1977) that it was still continuing its efforts to cancel the unsupplied quantity of 3,116 wheelsets.

11.25 Consequently, the ordering of 9,144 wheelsets at a cost of Rs. 10.63 crores (including foreign exchange of Rs. 6.82 crores) in August 1975, based on an estimate of higher level of

wagon production for 1976-77 than that for the previous year and in advance of the normal schedule of procurement resulted in excessive inventory of 6,335 wheelsets over and above the buffer provision of 3,176 sets as disclosed in the review made by the Railway Board in November 1975. This is based on supplies from the HSL being taken at 450 wheelsets per month. However, the supplies from the HSL exceeded the estimates and were 8,350 and 6,040 (estimated) wheelsets during 1975-76 and 1976-77 respectively resulting in further inventory build-up. The excessive import of wheelsets also entailed an extra expenditure of about Rs. 7.35 crores on the basis of indigenous price of Rs. 3,580 per set as in November 1975.

11.26 The Railway Board stated (November 1976) that a review of the availability and requirements of 20.3 tonne wheelsets made on 1st September 1976 disclosed a likely surplus of 4,297 wheelsets over and above the buffer stock of 3,500 wheelsets on 1st April 1977. This, however, does not take into account 3,116 wheelsets included in the order on the Japanese firm, deliveries of which have been deferred beyond April 1977.

11.27 The Railway Board further stated (November 1976) that it estimated the total number of wheelsets to be imported for meeting the requirements upto 31st March 1977 as 19,400 sets, taking into account a production target of 11,660 wagons in 1975-76 and 14,500 wagons in 1976-77 and a buffer stock of 3,565 wheelsets, and that, orders were placed there-against only for 18,288 wheelsets *i.e.*, 1,112 sets less than the estimated requirement. The Board also stated that, as global tenders opened in June 1975 were on hand, it was considered advisable to finalise the same to cover the requirements of 1976-77 for which ordinarily tenders would have been floated in October 1975. It stated that this decision was taken to avoid any increase in rates as prices were on the increase and there was no indication that the HSL would be able to step up supplies in excess of the committed level of 450 wheelsets per month.

11.28 The Board stated (January 1977) that it had already agreed to raise the price of wheelsets supplied by HSL with effect from 1st April 1976 to about Rs. 4,530 per set. Even if this enhanced rate is taken into account for supplies from the Japanese firm after 1st April 1976, the extra expenditure would be about Rs. 7 crores.

11.29 It is noticed that the supplies from the HSL picked up from June 1975 onwards and during the 6 months period from April to September 1975 the HSL had supplied 4,068 wheelsets *i.e.*, an average of 678 sets per month, supplies during October 1975 being about 900 wheelsets. In November 1975, the HSL stated that it was expecting to manufacture 1,200 wheelsets per month and sustain and improve it further.

## 12. Chittaranjan Locomotive Works—Procurement of turbo chargers

In paragraph 19 of the Report of the Comptroller and Auditor General of India for the year 1972-73—Union Government (Railways) an instance of additional expenditure of Rs. 18.90 lakhs in the procurement of special grade silicon varnish for electric locomotives through a foreign collaborator was mentioned. Although this item was not manufactured by it nor was it obligatory on the part of the Chittaranjan Locomotive Works to obtain the same through the collaborator as per the agreement with it, the Administration had procured this item without verifying the reasonableness of the prices charged by it and also without exploring the possibility of obtaining the material directly from the manufacturers whose prices were later found to be only 20 to 25 per cent of those charged by the collaborator. Another instance of additional expenditure incurred by the Chittaranjan Locomotive Works in the procurement of turbo chargers from another foreign firm is mentioned in the succeeding paragraphs.

The Chittaranjan Locomotive Works Administration entered into a collaboration (licensing) agreement with a West German firm in June 1968 for indigenous manufacture of diesel shunters.

The avoidable payment of royalty amounting to Rs. 4.55 lakhs (DM 1.29 lakhs) to the firm due to certain material variation in the agreement actually executed, with reference to the terms and conditions approved by the Foreign Agreements Committee, was commented upon in paragraph 9 of the Report of the Comptroller and Auditor General of India for the year 1974-75—Union Government (Railways). The agreement also provided, amongst others, for exclusive purchase from the licensor only of components of design developed by it. The agreement did not place any restrictions on the procurement of specified proprietary items of other manufacturers and commercial components directly from other sources.

Turbo charger, a component of the diesel shunters, is not one of those components whose designs were developed by the firm. It is a proprietary item of a Swiss firm. However, the Administration procured 250 turbo chargers during July 1968 to August 1973 from the collaborator at a cost of Rs. 1.20 crores without making any attempt to find out how the prices charged by it compared with the prices of the manufacturer.

The Railway Board informed the Chittaranjan Locomotive Works Administration in March 1975 that a few items from the list of proprietary items of the collaboration agreement could be obtained directly. It also indicated that the Administration should make specific efforts to secure quotations for these items directly with a view to comparing the prices quoted by the collaborator and thereafter a decision could be taken as to the mode of procurement of these items in future.

On 12th September 1975, the Administration invited a single tender for procurement of turbo chargers and allied components from the Swiss manufacturer through its Indian Agent and also asked the West German firm to intimate the current price for the item. The Swiss firm quoted (on 15th November 1975) a price of 19,300 Swiss Francs, f.o.b., with 3 per cent discount (Rs. 61,990) per unit, against the current f.o.b., price of Rs. 76,302 advised by the collaborator (on 27th November

1975). In the absence of contemporary prices of the Swiss manufacturer, the extra amount paid for purchases through the collaborator during 1968 to 1973 could not be precisely assessed. However, based on the difference between the prices charged by the collaborator from time to time and those derived by appropriate de-escalation of the Swiss firm's quotation of November 1975 (at the rates at which escalation was actually allowed on the purchases from the collaborator) the additional expenditure incurred in respect of 250 turbo chargers has been assessed by audit at about Rs. 32.34 lakhs (involving foreign exchange to the extent of Rs. 24.54 lakhs).

It may be mentioned that for the manufacture of electric locomotives the Administration had earlier been obtaining some major proprietary items of components manufactured by the same Swiss firm through its Indian agent.

The Chittaranjan Locomotive Works Administration stated (December 1976) that it was not considered prudent to procure an important item like turbo charger directly from the manufacturer in the initial stages. It further stated that turbo charger being one of the most critical items of equipment controlling the performance of the engine, it was considered essential to watch the performance of the turbo chargers for quite some time before any attempt could be made to procure the same from sources other than the collaborator.

### **13. Eastern and Northern Railways—Purchase of transition screw couplings**

The Director General, Supplies and Disposals entered into a running contract on 14th July 1972 with firm 'A' of Calcutta for the supply of 11,288 numbers (subsequently raised to 12,174 numbers) of transition screw couplings at the rate of Rs. 170 each to Eastern, Northern and South Central Railways. The delivery was to commence from 1st December 1972 at the rate of 1,200/1,500 numbers per month and completed by 30th September 1973. The delivery was guaranteed and the price offered was firm.

Out of 3,118 and 7,570 numbers of transition screw couplings required to be supplied to Eastern and Northern Railways respectively, the firm delivered 1,497 numbers to the former by May 1973 and 4,700 numbers to the latter by October 1973. On 30th March 1974, it asked for an upward revision in the rate by 50 per cent on the plea of increases in the price of raw material since January 1974, but the Director General, Supplies and Disposals did not agree to it on the ground that the prices were firm and final. At the request of the firm, the Director General, Supplies and Disposals extended the delivery date from time to time and the last extension was up to 31st March 1976. The firm did not make further supplies during the extended period and both the Railways had to resort to emergency purchases to meet their urgent requirement. Before making emergency purchases neither the Eastern Railway in regard to 1,621 transition screw couplings nor the Northern Railway in regard to 2,870 screw couplings outstanding against the running contract of the Director General, Supplies and Disposals made a report to the Director General for taking action to make purchases at the risk and cost of defaulting firm.

The Eastern Railway Administration invited an open tender on 14th December 1972 for supply of transition screw couplings. The tenders were opened on 11th January 1973 and an order was placed in June 1973 on the same firm 'A' for supply of 2,085 transition screw couplings at the rate of Rs. 210 each. The delivery was to be completed by September 1973. The firm did not supply the materials within the stipulated date. The Railway Administration issued a risk purchase notice in October 1974. The firm advised on 31st October 1974 that, on 15th November 1973, it had asked for extension of delivery period by 4 months and that in the absence of any response from the Railway the case was closed at its end treating it as a frustrated contract. The firm's communication of 15th November 1973, though received by the Stores Department, had not been dealt with by it. Three reminders, stated to have been issued by the Administration to the firm in November 1973, December

1973 and July 1974 for expediting delivery, were also not despatched to the firm. The Law Officer of the Railway advised in December 1974 that risk purchase action against the firm "may not be tenable in the eye of law at such a belated date".

The Railway Administration again invited an open tender in December 1974 for the undelivered quantity of 2,085 transition screw couplings. It also invited limited tenders in the same month for an additional quantity of 3 thousand transition screw couplings. The tenders received in response to them were considered together in February 1975 and an order was placed on firm 'B' of Secunderabad for supply of 4,085 transition screw couplings at the rate of Rs. 365 each, against the rates of Rs. 170 and Rs. 210 each at which orders were earlier placed by the Director General, Supplies and Disposals and the Railway Administration respectively. (The quantity of the order was increased to 5,085 numbers in May 1975). The procurement of 2,085 transition couplings thus entailed an additional expenditure of Rs. 3.23 lakhs which cannot be recovered from the defaulting firm 'A'.

The Northern Railway Administration also invited limited tenders for the supply of 2,595 screw couplings on 19th July 1974. Only two tenders were received and the lower offer of firm 'B' of Secunderabad at the rate of Rs. 388.75 each, was recommended to be passed over on the grounds that (i) the rate quoted was subject to escalation and (ii) the delivery offered was also too protracted to suit the Railway's emergent requirements. The next offer was of firm 'A'. It had quoted a rate of Rs. 390 per piece, if order for the entire quantity was placed and Rs. 425 per piece if order for 50 per cent of the quantity was placed. This firm had offered to deliver 500 transition screw couplings immediately on receipt of order and thereafter at the rate of 500 pieces every month. The Tender Committee recommended purchasing only the minimum quantity required immediately at the enhanced price, as the old contract was still subsisting. Accordingly, an order for only 500 numbers at the rate of Rs. 390 (for which the firm had



agreed) was placed on 26th July 1974 on firm 'A' as against the rate of Rs. 170 each at which order had been placed by the Director General, Supplies and Disposals on the same firm.

Subsequently, on the recommendation of the Tender Committee which met on 22nd August 1974, it was decided to place the order for the balance 2,095 numbers of transition screw couplings on the same firm at the same rate and terms. Firm 'A' completed the supply of 2,595 transition screw couplings by December 1974.

The Tender Committee had also recommended that the failure of the firm to make supplies against the running contract should be reported to the Director General, Supplies and Disposals but this was not done.

Both the Railway Administrations had to incur an extra expenditure of Rs. 9.04 lakhs due to non-supply of the balance quantity of 4,491 transition screw couplings by firm 'A' against the running contract of Director General, Supplies and Disposals.

The Department of Supply stated (October and November 1976) that, on 2nd July 1976, the Director General, Supplies and Disposals cancelled the running contract of 14th July 1972 with firm 'A' at its risk and cost and placed a valid risk purchase order on firm 'C' for the supply of the material at the rate of Rs. 270 each.

#### **14. Eastern Railway—Supply of defective transition couplings for diesel locomotives**

In April 1970, the Railway Administration placed an order on a firm of Howrah for supply of 716 sets of modified transition couplings for buffer couplers of broad gauge diesel locomotives to Research, Designs and Standards Organisation's drawing No. DDO. 212-213. The material was to be inspected by the Director of Inspection (Inspection Wing of the Director General, Supplies and Disposals) and 90 per cent advance payment was to be made on proof of inspection and despatch.

The Railway Administration received 716 sets of couplings during 30th January 1971 to 6th August 1971 duly inspected and passed by the Director of Inspection, Calcutta. It retained 286 couplings and sent 430 couplings to Central, Northern, South Eastern and Western Railways on whose behalf these were procured by the Eastern Railway Administration. An advance payment of Rs. 2,35,616 was made to the firm during February 1971 to August 1971 on proof of inspection and despatch and balance payment of Rs. 26,180 (representing 10 per cent of the cost) was also made subsequently.

On receipt of a report from the Divisional Superintendent, Howrah, in June 1971 about a fracture in one set of couplings within two months of service the Chief Mechanical Engineer sent it to the Research, Designs and Standards Organisation in July 1971 for testing. The test report received in September 1971 attributed the failure of the coupling to the use of sub-standard material, improper heat treatment and bad machining of the components. Since this was a safety item involving safe running of trains, instructions were issued by the Chief Mechanical Engineer, in November 1971, for re-checking of all the couplings. Again, in June 1972, two transition couplings, supplied by the firm, were sent to the National Test House, Alipore, for testing. Its test certificate of 4th July 1972 indicated that tensile destruction tests showed unsatisfactory results as it broke at the breaking load of 71 tons instead of prescribed load of 75 tons.

When the defects were pointed out to the firm and the Director of Inspection, Calcutta, the former stated in October 1972 that it had used correct raw material and manufactured the couplings strictly in accordance with the drawing and under the instructions of the Director of Inspection. The latter maintained (November 1972) that the stores were inspected strictly as per the drawing and specification and that the "testing to R9-66 as has been done by the National Test House, Alipore, has not been done correctly and must have been done through some misunderstanding". Consequently, another sample was sent on

2nd February 1973, to the National Test House which certified the sample on 23rd February 1973, as satisfactory.

In the meantime, 233 couplings were returned by various Diesel Locomotive Sheds of Eastern Railway and 20 couplings by Central Railway to the Stores Depot, Howrah, as unacceptable. The Assistant Controller of Stores, Northern Railway, intimated in January 1973 that 150 sets could not be used since they were not fitting in clevis used on that Railway.

The Railway Administration decided to have each coupling visually examined and the firm agreed (in April 1973) to replace free of cost, such materials as were rejected as a result of joint visual inspection. It also agreed to replace the couplings which failed in service within six months of their being put into commission or by 31st December 1973, whichever was earlier. As a result of joint inspection by the representatives of the firm and the Railway, 12 transition couplings found defective were sent to the firm on 26th July 1973 for rectification. These were returned by the firm in September 1974 duly rectified. Two of them fitted on locomotives, in January 1975, broke in service in April and May 1975. Further service trials on others were thereafter abandoned.

The broken couplings were sent to the Chemist and Metallurgist, Eastern Railway, in May 1975 for metallurgical test. The test certificate (issued in June 1975) indicated that these had been manufactured from high carbon steel instead of class IV steel and the use of such steel having poor shock resisting capacity, was the cause of the failure. Ultimately, the Railway Administration decided in February 1976 not to accept these couplings and asked the firm on 14th April 1976, to take back 417 sets of rejected couplings and to refund Rs. 1.40 lakhs. The firm has neither taken back the rejected material nor has refunded the amount.

The Railway Administration stated (February 1977) that it had since been decided to refer the matter to joint arbitration. The arbitrators are still (February 1977) to be appointed.

## CHAPTER V

### TRACK FITTINGS

#### 15. Procurement of pandrol clips and modified loose jaws

15.1 Pandrol clips and modified loose jaws are fastenings used to fit long welded rails on to steel and concrete sleepers. The raw material for the manufacture of these fastenings is silico-manganese spring steel.

15.2 The requirements of the Railways for these fastenings were being procured solely from firm 'A' of Bangalore; the orders being placed, from time to time, on the basis of negotiated rates. While negotiating the prices, it had been the general practice of the Tender Committees to judge the reasonableness of the prices with reference to prevailing prices of the raw material, namely, 19 mm diameter silico-manganese spring steel.

15.3 Orders for 28.40 lakh pandrol clips costing Rs. 2.58 crores and 13 lakh modified loose jaws costing Rs. 97.5 lakhs were placed on firm 'A' by the Railway Board on 15th February and 19th June 1975 respectively. The first order covered two years' requirements, namely, 1974-75 and 1975-76 and the second order covered requirements of 1974-75 and part of 1975-76. While placing these orders, the steep fall in steel prices which had occurred during this period was not taken note of, resulting in procurement of the items at higher rates entailing a large additional expenditure. These cases are discussed in the succeeding paragraphs.

*Pandrol clips*

15.4 Pandrol clip, a patented item of a firm of United Kingdom, was manufactured in India by firm 'A' under a collaboration agreement of 11th December 1968. The agreement was valid till 10th December 1975 and accordingly firm 'A' was the sole supplier of this item till December 1975. Consequently, the Railway Board was procuring this item from this firm on single tender basis.

15.5 In September 1973 an order was placed on this firm for supply of 31 lakh pandrol clips at the rate of Rs. 5.58 per clip (total value—Rs. 1.73 crores). The rate of Rs. 5.58 was based on the basic price of Rs. 3,065 per tonne (f.o.r., Bangalore) of silico-manganese spring steel exclusive of extras for ensuring close tolerance required for pandrol clips. The price was subject to adjustment on account of variation in excise duty on raw material. Full supply of 31 lakh pandrol clips was completed by 31st August 1974. However, the actual receipts of steel trough sleepers and concrete sleepers during 1973-74 was lower than anticipated and the requirement of pandrol clips for the sleepers received was only 14.88 lakh pieces. Thus against the order placed in September 1973, a spill over of 16.12 lakh clips was available for use during 1974-75.

15.6 On the basis of assessment of requirement of pandrol clips for 1974-75 at 33.60 lakh pieces, firm 'A' was asked in May 1974 to quote for supply of 21 lakh pieces. It quoted in June 1974 a rate of Rs. 9.38 per piece for the supply of minimum 30 lakh pandrol clips.

15.7 The Railways' requirement of pandrol clips was reassessed in August 1974 in view of the financial stringency and the curtailment of track renewal programmes. It was estimated that the requirement of pandrol clips would be 6.68 lakhs for 1974-75 and 22.21 lakhs for 1975-76 making a total of 28.89 lakhs. In September 1974, a rate of Rs. 9.08 per piece (as against the last purchase price of Rs. 5.58 of

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September 1973) was negotiated by the Tender Committee with the firm for supply of 28.40 lakh pandrol clips. The price was subject to adjustments on account of variations in electricity charges, cost of light diesel oil and excise duty on raw material. The price of Rs. 9.08 per piece (which was about 62 per cent above the last contract rate of September 1973) was worked out by the Tender Committee on the basis of the price of raw material (silico-manganese spring steel rounds) prevailing in September 1974, *i.e.*, Rs. 4,850 per tonne. The negotiated rate was approved on 30th January 1975 without ascertaining the then prevailing market rate of silico-manganese spring steel. The contract was placed on 15th February 1975 for 28.40 lakh pandrol clips for meeting two years' requirements at a total cost of Rs. 2.58 crores. According to the contract the supplies upto 31st March 1975 were to be limited to 7 lakh numbers only. However, on the basis of instructions of the Railway Board issued earlier in November/December 1974, the Research, Designs and Standards Organisation had inspected 8.80 lakh pandrol clips upto 19th January 1975 *i.e.*, even before the contract was placed. Full supply of 28.40 lakh clips was completed by the firm in January 1976.

15.8 During the period from September 1974 (when the price was negotiated) to 15th February 1975 (when the contract was placed) there had been steady fall in the market price of various steel materials. The tenders for special steel opened in the Board's office on 7th January 1975, 14th January 1975 and 21st January 1975 showed fall in prices ranging from 8 to 21 per cent as compared to previous year's contract prices. It may also be mentioned here that the Railway Board happened to float a tender for procurement of silico-manganese spring steel on 15th February 1975. The tenders, which were opened on 31st March 1975, indicated raw material (silico-manganese steel) price as Rs. 4,300 per tonne as against the rate of Rs. 4,850 per tonne prevailing in September 1974 and adopted for order placed in February 1975 for supplies to be made to meet two years' requirements. No notice would appear to have been taken of the trend of fall in steel prices in January 1975

nor the then current market price of silico-manganese spring steel ascertained. The relevance of the second point just made is also clear from the outcome of the tender of February 1975 for silico-manganese steel the rate for which came down after negotiations to Rs. 3,117 per tonne on 5th June 1975. Placement of order in February 1975 on the basis of raw material prices prevailing in September 1974 resulted in a very large financial advantage to the firm on the purchase of 28.40 lakh pandrol clips.

15.9 In accordance with the collaboration agreement referred to above, firm 'A' had to pay to its collaborator 5 per cent royalty on the net selling price of pandrol clips less the value of imported components, if any, subject to Indian taxes. The price per clip fixed after negotiations with firm 'A' under each contract, including the contract concluded in February 1975 included this element of royalty at 5 per cent of the price of product payable to the foreign collaborator in United Kingdom. The annual royalty is payable on the annual production limited to the licensed capacity plus 25 per cent which in the case of firm 'A' worked out to 18.75 lakh clips per year. The firm manufactured in 1974 and 1975 excess quantities of 1.98 and 9.65 lakh clips respectively over the licensed capacity plus twenty five per cent, for which full price inclusive of royalty amount was allowed. On the inadmissibility of the royalty on these supplies being pointed out by audit in September 1975, the Railway Board ordered (May 1976) recovery of an amount of Rs. 4,89,892 (on account of royalty on the excess production) from the dues of firm 'A'.

15.10 On a representation from firm 'A' against this recovery, the Railway Board referred the matter to the Ministry of Industrial Development in September 1976.

15.11 The Ministry of Industrial Development decided (December 1976) to regularise the excess production for the reasons that the entire production of the clips was for Railways'

use and in the absence of this the Railways' programme would have been adversely affected. It also advised that it had no objection to the payment of royalty on the manufacture of pandrol clips in excess of 18.75 lakhs.

15.12 The Railway Board stated (January 1977) that the rate of Rs. 9.08 per clip was negotiated by the Tender Committee in September 1974 on the basis of the then prevailing rates for raw material and orders of the competent authority could be obtained only on 30th January 1975 and contract placed in February 1975. It further stated that the rates of special steel received in January 1975 and the rates obtained in March 1975 in response to the tenders for silico-manganese spring steel had no relevance as the former pertained to steel of different specifications and the latter to a much later period with reference to date of negotiations namely, September 1974.

15.13 The Railway Board further stated (February 1977) that ordering of 28.40 lakh clips to meet two years' requirements upto 1975-76 was also considered necessary because the firm's collaboration agreement with the U.K. firm was to expire on 10th December 1975 and consequently it was apprehended that there would not be any supply of pandrol clips thereafter from it.

15.14 As regards inspection of 8.80 lakh pandrol clips by the Research, Designs and Standards Organisation even before the contract was placed, the Railway Board stated that pandrol clips are critical safety items and firm 'A' was the sole supplier of this item. It was essential, in the interests of the Railways, that there was no break in the continuity of production so that the flow of supplies of these components was not interrupted. Accordingly, it was maintained, that a working arrangement with firm 'A' was considered necessary under which the railways' estimated requirements were projected to it and also inspected without issue of formal inspection notes so that there was no commitment to purchase them till contracts were finalised.



*Modified loose jaws*

15.15 Modified loose jaws are used as fastenings with steel sleepers for laying long welded rails. Firm 'A' whose rolling mills are located at Calcutta, was the sole supplier of modified loose jaws till May 1975. The firm made an improvement in the Research, Designs and Standards Organisation's design of the modified loose jaws. While accepting the firm's improved design, it was agreed by the Board in February 1971 that in case it was decided to continue the purchase of the modified loose jaws to the firm's design, it would be purchased only from it upto four years from the date of first supply of 10 thousand modified loose jaws of its design. The firm had supplied the first 10 thousand modified loose jaws according to its design by May 1971 and, therefore, this agreement to purchase loose jaws from it only was valid upto May 1975. The requirements of loose jaws for 1975-76 onwards were to be procured after calling for open tenders.

15.16 For the requirements of 1973-74, an order for 18 lakh pieces at the rate of Rs. 4.98 per piece was placed on the firm in January 1974 with stipulation that deliveries would be completed by March 1975. The firm completed the supplies ahead of the schedule by October 1974 itself. The requirements of the modified loose jaws were estimated in February 1975 as 9.36 lakh pieces for 1974-75 and as 16 lakh pieces for 1975-76.

15.17 The firm had again modified its design in May 1974 which was approved by the Research, Designs and Standards Organisation in June 1974. Consequently, orders placed prior to this date were for the earlier design (Alteration 1) and those placed after this date were for modified design (Alteration 2).

15.18 As the Railways were committed to take supplies of this item from this firm upto May 1975 only, it was decided by the Railway Board in February 1975 to restrict the purchase from the firm to meet the requirement of 1974-75 only, that is, for 9 lakh pieces of modified loose jaws and to float open tenders for the requirements of 1975-76.

15.19 For supply of 9 lakh loose jaws negotiations were held with the firm in April 1975; it quoted a rate of Rs. 7.67 per piece for a quantity of 9 lakh pieces and a rate of Rs. 7.55 per piece for a minimum order of 13 lakh pieces (for Alteration No. 2).

15.20 Modified loose jaws as also pandrol clips and bearing springs for rolling stock, are manufactured from silico-manganese spring steel. It had been the practice, in negotiating the price for the loose jaws supplied by this firm since 1971, to adopt the rates for 19 mm dia silico-manganese spring steel rounds obtained in steel tenders as a general guide after adding thereto sectional extras for the special flats.

15.21 In the tender for silico-manganese spring steel (IS-17) for manufacture of bearing springs etc., for rolling stock opened on 31st March 1975, the lowest rate obtained for 19 mm rounds was Rs. 3,580 per tonne; the lowest rate obtained from an established firm 'B' of Calcutta was Rs. 4,300 per tonne. On the basis of the rate of firm 'B' of Calcutta (where the rolling mills of firm 'A' were also situated), the element of price of silico-manganese spring steel used in the manufacture of modified loose jaws derived by the Tender Committee for purchase of loose jaws was Rs. 4,833 per tonne.

15.22 The Tender Committee for purchase of loose jaws was informed on 28th April 1975 that the rates of silico-manganese spring steel rounds as per tender opened in March 1975 would be known only when the order against this tender was finalised.

15.23 The Tender Committee for purchase of spring steel had anticipated (22nd May 1975) reduction in the price of this item because of the improved availability of steel in the market and reduction in the demand for steel in the country. This Tender Committee held negotiations with the tenderers and the revised offers were received on 5th June 1975—these were between Rs. 2,990 and Rs. 3,200 per tonne only. The revised offer of firm 'B' of Calcutta was Rs. 3,117 per tonne only as against

Rs. 4,300 per tonne tendered in March 1975 on the basis of which the cost of steel raw material for loose jaws had been derived as Rs. 4,833 per tonne. The orders for purchase of this steel were placed in August 1975.

15.24 Meanwhile, without awaiting the outcome of the price negotiations regarding the purchase of spring steel, the Tender Committee for purchase of loose jaws made recommendations on 23rd May 1975 for placement of orders for modified loose jaws on firm 'A' at Rs. 7.50 per piece. This rate was 50 per cent higher than the previous rate. The Tender Committee also recommended increase in the quantity from 9 lakh pieces (as decided by the Board earlier) to 13 lakh pieces to cover partly the requirements for 1975-76 also on the grounds that (i) it would take 6 to 8 months for supplies to materialise against the contract to be finalised after inviting fresh tenders for 1975-76, (ii) the anticipated receipts of steel trough sleepers in the first quarter of 1975-76 would require another 6 lakhs of modified loose jaws and (iii) the firm had quoted the rate of Rs. 7.50 each for the supply of 13 lakh modified loose jaws. The recommendations of the Tender Committee were approved by the Board on 3rd June 1975. Advance acceptance letter was issued to the firm on 4th June 1975 and on 19th June 1975 contract was placed on the firm for a total value of Rs. 97.5 lakhs. The price per piece was worked out on the basis of the raw material price of Rs. 4,300 per tonne. The price was subject to adjustment based on variations in electricity rates, price of light diesel oil and excise duty on steel raw material with reference to rates indicated in the contract. According to the contract, the supplies were to commence in 2 to 4 weeks from the date of the order and completed within 6 months thereafter.

15.25 In July 1975, firm 'A' informed the Railway Board that even before the award of the contract in June 1975 it had manufactured some quantities of modified loose jaws to the

earlier drawing, namely, Alteration No. 1. It also intimated that it continued to manufacture the material to Alteration No. 1 even before it received the contract of June 1975 to maintain continuity in production and also to avoid labour problems arising from lack of orders. It had by that time manufactured 11 lakh pieces of loose jaws to Alteration No. 1. It also explained that there was only a minor difference between loose jaws manufactured to Alteration No. 1 and those manufactured to Alteration No. 2. It accordingly sought for an amendment to the contract for supply of 13 lakh loose jaws to Alteration No. 1; the amendment was to be that supplies could be either to Alteration No. 1 or to Alteration No. 2.

15.26 It was considered by the Railway Board in August 1975 that, as the manufacture of these 11 lakh loose jaws to Alteration No. 1 had commenced immediately (November 1974) after the completion of the earlier order, it would be reasonable to presume that the price structure for this quantity should be built up from the price accepted in the earlier order (*viz.*, Rs. 4.98 per piece) subject to escalations catered for in the earlier contract.

15.27 On 16th August 1975, it was pointed out in audit that the rate of Rs. 7.50 per modified loose jaw was high with reference to the steel prices negotiated in June 1975 and that on the basis of the rate of Rs. 3,117 per tonne offered by a Calcutta firm the price per loose jaw worked out to only Rs. 6.35.

15.28 The Railway Board came to the conclusion on 18th August 1975 that from the technical point of view both Alteration 1 and Alteration 2 were equally suitable for use with railway sleepers and that Alteration 2 had been introduced "only at the request of the firm who pleaded better manufacturing convenience in their works as the reason for the change".

15.29 The Railway Board also decided (August 1975) that the price applicable to 11.6 lakh modified loose jaws to Alteration 1 offered by firm 'A' should be negotiated by the Tender Committee.

15.30 The Tender Committee noted (October 1975) that steel prices had started falling in January 1975 and orders for special steel which had been placed in February 1975 revealed a fall in prices to the extent of about 15 per cent as compared to the prices in October 1974. The orders placed in June 1975 on the basis of quotations for spring steel received in March 1975 showed further declining trend in prices of spring steel—the revised rate of Rs. 3,117 per tonne of Calcutta firm (5th June 1975) representing a further reduction of 16 per cent from the above rate. The Tender Committee felt that a reasonable average price for the entire quantity of 13 lakh pieces should be around Rs. 6.90 per piece. Accordingly, the rate of Rs. 6.90 per piece for the modified loose jaws to Alteration 1/Alteration 2 was offered to the firm in April 1976. The firm, in May 1976, expressed its inability to accept this rate but, however, offered a lumpsum rebate of Rs. 7 lakhs. This was accepted by the Board and in June 1976 the contract was amended to provide for the acceptance of loose jaws to Alteration 1/Alteration 2.

15.31 The following points are worth mentioning :—

- (i) The revised requirements of modified loose jaws for 1974-75 were not covered before or during 1974-75. Orders were placed only in June 1975 and supplies were effected from June 1975 to January 1976. It may be recalled that after May 1975 there was no obligation on the part of the Railway Board either under the commitment to the firm or otherwise to procure future requirements of the loose jaws by a single tender from firm 'A' only.

- (ii) The revised requirements of modified loose jaws for 1974-75 (actually procured in 1975-76) were estimated at 9.36 lakh pieces only, but the size of the order was increased to 13 lakh pieces on the recommendations of the Tender Committee as indicated earlier. Thus, the estimated requirements of modified loose jaws for a part of the year 1975-76 were also covered. The estimated requirements for 1975-76 were to be procured in any case by open tender. In arriving at this decision, the Railway Board had felt that the steel trough sleepers were being received against the 1975-76 orders and, therefore, modified loose jaws would be required to match the trough sleepers to be received during the first quarter of 1975-76 and it would take time before the requirements for the modified loose jaws for 1975-76 proper could be covered by floating open tenders. A review of the consumption of loose jaws on the various Railways made by the Board in October 1976 revealed that the entire quantities supplied to Western Railway (4.05 lakhs) and Central Railway (1.75 lakhs) had not been used at all till January 1976.
- (iii) The Tender Committee for purchase of modified loose jaws had been informed that the finalised price of steel as per the tenders for silico-manganese steel would be known only after the order was placed. Without awaiting the outcome of the negotiations, the Tender Committee for the modified loose jaws went ahead and finalised (23rd May 1975) its recommendations (order placed on 4th June 1975) for the rate for procurement of loose jaws at the rate of Rs. 7.50 per piece, derived from the rate of Rs. 4,300 per tonne for steel obtained in March 1975. As already mentioned, after negotiations this rate in respect of the Calcutta firm was reduced to Rs. 3,117 per tonne by 5th June

1975. If this rate for the steel raw material had been adopted, the rate for modified loose jaws would work out to Rs. 6.40 per piece. On a total supply of 13 lakh pieces, this would entail an extra expenditure of Rs. 14.30 lakhs (the extra expenditure would be Rs. 7.30 lakhs after off-setting the lumpsum rebate of Rs. 7 lakhs allowed by the firm).

- (iv) Out of 13 lakh pieces of modified loose jaws supplied by the firm, 11 lakh pieces had already been manufactured by the firm not against any specific order of the Railway Board from November 1974 onwards and to a superseded design, viz., Alteration No. 1. On the basis of Railway Board's instructions issued in November/December 1974, the Research, Designs and Standards Organisation had completed inspection of more than 8 lakh modified loose jaws by May 1975, i.e., even before the contract therefor was placed. The firm had despatched 2.6 lakh loose jaws by 30th June 1975 and 7.9 lakh (cumulative) loose jaws by 31st July 1975 duly inspected by the Research, Designs and Standards Organisation which commenced inspection in November 1974. There was no obligation on the part of the Railway Board to purchase modified loose jaws to Alteration No. 1. Again the Railways are the only users of the modified loose jaws. Consequently, firm 'A' could not have either produced them for the market or disposed them of to any other party.
- (v) It was only in June 1976 that it was decided to accept the firm's supply of modified loose jaws to Alteration No. 1 also. Consequently, it was necessary for the Railway Board to obtain such loose jaws only at the rates based on the current market price of raw material (Rs. 2,480 per tonne in December 1975), with reference to the average market rate for silico-manganese steel prevailing in 1976,

the extra amount paid for procurement of the modified loose jaws to the out-dated drawing was Rs. 10.60 lakhs after off-setting the lump sum rebate of Rs. 7 lakhs.

15.32 It may be mentioned that fresh tenders were invited by the Railway Board in July 1975 for supply of 16 lakh loose jaws for the requirement of the year 1975-76; orders had been placed in March 1976 at the rate of Rs. 4.50 per piece.

15.33 The Railway Board stated (February 1977) that firm 'A' had indicated in the discussions held in September 1975 that it would not be correct to compare the prices quoted by other manufacturers in the silico-manganese steel tender (IS 17) with the prices of raw material required for the manufacture of modified loose jaws. The firm had further stated that for achieving the desired quality of spring steel it was necessary that there should be a minimum reduction ratio of 25 : 1 from ingot to bar. The quality of spring steel required for manufacture of modified loose jaws is superior to that of spring steel flats procured against tender—IS 17.

15.34 It may be mentioned that these points made by the firm in support of its claim for a higher price for the raw material had been examined by the Tender Committee and found to be not tenable and, all along the reasonableness of the quotation or tender of the firm was examined by the Tender Committee with reference to the silico-manganese steel prices.

15.35 According to the Railway Board the Tender Committee for modified loose jaws did not apparently consider it necessary to wait for the finalisation of the silico-manganese steel tender (IS 17) because the modified loose jaws to be produced by firm 'A' were to be manufactured from its own spring steel.

15.36 As regards inspection of large quantities of modified loose jaws by the Research, Designs and Standards Organisation even before the placement of the contract, the Railway Board



stated that a working arrangement with the firm (as in the case of pandrol clips) was considered necessary under which the estimated requirements of the Railways were projected to the firm and also inspected without issue of formal inspection notes so that there was no commitment to purchase them till the contracts were finalised.

#### 16. Central, Eastern, Northeast Frontier, Southern and South Eastern Railways—Supply of sub-standard screw spikes

In December 1973, the Director General, Supplies and Disposals entered into a running contract with a firm of Chandigarh for supply of 21,99,748 numbers (plus/minus 25 per cent) plate screws (screw spikes) (size 135 mm × 18 mm dia) to the Zonal Railways as per drawings and specifications mentioned therein. According to the terms of the contract, the firm was required to supply 10 lakh screw spikes between January and July 1974 without linking the same with the receipt of billets against essentiality certificate and the remaining quantity by 31st August 1975 or earlier, subject to refixation of the delivery schedule on actual receipt of billets. The firm despatched 27,47,248 screw spikes duly inspected by the Director of Inspection to different consignees of Central, Eastern, Northeast Frontier and South Eastern Railways during the period from January 1974 to August 1976. The particulars of supplies and payments made to the firm on proof of inspection and despatch, are detailed below :

Railway	Quantities		Period of supply	Payments made (lakhs of rupees)
	ordered (numbers)	supplied (numbers)		
Central	2,50,000	2,50,000	June and August/ September 1974	5.40
Eastern	5,00,000	5,00,000	January to March 1974	10.00
Northeast Frontier	3,12,000	2,00,000	February to August 1974	4.00
South Eastern	17,97,248	17,97,248	March to August 1974 and July 1975 to August 1976	39.69
Total	28,59,248	27,47,248		59.09

Against the same running contract, the firm supplied screw spikes (plate and rail screws) of other sizes to the Northeast Frontier and Southern Railways as indicated below :—

Railway	Size of screw spikes	Quantity supplied (numbers)	Period of supply	Payments made (lakhs of rupees)
Plate screws				
Northeast Frontier	120 mm × 18 mm dia	2,42,500	February to August 1974	4.80
Southern	120 mm × 18 mm dia	7,918	September 1974	0.17
Rail screws				
	135 mm × 22 mm dia	1,00,000	} December 1974 to June 1975	10.68
	120 mm × 22 mm dia	1,00,000		
	110 mm × 22 mm dia	1,00,000		
TOTAL				15.65

The entire lot of 4,02,500 screw spikes despatched by the firm to consignees on South Eastern Railway during June and July 1974, was rejected as being sub-standard.

The supplies received at the Permanent Way Stores Depot of Central Railway at Ajni (Nagpur) were test checked in July 1974 and again in September 1974 and 6,400 screw spikes (valued at Rs. 12,800) were found to be of different lengths much in excess of the tolerance limit prescribed in the contract. These screw spikes were returned to the firm in October 1974 and were replaced by it in September 1976. A detailed checking of the supplies was not undertaken by that Depot on the grounds that (a) the supplies already inspected by the Director of Inspection were normally not being reinspected and materials were being accepted as in order and (b) there was lack of inspection and testing facilities at that Depot.

The supplies received by one of the consignees of North-east Frontier Railway were also found, in September 1974, to be deficient and sub-standard and considered unsuitable for use. The materials received by other consignees of this and Eastern

Railways were not checked either because the consignees did not possess necessary resources for a thorough technical check at their premises or, according to the practice in vogue, there was no system of checking the quality of such small permanent way fittings if the materials had been once inspected and passed by the Director of Inspection.

On receipt of a report from the South Eastern Railway in November 1974 that the supplies of plate screws made by the firm were very much sub-standard and not according to the drawing, the Railway Board directed the Zonal Railway Administrations in May 1975 to examine carefully the materials supplied by the firm. Consequently, a detailed checking was undertaken by the Railways and it was found that a large proportion of the supplies checked by Central, Eastern, Northeast Frontier and Southern Railways were not conforming to the specifications. The defects are mentioned below :

- (a) variations in actual dimensions more than the tolerance limit;
- (b) major defects in forging, threading in some cases and verticality as well as concentricity of the head and shank etc.;
- (c) head not axial to the shank and frequently badly eccentric;
- (d) the top hemispherical portion to guard against hammering, missing or insignificant; and
- (e) general workmanship including finish of the bottom poor.

In January 1976, the Railway Board requested the Director General, Supplies and Disposals to arrange for joint inspections by the representatives of the firm, the Director General, Supplies and Disposals and the Railways.

The Director General, Supplies and Disposals referred the question of joint inspection to Ministry of Law on 28th June 1976 for advice. That Ministry advised :

“(A) We have not been able to locate any clause in the conditions of Contract dealing with Joint Inspection of stores. Usually when stores are rejected by the inspector or the consignee, the firm requests for joint inspection and the same is held without prejudice to the terms and conditions of the contract. In this case, the request has come from the Railways, the immediate cause being the defects recently noticed of a similar stores. Though the stores supplied may be the same, the dates of supply are very much relevant. As already pointed out, the stores in respect of which complaint is now made, were accepted long ago by the consignees concerned. In view of this, there appears no basis in the contract for compelling the firm to attend the proposed joint inspection.

(B) The report prepared in the absence of the firm's representative will not be binding on the firm.”

Thereupon, the Director General, Supplies and Disposals advised the Railway Board on 19th July 1976 that the matter of joint inspection had been treated as closed.

It may be mentioned that, during October 1975 to April 1976 the firm replaced 4,02,500 screw spikes earlier rejected by South Eastern Railway.

Screw spikes numbering 9.24 lakhs (approximately) and costing Rs. 18.97 lakhs have been lying unused since their supply.

Against the same running contract Southern Railway received one lakh screw spikes and South Eastern Railway 8,18,748 screw spikes after May 1975. As a result of random test check

carried out by Southern Railway, it was found that the supplies did not conform to specification and showed higher value of carbon content. The defects were reported neither to the Railway Board nor to the Director General, Supplies and Disposals and the spikes had been issued to the Divisions for being used. South Eastern Railway has not yet (December 1976) accepted 2.70 lakh spikes supplied by the firm in July 1975 for want of inspection notes etc. A sum of Rs. 6.29 lakhs representing 98 per cent advance payment had been made to the firm for this supply.

Besides, Eastern Railway received two lakh screw spikes, duly inspected and passed by the Director of Inspection, during July 1975 to February 1976, against another running contract entered into by the Director General, Supplies and Disposals in February 1975, with the same firm. These supplies were not checked by the consignees in spite of the fact that supplies received against the earlier running contract with the same firm were found to be sub-standard.

According to the instructions issued by the Railway Board as early as February 1969 all items of track fittings are, on receipt by consignees, required to be rechecked promptly even though they are inspected by the Director of Inspection in the premises of the manufacturers. Further, the general conditions applicable to contracts entered into by the Director General, Supplies and Disposals permit that, notwithstanding the inspection of the Director of Inspection, it shall be lawful for the consignee to reject the stores at the destination within a reasonable time—45 days after actual delivery in the case of general stores as prescribed by the Ministry of Supply in August 1970—if they were not in conformity with the terms and conditions of the contract. In February 1971, the Railway Board had also reiterated that rejections, if any, should be done within the prescribed time limit.

The Railway Board stated (January 1977) that Central Railway subsequently (during October-November 1976) carried S/26 C&AG/76—8

out detailed inspection of the screw spikes received at Ajni and then available. Out of 1.09 lakh screw spikes in stock, 11 thousand screw spikes were rejectable, 20 thousand could be used after rectification and the balance were of good quality. The position in respect of supplies received by other consignees was being ascertained.

#### 17. North Eastern Railway—Supply of defective round spikes

In February 1972, the Director General, Supplies and Disposals, entered into a running contract with a firm of New Delhi for supply of round spikes to Central, Northern, North Eastern, Southern and South Central Railways as per Research, Designs and Standards Organisation's drawings and specifications mentioned therein. The running contract was to be operative from 1st February 1972 to 31st January 1974 subject to supply of raw materials by producers against requisitions of the firm and essentiality certificates to be issued by the Director General, Supplies and Disposals. The firm was required to supply a total quantity of 1,275.53 tonnes (subsequently raised to 1,524.943 tonnes)—924.805 tonnes at the rate of Rs. 88 per 50 kg subject to adjustment on variation in Joint Plant Committee (J.P.C.) price of steel and 600.138 tonnes at firm price of Rs. 118 per 50 kg. These rates were exclusive of Central Sales Tax payable by the purchasers. Advance payment to the extent of 98 per cent of the value of the stores was to be made on proof of inspection by the Director of Inspection (D.G.S. & D.) and despatch and the balance two per cent on receipt of consignee's report about receipt and acceptance of the material.

Against 114.653 tonnes of spikes to be supplied to the North Eastern Railway, the firm despatched 40 tonnes of this material duly inspected by the Director of Inspection. These were received by the Assistant Stores Keeper, Track Supply Depot, Kanpur, in two lots, each of 20 tonnes, on 19th November and 1st December 1973. These supplies were rejected by the consignee on the grounds that "(1) the point, that is, tip not right

cut and (2) diameter of shank is beyond admissible tolerance". However, the rejection memoranda were issued on 24th January and 26th March 1974 respectively, that is, 66 and 115 days after the receipt of the materials, against the permissible limit of 45 days for checking the supplies and issuing rejection memoranda by the consignees. Further, the consignments on receipt were not checked in respect of "sealing and facsimile stamp" of the Director of Inspection.

The Inspecting Officer (of the D.G.S. & D.), who visited the Track Supply Depot in May 1974, reported that the bags containing the round spikes did not bear any facsimile of stamp on the lead seals as shown in the relevant inspection notes and many bags were not having any seals at all. Thereupon, the District Controller of Stores, Izatnagar, informed the firm in July 1974 that out of 800 bags, 503 bags did not bear the seals and 297 bags, although sealed, did not bear facsimile of stamp as shown in the inspection note and that the material was lying rejected in the Depot at its risk and cost.

The Controller of Stores, North Eastern Railway, requested the Director General, Supplies and Disposals, in January 1975, to take up the matter with the firm and to fix a suitable date for joint inspection; but the former was informed by the Director of Inspection, in March 1975, that the joint inspection of the stores which did not bear his office seal and facsimile stamp, was out of question. In September 1975, the Director General, Supplies and Disposals asked the Controller of Stores if the rejected material could be accepted at reduced price and if so, what reduction in price was considered reasonable; but the proposal was not found acceptable by the Railway Administration as the spikes were over-sized and would cause cracking of bearing plates. However, in the context of the possibility of recovery from the firm being remote, the Chief Engineer was requested by the Controller of Stores in November 1975 to re-examine if the round spikes could be economically rectified at the cost of the firm. Meanwhile, the Director General, Supplies and Disposals

asked the Pay and Accounts Officer in January 1975 to recover advance payment of Rs. 80,122 made to the firm against these supplies but the latter reported in June 1975 that the prospects of recovery were bleak as "no bill is forthcoming from the firm".

The Railway Administration stated (April 1976) that the Engineering Branch re-examined the round spikes and proposed to accept the supply with a reduction in price provided the spikes had been manufactured from raw materials of the required specification and that this would be determined after samples of the spikes were tested by the Chemist and Metallurgist. The Railway Administration further stated (October 1976) that the matter was re-examined in detail considering all aspects and after conducting laboratory tests the proposal to accept the rejected supply at 7 per cent reduction in rates was forwarded to Director General, Supplies and Disposals in July 1976.

The Department of Supply stated (December 1976) that the Ministry of Law advised that if the right of rejection was not exercised within the prescribed period, it would be difficult to sustain the rejection and it was a matter of administrative decision whether to accept the stores with reduction in contract price. Accordingly, the Controller of Stores had been addressed in November 1976 to furnish details of rejected stores. The Department further stated that the Controller of Accounts advised in September 1976 that the firm's dues amounting to Rs. 91,872 had been withheld.

#### **18. Western Railway—Direct purchase of stores—loose jaws**

Against a running contract entered into with a firm of Kanpur in August 1969, the Director General, Supplies and Disposals placed an order in May 1970 for supply of 5 lakh loose jaws to Western Railway by 31st July 1970 at the rate of 75 paise per piece. The base price of 75 paise per piece was subject to variation in the event of variation in the price of steel. Accordingly, the rate was increased in April 1976 by Rs. 0.02604



per piece for stores offered for inspection on or after 31st January 1970. The supplies were received on different dates between February 1971 and February 1972.

In May 1971, the Railway Administration initiated a proposal to procure directly 1.4 lakh loose jaws on grounds of urgency for certain construction works connected with the running of the Rajdhani Express and non-materialisation of supplies against the contract of the Director General, Supplies and Disposals. Based on tenders advertised on 21st May 1971, the offer of a firm of Calcutta for supply of loose jaws at the rate of Rs. 1.80 each was accepted as per the recommendations of the Tender Committee which held its meeting on 27th July 1971. Though the acceptance of tender was communicated to the firm on 28th August 1971, formal order was placed only on 12th November 1971. The firm was required to complete the supply of the stores within three months after receipt of order, in three monthly instalments—two of 40 thousand pieces each and the last one of 60 thousand pieces; but it supplied 72 thousand loose jaws on 25th April 1972 and the balance in July 1972. The loose jaws against the direct purchase were received after the supplies against the Director General, Supplies and Disposals' rate contract of 1969 had been completed. The works for which these jaws were procured on urgency basis had already been completed by April 1972 after obtaining the stores on loan from other Engineering Divisions which had received supplies against the Director General, Supplies and Disposals' contract. The direct purchase of the store entailed extra expenditure of Rs. 1.43 lakhs approximately.

Again, in May 1972, the Railway Administration initiated another proposal for direct purchase of 1.88 lakh loose jaws, stated to be urgently required by Construction Units for the period up to December 1972. This was done in spite of contracts entered into by the Director General, Supplies and Disposals on 20th January 1972 for 7 lakh loose jaws—6 lakh loose jaws at the rate of Rs. 1.27 each for supply by 20th November 1972

and one lakh at the rate of Rs. 1.25 each for supply by 28th February 1973. Tenders were advertised on 24th June 1972. Based on the recommendations of the Tender Committee which met on 25th August 1972 the offer of the same firm of Calcutta to supply at the rate of Rs. 1.78 each was accepted on 27th September 1972. However, the order for supply made out on 17th March 1973 was despatched to the firm only on 20th July 1973. The original delivery schedule which was for 50 thousand pieces within 45 days, another 50 thousand pieces within 60 days and the balance 88 thousand pieces within 90 days of the receipt of the order, was refixed as 31st March 1974 for the entire lot as the firm wanted refixation of delivery schedule due to late receipt of the order in July 1973. The firm supplied 1,59,000 pieces on 23rd March 1974 and 17,250 pieces on 31st March 1974. The balance quantity was not supplied by the firm due to the Railway strike of May 1974 and lock-out in the manufacturer's works.

During the period October 1972 to March 1973, the consignees received 3.775 lakh loose jaws against the Director General, Supplies and Disposals' running contract of January 1972. Further supply of 1.80 lakh loose jaws was received by 20th July 1973 against another running contract entered into on 30th August 1972 by the Director General, Supplies and Disposals. The supplies against the running contracts were received well before the supplies against the direct purchase mentioned in the preceding sub-paragraph. The loose jaws received by the Open Line Divisions were being issued on loan basis for urgent construction works. By the end of November 1973, the Railway Administration realised that the stocks on hand were adequate to meet their requirements till March 1974 and asked the firm of Calcutta on 8th January 1974 whether it would agree to the cancellation of the order (placed on it in July 1973). The firm did not agree to this request and effected supplies in March 1974 as indicated earlier. The direct purchase in this case entailed an extra expenditure of about Rs. 90 thousand.

The Railway Administration stated (March 1976) that but for these direct purchase arrangements, the progress on some of the line capacity or safety works would have been adversely affected and that the stocks received were consumed immediately.

A test check by audit on utilisation of loose jaws by seven Permanent Way Inspectors during different periods from April 1972 to July 1974 indicated that out of 3,31,566 loose jaws used, 9,796 numbers were consumed after three months, 55,414 numbers after six months, 2,08,193 numbers after one year and 58,163 numbers after two years of receipt.

The Railway Board stated (January 1977) that loose jaws had to be used with steel trough sleepers which were procured from the Durgapur Steel Plant. As there was short supply of steel sleepers, the loose jaws could not be used.

## CHAPTER VI

### PURCHASES, STORES AND WORKS

#### 19. Chittaranjan Locomotive Works—Heat treatment plant for the manganese steel section of the Steel Foundry

##### *Procurement of special heat treatment furnace*

The Steel Foundry at Chittaranjan was set up in 1961 with foreign technical collaboration for manufacture of steel castings for steam, electric and diesel locomotives and also for the manufacture of manganese steel crossings (including 1 in 16 and 1 in 20 sizes) for use in Railway track. The Foundry had a capacity to manufacture 10 thousand tonnes of steel castings including one thousand tonnes of manganese steel points and crossings [*c.f.*, paragraphs 3.21 to 3.58 of Eleventh Report of the Public Accounts Committee (Fifth Lok Sabha)].

As a part of the Steel Foundry, three heat treatment furnaces were also installed during 1965-66 at a total cost of Rs. 15.09 lakhs. In November 1965, the Chittaranjan Locomotive Works Administration placed an order on firm 'A' for supply and commissioning of a special oil fired bogie type furnace with accessories including water quenching tank for heat treatment of manganese steel crossings of 1 in 16 and 1 in 20 sizes, at a cost of about Rs. 8.22 lakhs. The accepted technical specification called for the furnace being charged at a temperature of 300° centigrade and raised to 690° centigrade at the rate of 50° centigrade rise per hour, soaking at this temperature for 4 hours after which the temperature was to be raised to 1,000° centigrade at the rate of 50° centigrade per hour. The firm was required to deliver the materials for the furnace by February 1967 and to erect and commission it in approximately 20 weeks' time thereafter. The

firm had given a warranty of 12 months for parts and components manufactured and imported by it and 6 months for bought out items. The period of warranty was to commence from the date of commissioning of the plant. On completion, the furnace was to have a capacity of one thousand tonnes for treatment of manganese steel crossings of bigger dimensions. The period of delivery of the materials for the furnace was extended, in November 1967, to December 1967. The firm delivered the materials including the furnace within the extended delivery period, except four items which were supplied by April 1968. This supply was not covered by any extension of delivery period after December 1967.

In October 1967, the firm asked for an 'on account' payment against the materials brought to site for the erection and commissioning of the furnace. There was no provision in the original contract agreement for such a payment. Provision for part payments subject to the firm's furnishing a bank guarantee with currency of nine months, was made in the contract agreement by an amendment made in November 1967. Accordingly, the Administration made 'on account' payment of Rs. 6.18 lakhs in November 1967. The firm furnished a bank guarantee of Rs. 7.12 lakhs on 20th November 1967 valid up to 31st October 1968 against breach of the contract for supply, erection and commissioning of the plant by it. Further payment of Rs. 1.21 lakhs was made to the firm in August 1968 for the four items supplied after December 1967. In October 1968 another payment of Rs. 0.77 lakh was made towards the supply of spares.

The furnace was commissioned by the firm in November-December 1967. During performance trials it was found that in the course of heating up a temperature variation existed in different parts of the furnace and also the temperature in the different parts of the furnace did not stabilise at 690° centigrade. The Administration did not, therefore, "take over" the furnace from the firm and it remained unutilised except for the water quenching tank portion costing Rs. 2.99 lakhs. In May 1975 it was commissioned departmentally. On commissioning, the furnace could not,

however, achieve the prescribed rise in temperature of 50° centigrade per hour for heat treatment of manganese steel crossings. The furnace is, therefore, being used in a restricted manner for heat treatment of general castings only without the degree of automatic control originally envisaged as desirable.

The furnace has not so far (November 1976) handled any manganese steel crossings. As against its capacity of one thousand tonnes, the furnace handled during 1975-76 and 1976-77 (up to August 1976) 268.5 tonnes and 386 tonnes respectively of general castings. During this period the first three furnaces (with capacity of 10,000 tonnes) handled 4,805 tonnes and 1,825 tonnes respectively of castings including 96 tonnes and 61 tonnes respectively of manganese steel crossings.

The Administration stated (December 1976) that Rs. 0.99 lakh representing balance 10 per cent payment for the material supplied and erection, commissioning, etc., charges had been withheld against the contract price of Rs. 0.66 lakh of the automatic temperature control unit and that it was proposed not to pay this amount to the firm and treat the contract as closed at this stage. The Administration further maintained that the warranty of 12 months from the date of commissioning of the furnace could not be considered as having expired, as the furnace has still not been 'technically' commissioned by the firm. However, the bank guarantee obtained from the firm against breach of the contract for supply, erection and commissioning of the plant was not got extended beyond 31st October 1968.

The Administration also stated that efforts were continuously being made for heat treatment of manganese crossings in this furnace.

#### *Capacity and utilisation of the heat treatment furnace*

In November 1963, the Research, Designs and Standards Organisation had informed the Railway Board after ascertaining

the requirements of manganese steel crossings from the Zonal Railways, that the requirement of 1 in 16 size crossings was 'extremely small' and that of 1 in 20 size crossings was 'nil'. The Research, Designs and Standards Organisation further informed the Railway Board that it would be necessary to take up the manufacture of 1 in 12 size crossings on a large scale until sufficient workload developed for crossings of sizes 1 in 16 and 1 in 20.

As mentioned earlier, the three heat treatment furnaces already established were designed *inter alia* to handle bigger sizes of manganese steel crossings and 8 tonnes of bigger and smaller size crossings had been actually handled by the furnaces in 1965-66 besides the steel castings.

A detailed examination of the possibility of large scale utilisation of bigger size crossings undertaken by the Railway Board in February 1967 indicated that such crossings could not be used easily without extensive remodelling of yards, which would not be financially justified. In fact, the Zonal Railways which had already procured crossings of 1 in 16 and 1 in 20 sizes from the Chittaranjan Locomotive Works and from the trade were finding it difficult to use them. The Railway Board, therefore, decided in May 1967 that the use of manganese steel crossings should be restricted to sizes 1 in 8½ and 1 in 12.

In January 1967, the Chittaranjan Locomotive Works Administration had informed the Railway Board that the special heat treatment furnace ordered in November 1965 was similar to the other three furnaces already installed and that the final targeted outturn, that is, 865 tonnes per month from the Foundry could be managed without this furnace.

The collaborator of the Foundry also observed in January 1967 that the existing three furnaces already in service were keeping pace with the current level of foundry output with a comfortable margin and non-installation of the fourth furnace for manganese steel crossings would in no way hinder operations at the targeted level.

Keeping in view the low demand for manganese steel crossings from the Zonal Railways, the production target of the manganese steel section of the foundry was scaled down to 350 tonnes per annum, in May 1967, that is, before the extended delivery date of the fourth furnace viz., December 1967.

The Administration, however, maintained (January 1976) that the decision of the Railway Board to scale down the target of production of the manganese steel castings/crossings had not rendered the furnace redundant, that the total heat treatment furnace requirement in the steel foundry would be deficient without the fourth furnace considering the "present product mix" and that this furnace had become necessary from the capacity point of view to meet the current load pattern involving intricate castings for diesel and electric locomotives requiring more elaborate heat treatment than the plain carbon castings for steam locomotives which constituted about 50 per cent of the load in 1967 and for rectificatory heat treatment operations.

The production of steel castings and manganese steel crossings of the Steel Foundry with first three heat treatment furnaces having total rated capacity of 10,000 tonnes per annum including 1,000 tonnes of manganese steel points and crossings during 1967-68 to 1976-77 is indicated in the table below :

Year	Steel castings (other than manganese steel crossings)	Actual production Manganese steel crossings
	(in tonnes)	
1967-68	7,635	74
1968-69	8,564	202
1969-70	6,140	224
1970-71	6,112	67
1971-72	5,304	190
1972-73	4,431	217
1973-74	3,270	63
1974-75	3,493	45
1975-76	4,708	96
1976-77	1,763	61
(up to August 1976)		



The actual production of steel castings and manganese steel crossings in the fourth furnace which was commissioned in 1975-76 with rated capacity of 1,000 tonnes per annum is also mentioned in the table below :

Year	Steel castings	Actual production Manganese steel crossings
	(in tonnes)	
1975-76	268.5	Nil
1976-77 (up to August 1976)	386	Nil

The Administration stated (December 1976) that with the change in product-mix, the average weight per piece of casting had gone down resulting in low tonnage per charge and consequent increase in the amount of charges. For a rated outturn of 865 tonnes per month the total number of pieces to be handled in 1967-68 would have been 6,300 pieces per month against which the monthly capacity of the first three furnaces was 4,700 pieces. The capacity of these furnaces also fell short of the present day requirements since production during the first half of 1976-77 was 4,900 pieces per month. The fourth furnace was, therefore, required not only as per the original plan but also for the present day lower straight tonnage of lighter and more intricate castings.

It may be mentioned that during 1967-68 to 1974-75 the actual production of lighter and intricate castings (other than heavier steam locomotive castings) exceeding four thousand tonnes per year (4,022 tonnes in 1968-69, 4,211 tonnes in 1970-71, 4,428 tonnes in 1971-72 and 4,009 tonnes in 1972-73) was achieved exclusively with the first three furnaces, while the production of such castings during 1975-76 and 1976-77 (up to August 1976) when the fourth furnace was brought into use, was only 3,817 tonnes and 1,610 tonnes respectively. Further, the fourth furnace with the automatic temperature control device was procured specially for manufacture of bigger size manganese points and crossings and not for providing additional capacity for general castings.

The Railway Board stated (January 1977) that in terms of capacity utilisation the first three heat treatment furnaces whose present day output would be only about 5 thousand tonnes per annum on account of undertaking more intricate and lighter castings, were being fully utilised and the use of the fourth furnace was being gradually increased.

#### 20. North Eastern Railway—Paint red-oxide

The Director General, Supplies and Disposals, placed an order in October 1972, on firm 'A' for supply of 40 thousand litres of paint red-oxide to the District Controller of Stores, North Eastern Railway, Izatnagar, at the rate of Rs. 4.75 per litre plus sales tax. In June 1973, the Director General, Supplies and Disposals placed another order on firm 'B' for supply of 60 thousand litres of paint red-oxide to the District Controller of Stores, North Eastern Railway, Gorakhpur, at the rate of Rs. 4.85 per litre plus sales tax. The paint was to be supplied in new and sound non-returnable 20 litre M.S. drums to specification and each container was to bear markings indicating *inter alia* the number of packages in the consignment, batch number, gross weight, net weight and date of manufacture. Each separate consignment was to have a distinguishing mark and batch number and was to be accompanied by manufacturer's test certificate/report stating *inter alia* the composition of the material and particulars of batch number. The goods were to be securely packed and properly marked to avoid loss or damage in transit. The supplies, due to be completed by firm 'A' by 31st May 1973 (later extended to 28th February 1974) and by firm 'B' by 14th June 1974, were subject to inspection by the Director of Inspection, Calcutta, and advance payment to the extent of 98 per cent of the price was to be made on proof of inspection and despatch by rail.

The supplies made by the two firms were found to be defective by the consignees and there were delays in issuing inspection notes by the Director of Inspection and rejection memoranda by the consignees. Out of advance payment of Rs. 3.9 lakhs made

to the two firms recovery of only Rs. 0.71 lakh was effected. These cases are dealt with in succeeding paragraphs.

### *Purchases from Firm 'A'*

Firm 'A' offered 40 thousand litres of paint for inspection in 7 lots on various dates between December 1972 and December 1973. Although the material was inspected by the Inspecting Officer of the Director General, Supplies and Disposals within 4 to 11 days, the inspection notes approving the material were issued by that officer after a period ranging from 2 months 8 days to 5 months 7 days after inspection. The materials were despatched by firm 'A' in 4 consignments during April 1973 to March 1974. These were received in the Stores Depot, Izatnagar, on various dates during May 1973 to June 1974. Paint measuring 413.50 litres were received short due to leakage in transit. Claims were lodged with the Chief Commercial Superintendent of the Railway who rejected the claim for 202.50 litres of paint on the ground that the packing conditions as prescribed in the tariff had not been fulfilled by the sender. Claims for the shortage of 211 litres of paint are still (December 1976) to be settled.

The first three consignments of 12 thousand litres each were rejected by the consignee after 7 months 15 days, 5 months 13 days and 7 months of receipt respectively, against the prescribed period of 45 days for inspection and issuing rejection memoranda by the consignees. The fourth consignment of 4 thousand litres received in June 1974 was also not accepted by the consignee. The first two consignments (24 thousand litres) were rejected on 20th December 1973 on the ground that 'the paint is giving matt finishing instead of semi-gloss and will not serve the purpose'. The third consignment was rejected on 10th April 1974 for the same reasons and also because the pigment was coming out on rubbing with fingers. Copies of the rejection advices issued by the consignee to the firm were simultaneously endorsed to the Director of Inspection, Calcutta, and the Pay and Accounts Officer, Department of Supply, New Delhi. The latter was

requested to recover the advance payments (Rs. 1,72,608) made to the firm towards the cost of the rejected supply as well as the freight charges amounting to Rs. 6,881. No rejection advice was issued in respect of the fourth consignment of 4 thousand litres.

The firm, in the meantime, advised the Railway Administration on 10th December 1973 that matt finish instead of semi-gloss (dull gloss) was a minor defect and that it would be prepared for a re-test of the material after due stirring of the paint. It was agreeable to pay the test charges in case the material again failed in the test. The Controller of Stores, on 4th January 1974, advised the consignee that, as the supply was against the Director General, Supplies and Disposals' contract, he should follow the prescribed rules. Nevertheless, the firm was allowed, in March 1974, to rectify the materials at its cost inside the stores premises. On 8th April 1974, the firm intimated that it had rectified the paint. On 24th April 1974, twenty litres of rectified paint was sent by the consignee to the Chemist and Metallurgist for tests. He reported, in June 1974, that the material failed to conform to the specifications with respect to colour, volatile matter (28.7 per cent against 5 per cent maximum specified), pigment content (26.7 per cent against 55.2 per cent specified) and weight per 10 litres (10.5 kg against 15.5 kg minimum specified). While advising the result of the test the Railway Administration told firm 'A' on 22nd July 1974 that 'all relevant rejection stand as final'. The Pay and Accounts Officer was also advised of it.

The firm objected (July 1974) to the rejection of the material on grounds different from those indicated in the rejection advices of December 1973 and April 1974 and stated that the material had been tested at the Chemist and Metallurgist's laboratory after more than 18 months from the date of manufacture whereas the keeping property period of any ready mixed paint is one year. The firm also disowned responsibility for any test of physical or chemical nature at that stage. During the period September to November 1974, rejected paint measuring 5,600 litres was issued to various consumers to meet their pressing demands. Firm 'A' contested the rejection of the paint in June 1975 on this ground also.

The firm refused to attend the joint inspection fixed in August 1975. In reply to a further request for attending joint inspection fixed in January 1976, the firm stated that as per conditions of contract, the Director of Inspection would not take any action regarding joint inspection of material not bearing his stamps etc., and since his markings were not present on the capsules after rectification he would not be able to take any decision in the matter, nor would any decision by the Director of Inspection be legally binding on the firm. The Director of Inspection also did not respond to Railway's request for joint inspection.

In reply to a query from the Director General, Supplies and Disposals in May 1974 regarding the supply position against the contract, the Controller of Stores informed him in June 1974 that the total supply of 36 thousand litres (not 40 thousand) had been rejected. In January 1975, the Controller of Stores requested the Director General, Supplies and Disposals to advise the Deputy Chief Pay and Accounts Officer, New Delhi, to recover the advance payment and also to arrange replacement of defective supply. In August 1975, the Director General, Supplies and Disposals called for particulars of rejections from the District Controller of Stores, Izatnagar, and enquired whether any inspection/investigation was conducted and if so, the test results thereof, but these particulars are still (December 1976) to be furnished.

An advance payment of Rs. 1,91,787 was made to firm 'A' out of which Rs. 65,898 were recovered by the Pay and Accounts Officer leaving a balance of Rs. 1.26 lakhs. Even if the cost of paint used by the Railway were adjusted, Rs. 0.99 lakh are still (December 1976) to be recovered. In addition, Rs. 7,837 on account of freight charges on the rejected consignments are also recoverable.

#### *Purchases from Firm 'B'*

Firm 'B' offered 60 thousand litres of paint in 7 lots on various dates between August 1973 and February 1974 for inspection. Although the materials were inspected on the same

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day on which these were offered or within one to 34 days, inspection certificates were issued after a period ranging from 26 days to 4½ months from the dates of inspection.

Two consignments of paint of 10 thousand litres and 8 thousand litres were received in the Stores Depot, Gorakhpur, in January-February 1974. These were accepted without any tests in spite of the fact that in the former consignment some of the drums were rusty and leaky and on some others the marks of inspection by Director of Inspection were not visible; 439 litres of paint were received short.

The balance quantity of 42 thousand litres of paint was received during April to September 1974 in six instalments and the entire quantity was rejected by the consignee. In the case of two consignments of 6 thousand and 7,160 litres of paint, the rejection was advised to the firm after 3 months of their receipt as against the prescribed period of 45 days for inspection and issuing rejection memoranda by consignee. In the latter case, however, the firm was advised within a month of its receipt that the drums were not in good condition and there was leakage in transit.

Out of the total quantity of 60 thousand litres, 2,183 litres of paint (inclusive of 439 litres of paint mentioned earlier) costing Rs. 10,905 were received short. Claims lodged with the Chief Commercial Superintendent of the Railway for transit leakages were rejected by him on the ground that the prescribed packing conditions had not been observed.

The paint (34,840 litres) received in five consignments was inspected by the Chemist and Metallurgist of the Railway on 31st August 1974 and according to him chemical test was not considered necessary as the drums were leaking and the property of the paint changed due to leakages. However, chemical test carried out in October 1974 on samples drawn from the sixth consignment received in August 1974, indicated that the paint did not conform to the specifications, the volatile content being 30.6 per cent against five per cent specified and weight of 10 litres paint being 10 kg against 15.5 kg minimum specified.

The firm was informed on 22nd February 1975 (i.e., five to ten months after the receipt of the consignments) that the observation, "the drums found mostly leaking; the testing is not considered necessary as the property changes due to leakage" should be noted on rejection notes sent earlier on 7th August 1974 and 26th September 1974 in respect of the five consignments not subjected to chemical test. The rejection note for the sixth consignment was issued on 16th November 1974.

The material was jointly inspected by the Depot Officer and the Assistant Inspecting Officer of the Director of Inspection on 20th December 1974, when the representative of the firm was not present. Inspection markings on the drums were not legible (though the Depot officers had earlier indicated that on most of the drums inspection marks of Director of Inspection were available at the time of receipt). It was, therefore, decided to segregate the drums with clear markings, if any. In February 1975, 484 drums were identified as bearing the inspection markings of the Director of Inspection.

The Director General, Supplies and Disposals was informed of the defective supplies on 21st February 1975. Another joint inspection of the material was done by these officers on 22nd March 1975 but the firm's representative did not attend. The joint inspection held on 23rd April 1975 was attended by the firm's representative and the Chemist and Metallurgist in addition to the two officers mentioned above. Out of 2,040 drums jointly inspected, the facsimile of Director of Inspection, Calcutta was not clearly visible on 1,556 drums due to smearing of paint and rusting of the capsule surface and some of the drums were found leaking. Three samples from the lot having facsimile mark were selected at random and sealed by the Assistant Controller of Stores and the Assistant Inspecting Officer for further testing.

The Assistant Inspecting Officer, Kanpur, however, reported to the Controller of Stores, in June 1975 that while no drums of the paint had any mark of batch number or year of manufacture, such particulars ascertainable from the inspection notes available

with the firm showed that the keeping property period of the paint had expired and that no further action was considered necessary at his end. The Director of Inspection, Calcutta, further stated in October 1975 that, as the inspection notes covered in the joint inspection report of 23rd April 1975 were more than one year old and if the rejection was in respect of the keeping property, the test could not be conducted at that stage. He also stated that the drums found without stamp marks of his office could not be selected for joint inspection.

Firm 'B' had, in the meantime, obtained advance payments of Rs. 2 lakhs during the period March 1974 to September 1974 from the Pay and Accounts Officer, New Delhi, on the basis of prescribed certificates given by it for the proof of despatch and inspection notes. Copies of the rejection memoranda sent to the firm on 7th August, 26th September and 16th November 1974 had simultaneously been endorsed to the Director of Inspection, Calcutta, and the Pay and Accounts Officer, New Delhi, and the latter was requested to recover the amount of advance payment. Although the Pay and Accounts Officer had with him the firm's bill of 19th August 1974 for Rs. 29,374 recovery of only Rs. 5,040 was effected by him.

It may be mentioned that the firm preferred bills on 7th March and 8th June 1974 for Rs. 1.17 lakhs on account of advance payment for 24 thousand litres of paint even though it had despatched only 13 thousand litres of paint by that time. The payments were made by the Pay and Accounts Officer in March and June 1974 on the basis of prescribed certificates given by the firm which *inter alia* stated that "the goods in respect of which the payment is being claimed have actually been despatched by me under railway receipt No. \_\_\_\_\_ duly drawn in favour of the consignee which is genuine and mentioned in the bill and that I hold myself personally responsible for the correctness of this statement". It was, however, only by 19th August 1974, that the firm actually despatched the balance quantity for which advance payment was drawn by it earlier.



The Department of Supply stated (December 1976) that firm 'B' was closed by the proprietors and they had started business under the name of a new company.

The Railway Administration stated (January 1977) that it was trying to rectify the paint as economically as possible for use and thereby reduce the loss.

## 21. Southern Railway—High carbon gothic bars

Gothic bars (high carbon) are used in the manufacture of various components of locomotives.

In view of scarce availability of conventional blooms and billets, the Railway Board issued instructions to the Railways in January 1974 to examine the feasibility of using unscarfed blooms and billets as well as gothic bars available from a firm of Jamshedpur "which can be considered for acceptance in lieu of normal requirements of special steel blooms". The Southern Railway Administration informed the Railway Board in April 1974 that "unscarfed blooms and billets and gothic sections are not acceptable"; but in pursuance of the directive of the Railway Board issued in May 1974, the Railway Administration placed indents on the Railway Board during June and July 1974 for 439 tonnes of high carbon and 251 tonnes of low carbon gothic bars of different sizes in lieu of the same quantities of Class III and Class I special steel blooms respectively indented for during May—July 1973.

Against the indent for 240 tonnes of high carbon gothic bars of 6.38" size, 310.5 tonnes (including 69 tonnes against the indents for low carbon gothic bars) were supplied by the firm between June 1975 and March 1976 (bulk supplies were received by October 1975) which were accepted by the Railway Administration. In November 1975, the Administration declared 243.2 tonnes of this size of gothic bars as surplus to its requirements and offered them to other Railways for transfer on sale basis; but no demand has so far (October 1976) been received.

The indent itself for 240 tonnes high carbon gothic bars of 6.38" size is considered to be excessive as the consumption of Class III blooms of corresponding sizes during 1972-73 and 1973-74 was only 15.81 tonnes and 19.05 tonnes respectively. This resulted in 243.2 tonnes of high carbon gothic bars valued at Rs. 5.64 lakhs, being rendered surplus.

The Railway Administration stated (July 1976) that the estimated annual requirements of this size of gothic bars was 203.94 tonnes. It further stated (December 1976) that total issue of the material was 34 tonnes till October 1976 and demands for 34.8 tonnes (approximately) were under compliance. It may be mentioned that the total issue of high carbon gothic bars of 6.38" and of conventional blooms of corresponding sizes was only 2.17 tonnes during 1975-76 and even after making due allowance for the subsequent issues major portion of this material (241.7 tonnes) would remain surplus.

## **22. Southern Railway—Procurement of high speed diesel oil in tank lorries**

High speed diesel oil (HSD oil) required for diesel locomotives at the Diesel Locomotive shed (metre gauge), Guntakal, is obtained from the Indian Oil Corporation against rate contracts of the Director General, Supplies and Disposals. The oil is delivered at the Diesel shed from the installations of the Indian Oil Corporation at Guntakal in tank trucks (lorries) and this involves additional payment of delivery charges at Rs. 7.27 per kilolitre. Besides, the transaction is treated as a sale in the State of Andhra Pradesh and is subject to a sales tax at rates notified by the State Government—the present rate being 11.42 per cent. If HSD oil were transported in tank wagons (broad gauge) from Tondiarpet (451 kms south-east of Guntakal) to the Diesel Locomotive shed, Guntakal, only Central Sales Tax at a rate of 3 per cent (4 per cent from 1st July 1975) would be payable and the payment of State Sales Tax and delivery charges would not arise. For the Diesel Locomotive shed (broad gauge), Gooty, (30 kms from Guntakal) HSD oil is being supplied through tank wagons booked direct from Tondiarpet.

On the suggestion of the Railway Board, the Railway Administration worked out the economics of obtaining the supply of HSD oil for the Diesel Shed at Guntakal from Tondiarpet and came to the conclusion in March 1971, that *prima facie* it would be more economical to obtain the supply of HSD oil by tank wagons from Tondiarpet instead of from the installations of the Indian Oil Corporation at Guntakal. In June 1971 a proposal for laying of a pipe line near the Indian Oil Corporation oil siding connecting the Diesel Locomotive shed at an estimated cost of Rs. 70 thousand was also submitted by the Divisional authorities, but this proposal was not pursued further.

The question of obtaining HSD oil from Tondiarpet was again revived in October 1973, when it was suggested that, as an immediate measure, HSD oil might be moved by all metre gauge route from Tondiarpet and, as a long term measure, pipe line might be laid from the tank wagons siding (broad gauge) at Guntakal to the HSD oil reservoirs in the Diesel shed (metre gauge) so that HSD oil could be transported by tank wagons (broad gauge). It was then anticipated that there would be a saving of Rs. 2.92 lakhs per annum if HSD oil were transported by all metre gauge route and Rs. 3.63 lakhs per annum if oil was carried in tank wagons (broad gauge).

However, since availability of metre gauge wagons was not adequate, the Administration decided in November 1973 to process the proposal to lay a pipe line from the tank wagon siding (broad gauge) at Guntakal to the Diesel Locomotive shed at a cost of Rs. 2.12 lakhs and to transport oil in broad gauge tank wagons. This proposal did not materialise as an entirely new proposal, *viz.*, providing an entry to the Diesel Locomotive shed by a broad gauge line was thought of (September 1974) at an approximate cost of Rs. 6 lakhs. The proposal was enlarged in scope in December 1974 to extend the broad gauge line to the coal stacking area of the metre gauge steam locomotive shed, so as to eliminate transshipment of coal. These proposals underwent further revision in that a mixed gauge line was thought of at an approximate cost of Rs. 20 lakhs (July 1975). The work has

not, however, been included in any Works Programme so far (February 1977).

In March 1976, the Railway Administration reverted to its original proposal of laying of a pipe line from the tank wagons siding (broad gauge) and the General Manager sanctioned an estimate for Rs. 1.13 lakhs for laying a pipe line across the yard underneath the track over a length of 480 metres. The time taken in arriving at a firm decision about providing facilities for transportation of HSD oil from Tondiarpet resulted in an additional expenditure of Rs. 15.90 lakhs during the period 1973-74 to 1975-76. Additional expenditure would continue to be incurred till the work is completed.

### **23. Northern Railway—Delay in finalisation of tenders for tag blocks**

In pursuance of a requisition placed by the Signal and Telecommunication Department in June 1973 for procurement of five thousand tag blocks complete to Research, Designs and Standards Organisation's Drawing No. TCA-4151 (ADV), the Stores Department invited tenders due to be opened on 23rd November 1973. The stores were required by the indentor by 1st January 1974. Seven tenders were received and these were opened on the due date. As per condition of contract accompanying form of tender, the validity of offers was asked for 60 days, that is, upto 21st January 1974, but three tenderers quoted shorter validity of their offers.

As the offers of the various tenderers were deficient, the Railway Administration, on 10th December 1973, sought clarifications. The second lowest tenderer, who had kept his offer valid upto 22nd December 1973, was asked on 7th December 1973 to keep his offer open upto 21st January 1974, to send his current Income Tax clearance certificate and also to withdraw certain conditions inserted by him. The tenderer complied with these requirements on 14th December 1973. Other tenderers also furnished necessary clarifications by 3rd January 1974.

Thereupon, the papers were referred to the Engineer-in-Chief, Signal (Constructions), for technical examination who recommended on 4th January 1974 that the offer of the second lowest tenderer was acceptable as the firm was registered with several Defence establishments and was ready to supply the material within 6 months and pointed out that the performance of the lowest tenderer in the past was not satisfactory and he had offered to supply the material within 10 months. The Stores Department again referred the case to the Engineer-in-Chief, Signal (Constructions) on 9th January 1974 seeking certain clarification. The latter returned the case on 16th February 1974, recommending *inter alia*, the acceptance of the offer of the second lowest tenderer. As the tenders could not be finalised in proper time the tenderers were asked initially to keep their offers open upto 30th March 1974 and then upto 10th May 1974. In the meantime, there was a spurt in the price of the basic raw materials due to which the firms revised their rates. On the recommendation of the Tender Committee of 27th April 1974, the material was procured from the second lowest tenderer at the rate of Rs. 59.58 each, less special discount of one per cent, against his original offer of Rs. 39.72 each, less discount of one per cent. The delay in the finalisation of the tenders entailed an extra expenditure of Rs. 98,307.

The Railway Administration stated (October 1976) that basic raw materials for tag blocks are brass sheet, moulding powder and paper base laminated sheet and the prices of the last two articles got nearly doubled due to sudden increase in petrol prices. The Administration further added that even if the offer had been accepted within the validity period, the firm would not have supplied the material under one pretext or the other or would have requested for increase in rates. It may be mentioned that the original tender of the firm was not subject to escalation for any reason including Government levies and had formal orders been placed within the validity period, the firm could not have resiled from its contractual obligations without financial repercussions.

#### 24. Northern Railway—Delay in finalisation of tenders

The Railway Administration had to incur extra expenditure of Rs. 1.42 lakhs due to delays in the finalisation of certain tenders.

(i) In order to meet the urgent requirement of bushes rail joint insulation, emergency purchase was resorted to and limited tenders for one lakh bushes were invited by the Controller of Stores in August 1973 to be opened on 17th September 1973. Seven tenders were received. The offers were valid upto 31st October 1973. The lowest tenderer had quoted the rate of 50 paise per piece (total value Rs. 50 thousand). The Tender Committee consisting of three officers (including a representative of the Associated Finance) considered these tenders and while one of the members signed the minutes containing recommendation for acceptance of the lowest tender on 9th October 1973 the other member signed the same on 19th December 1973; the representative of the Associated Finance did not sign the minutes. The lowest tenderer was asked on 24th December 1973 to extend the validity period upto 31st January 1974, but he did not respond. Other tenderers, when requested for it, demanded increase in rates.

Fresh tenders were, therefore, invited on 11th October 1974 to be opened on 18th December 1974. Only three tenders were received from firms whose products were not approved by the Research, Designs and Standards Organisation and the rates were very high.

Limited tenders were again invited on 31st May 1975 with the date of opening as 16th June 1975. Seven tenders were received including four late tenders. The date of validity of the offers was 30th July 1975. The Tender Committee met on 28th July 1975 and recommended acceptance of offer of the second lowest tenderer at Re. 1 per piece (total value Rs. 1 lakh). The acceptance letter was issued to the firm telegraphically on 30th July 1975.

The emergent purchase in this case took about 2 years to materialise and the delay resulted in extra expenditure of Rs. 50 thousand.

The Railway Administration stated (January 1977) that the raw material used in the manufacture of this item was nylon 66 which was an imported item. Due to ban/curtailment in its import and sudden rise in prices at the end of 1973, even if the order had been placed within the validity period of the quotations received in response to the invitation of first tender, the firm would not have honoured its commitments at the rate quoted by it and would have backed out.

(ii) The Signal and Telecommunication (Microwave) Department placed a requisition on Stores Department on 29th March 1973 for procuring 500 numbers of Auto telephones. The Stores Department invited quotations on 22nd June 1973, which were opened on 12th July 1973. The rates received ranged between Rs. 110 and Rs. 170 each. The Engineer-in-Chief (Construction), Signal, advised on 27th September 1973 that the material should be procured from the Indian Telephone Industries Ltd. (I.T.I.). In response to the single tender, on 26th October 1973, the I.T.I., quoted the rate of Rs. 190 each, with the date of validity upto 25th November 1973, subject to the condition that prices quoted would hold good for 30 days from the date of quotation. In spite of the directive of the Railway Board issued in January 1959 that it was obligatory to purchase material available from the I.T.I., and the Railway could go in the open market only when the I.T.I., was unable to supply, orders were not placed by the due date. The concurrence of the Associated Finance to the purchase was obtained on 28th January 1974, when the validity of the offer had already expired. When the case was again submitted to the Engineer-in-Chief (Signal), in February 1974, he recorded on 4th February 1974 that "no firm in India manufactures Auto Telephones except the I.T.I. The firms who have quoted must either be selling second-hand stuff bought in auction or those obtained by dubious means".

He also stressed that in this case only single tender should have been invited. The sanction of the competent authority was obtained on 11th April 1974, but the order was placed on the I.T.I., only on 30th August 1974. The I.T.I., advised on 16th September 1974, that, since the Railway had not placed the order within the validity period, it was unable to register it. It also stated that the current price of auto telephone was Rs. 289 each, and if the Railway wanted to have the material at this rate it should intimate its acceptance. The communication of acceptance took another one year and order for the material was placed on 15th October 1975. The delay of about 2 years in placing the order on the I.T.I., entailed an extra expenditure of Rs. 49,500.

(iii) In response to tenders invited by the Controller of Stores in July 1973 for purchase of 15,375 metres of signalling cables (I.S.—1554) 21 tenders, including one late tender, were received and opened on 10th October 1973. The offer of firm 'A' at the rate of Rs. 810 per hundred metres was the lowest and it was valid upto 8th December 1973. Certain clarification/information was asked for from the firm on 14th November 1973, which was received on 26th November 1973. Though the tenders were valid upto 8th December 1973, action was not taken to finalise them by that time. The tenderer including firm 'A' who were asked on 20th December 1973 to extend the period of validity of their offers, did not agree mainly because of increase in the prices of raw materials. The Tender Committee met on 28th February 1974. In pursuance of its recommendations, fresh tenders were invited on 16th April 1974. Thirteen tenders (including one late tender) were received and opened on 14th June 1974. The lowest rate of Rs. 1,222.50 per hundred metres was again from firm 'A' and this was recommended for acceptance by the Tender Committee on 24th July 1974. Order for the supply of 9,875 metres cables (I.S.—1554) was placed on firm 'A' on 28th September 1974. It supplied 10,407 metres cables by February 1975. The delay in finalisation of the tender resulted in an extra expenditure of Rs. 42,928.



The Railway Administration stated (January 1977) that the firm would not have honoured its commitment and would have backed out on some plea as there was sudden rise in the price of raw material (copper) at the end of 1973.

**25. Western Railway—Non-realisation of liquidated damages from a contractor**

In July 1966, the Railway Administration entered into a contract for the supply of 11,320 cum of machine crushed ballast (size 3.8 cm gauge) in Kotharia Yard in Bhavnagar Division at the rate of Rs. 17.25 per cum, valued at Rs. 1,95,270. The specifications of the contract did not envisage any deduction on account of voids or screening. The date of completion of the contract which was initially fixed as 29th January 1969 was later extended up to 30th September 1969.

After supplying 4,729 cum of machine crushed ballast, the contractor requested the Railway Administration in August 1969, that, as the stone crusher had developed mechanical trouble, he might be allowed to supply the balance quantity of 6,591 cum ballast as hand broken at the rate of Rs. 15 per cum. The Railway Administration accepted this offer in March 1970 with the stipulation that the supply of hand broken ballast should conform to the "current specifications" under which a deduction of 8 per cent was to be made from the measured quantity of hand broken ballast on account of voids and all ballast was subject to screening. This stipulation regarding conformity to the "current specifications" was objected to by the contractor in August 1970 on the ground that his offer for supply of hand broken ballast at the reduced rate of Rs. 15 per cum was with reference to the old specifications of the existing contract of July 1966 which did not provide for any deduction on account of voids or screening. The contractor did not, therefore, agree to the conditional acceptance of his offer by the Railway Administration.

After protracted correspondence, in April 1972, the Railway Administration terminated the contract at the risk and cost of

the contractor. The contract for the balance quantity was awarded in December 1972 to another contractor at the higher rate of Rs. 30.65 per cum of machine crushed ballast under the "old specifications" of the earlier contract, that is, without any deduction for voids or for screening. This contract was at the risk and cost of the previous contractor.

On the completion of the contract awarded in December 1972, the Railway Administration assessed liquidated damages at Rs. 88,319 as recoverable from the first contractor. After setting off security deposit of Rs. 11,159 made by the contractor, Rs. 77,160 were recoverable from him; but enquiries made by the Railway Administration indicated that there were no dues of the defaulting contractor either with the Railways or with the Central and State Governments.

As per advice given by the Law Officer of the Railway in June and November 1975, only security deposit of the defaulting contractor could be forfeited but no other damages were recoverable as the work was not got done at his risk and cost within a reasonable time.

The Railway Administration stated (January 1977) that advice of the Ministry of Law, Bombay, was subsequently obtained in August 1976. In the opinion of that Ministry damages could be claimed on the basis of the rates prevailing at or near about 30th September 1969 when there was a breach of contract. Accordingly, the amount recoverable from the defaulting contractor after adjustment of the Security Deposit would work out to Rs. 42,887 adopting the rate of Rs. 25.45 per cum for supply of machine crushed ballast approved in the year 1969-70 for the Schedule of Rates of Public Works Department, Road and Bridge Circle, Gujarat. It further stated that the financial stability of the firm was being ascertained for filing a suit for recovery of this amount (Rs. 42,887).

It may be mentioned that no contracts for the supply of machine crushed ballast in Kotharia Yard or in nearby stations were

awarded by the Railway Administration during the years 1968 to 1971 nor were such contracts awarded by the State Public Works Department. The Railway Administration, while awarding the risk purchase contract in 1972 at Rs. 30.65 per cum of machine crushed ballast did not take cognizance of the rate payable as per the State Public Works Department's Schedule of rates. In the circumstances, the correctness of the assessment of the amount due to the Railway on the basis of the rate in the Schedule of Rates of Public Works Department cannot be considered to have been established.

#### **26. Central Railway—Change in specification of earthwork for doubling of track in Nagri-Majri section**

In February 1966, Railway Board issued fairly detailed instructions to the General Managers of all Indian Railways about remedial measures to be adopted for the stabilisation of embankments for laying railway track. In the case of doublings, these instructions provided that

- (i) in black cotton soils, clay soils, etc., where ballasting directly on top of the earthwork would not be desirable, provision should be made to complete the new bank with a layer of granular or other material consolidated by rolling ;
- (ii) provision for such a situation should be made in the project estimate;
- (iii) if it was not possible to formulate detailed proposals for remedial measures at the time of preparation of the project estimate, this must be done at least before letting out contract for earthwork ;
- (iv) since the second line would have to carry intensive traffic at high speeds within a short time, it would help matters if compaction of embankments was done along with earthwork instead of depending on monsoon and the rolling process through traffic ; and

- (v) measures to be adopted for doing compaction of embankment might be decided in consultation with the Research, Designs and Standards Organisation, if necessary.

Accordingly, the Railway Administration specifically made a provision of Rs. 6.64 lakhs for consolidation of embankments by rolling in layers in the project estimate for the work of doubling of track between Nagri and Majri, a stretch of 34.88 kms with 'vicious' black cotton soil. The project estimate was sanctioned by the Railway Board in January 1968. In the tender of December 1967 and the resultant contracts for earthwork in two sections between Nagri and Majri executed in February 1968, the original date of completion of the work being January 1970, consolidation of embankments by rolling in layers in the manner contemplated in the project estimate was, however, not provided.

Broad details of the contracts so executed were simultaneously intimated, in February 1968, by the Railway Administration to the Research, Designs and Standards Organisation with a request to indicate further measures, if any, required for stabilisation of embankments as the existing ones were giving considerable difficulty for maintenance. That organisation informed the Railway Administration in July 1968 that compaction of the embankments in layers would have to be done if it was to be made trouble-free. In October 1968, the contractor was asked to quote the rate to do the compaction of the embankment. A rate of Rs. 31.10 per 10 cum for consolidation of embankments by rolling in layers was decided in June 1970 after negotiation. The contractor signed the subsidiary agreement in July 1970 with the stipulation that "this should not impair his rights to fight for just rates".

The rates approved for compaction of the embankments by rolling in layers in vicious black cotton soil in Wardha-Bhugaon section (about 35 kms away from Nagri-Majri Section) in June 1969 and Wagholi-Hinganghat Section (16 kms away from Nagri-Majri Section) in July 1972 was only Rs. 8.10 per 10 cubic

metres. In both these cases the item of compaction of embankment by rolling in layers had been included in the original tenders. The failure of the Railway Administration to include the work of compaction of the embankments by rolling in layers in the original tender for doubling between Nagri and Majri appeared to have resulted in additional expenditure of Rs. 3.84 lakhs.

It may be mentioned that the contract for Wagholi-Hinganghat Section was awarded to the same contractor who had done the work in Nagri-Majri Section.

In June 1972, the contractor, not satisfied with the extra rate of Rs. 31.10 per 10 cubic metres for compaction of embankments by rolling in layers, submitted additional claims for Rs. 5.61 lakhs in respect of both the sections of the doubling for this item of work. This amount was included in the total claim of Rs. 29.47 lakhs which was put up for arbitration. The arbitrator awarded Rs. 14.53 lakhs in favour of the contractor without giving details of the items allowed in the absence of which it could not be determined as to what extent the claim for compaction of embankments by rolling was accepted.

The Railway Administration stated (July 1976) that instructions issued by the Railway Board in 1966 and earlier were only suggestions; that although a provision of Rs. 6.64 lakhs was made in the project estimate for consolidation of the entire bank by rolling in layers, the same was not included in the tenders as the Railway Board had not specifically indicated while sanctioning the project estimate whether compaction by rolling of entire bank was necessary and that the contract was finalised in accordance with the policy existing at the time of inviting tenders.

The Railway Administration further stated (November 1976) that, while forwarding the preliminary-cum-final location survey report and estimate to the Railway Board in June 1967 its orders were solicited whether the entire line from Nagri to Majri should be consolidated by rolling during construction. While communicating its sanction to the project estimate on 4th January 1968, the Railway Board did not indicate that the compaction of entire

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bank by rolling was necessary and it was, therefore, presumed that compaction of the entire bank by rolling was not necessary and tenders were finalised on this basis. It also stated that there had been a mistake in arriving at the rate of Rs. 8.10 per 10 cum for compaction due to conversion from F.P.S. to metric units and this incorrect low rate got included in the tender schedule. Unworkability of this low rate for compaction, watering, sand rolling etc., was one of the reasons for the tendered rates going higher. The mistake was detected and instructions issued in November 1971 to cancel the rate of Rs. 8.10 per 10 cum in future contracts; and a through rate of Rs. 32.80 per 10 cum for this item of work, which would not be subject to percentage variations, was fixed in December 1971.

It may be mentioned that the tenders for the earthwork in the two sections between Nagri and Majri were opened by the Railway Administration on 29th December 1967 whereas the Railway Board's approval to the project estimate was communicated on 4th January 1968. Again, the project estimate sanctioned by the Board provided for consolidation of embankment in layers and the Board did not specifically object to the Railway Administration's proposal.

As regards unworkability of the rate of Rs. 8.10 per 10 cum, it is stated that this rate continued to be adopted in the contracts executed after December 1971, for example, the contract for Wagholi-Hinganghat Section executed in July 1972 and two other contracts for construction of bridges in Nagpur Division executed as late as January and May 1976. The Railway Board stated (January 1977) that no calculation of analysis of the rate for compaction was available and that it was only a presumption that it was a mistake in conversion.

#### **27. Northern Railway—Printing and embossing of wagon labels**

In pursuance of the recommendations of the One-man Expert Committee on compensation claims, the Railway Board, in October 1971, directed the Railway Administrations to introduce the system of printing and embossing of wagon labels with the

help of Bradma machines at some selected stations with a view to eliminating the problems of illegible labels which ultimately lead to the wagons getting unconnected. The Railway Board also desired that results achieved should be evaluated after the working of the scheme for three months and report sent to it.

Accordingly, in November 1972 the Northern Railway Administration procured one set of Bradma machine consisting of a hand printing machine, an electric embossing machine and plates (numbering 5 thousand) valued at Rs. 13,837. This machine was installed at New Delhi Goods shed and commissioned on 22nd December 1972. Subsequently, the Railway Administration procured 18 machines through the Director General, Supplies and Disposals for installation at 18 other stations. These sets, costing Rs. 2.36 lakhs, were received during 1973-74 (four in May 1973, two in August 1973, five in December 1973 and seven in April 1974). According to the conditions of contract, these machines were to be installed by the manufacturers after receipt of information about their arrival at the respective stations. This included putting the machines into working order, designing of forms and plates layout and implementing the system free of charge. However, there was an initial delay ranging from one month to eighteen months "in advising the receipt particulars to the manufacturers". Out of 18 machines, fourteen machines were installed during October 1973 to July 1975 and four machines are still (November 1976) to be installed; six machines were transferred from one station to another after six to eighteen months of their receipt at the stations for which they were originally intended.

It may be mentioned that the other Railway Administrations (except Eastern Railway which did not purchase this machine till December 1976) procured only one to two machines for introducing the system. The Northern Railway Administration, however, procured as many as 18 machines straightaway though the merits of the system were yet to be established. The 14 machines already commissioned are yet to be fully utilised due largely to inadequate traffic and partly due to non-availability of

plates for embossing. Thus no assessment of the benefits that would accrue in installation and use of these machines is possible.

The Railway Administration stated (November 1976) that constant efforts were being made to get the staff familiar with the working of the machines and tie up other loose ends in consultation with the supplier regarding maintenance of the machines, arranging of plates and stationery to ensure their timely availability in sufficient quantity, etc.



## CHAPTER VII

### EARNINGS

#### 28. Northern Railway—Delivery of consignments without collecting railway receipts

The Railway Administration incurred avoidable expenditure of Rs. 75 thousand by way of payment of compensation claims and legal charges due to delivery of certain consignments at Jullundur Station without collection of railway receipts and non-maintenance of proper records. The details of these cases are mentioned below :

- (i) A wagon load consignment of urea (460 bags) booked from Carnac Bridge to Jandiala (Punjab) on 17th July 1969 was placed in Goods Shed, Jullundur City, on 30th July 1969 for unloading. It was released on the same day. The unloading was supervised by the Goods Clerk who had signed the entry in the wagon transfer register. Other particulars of its disposal could not be ascertained from the records. As the delivery could not be effected to the party till September 1972, it filed a suit in the court of Senior Sub-Judge, Amritsar, for recovery of Rs. 21 thousand (with costs) from the Railways.

As no supporting documentary evidence was available with the Railway Administration, it contested the suit on technical grounds of non-service of notice under Civil Procedure Code and delivery of the consignment to the consignee at Jullundur City instead of Jandiala. The Railway Administration

failed to prove the fact of delivery in the absence of the railway receipt and other records and the case was decreed on 19th April 1974, against it for Rs. 24,137.

(ii) In October 1972 the same party filed another suit for recovery of Rs. 19,418 on account of non-delivery of 450 bags of urea booked on 7/8th August 1969 from Dadhdevi to Jullundur City. The wagon was received at Jullundur City on 16th August 1969 and delivery was effected on 18th August 1969 without collection of the railway receipt. The party denied having received the goods. The Railway Administration contended that the consignment had been delivered to the correct party but failed to prove delivery of the goods to the consignee or his authorised agents by producing proper records like railway receipt, gate pass, etc., and lost the case. The Court awarded a decree on 30th July 1974, against the Railway for Rs. 21,347 (with costs). Besides, the Railway paid Rs. 909 to its advocate for defending the case before the court of law.

(iii) A consignment of 460 bags of ammonium phosphate booked on 20th June 1969 from Vishakapatnam to Jullundur City arrived at Jullundur City on 6th July 1969. It was unloaded by the consignee on 7th July 1969 and 2 bags were found short. These were removed by the party on 9th July 1969, mixed with goods of other wagons of the same commodity for which the gate pass had been issued for 315 bags only. The party preferred a claim for non-delivery of 145 bags which was repudiated by the Railway on the ground that goods were correctly delivered to the consignee.

The party filed a suit on 16th August 1972 for recovery of Rs. 8,635. The Railway Administration contested this suit on the ground that the consignment was fully delivered to the consignee but lost it for lack of evidence in support of proof of delivery of the consignment to the party. The Court awarded a decree of Rs. 9,678 (with costs) on 29th July 1974 in favour of the consignee. The Railway spent Rs. 562 on legal charges.

- (iv) Another consignment of 300 bags of urea booked on 14th August 1969 from Navlakhi to Jullundur City was not delivered to the consignee. The party filed a claim for Rs. 15,053, on 3rd December 1969, on account of non-receipt of this consignment and short delivery of 13 bags from other consignments. This was repudiated by the Railway on the ground that the bags had already been delivered to the party on 31st August 1969. The party filed a suit for recovery of Rs. 13,650 on 8th October 1972 in the Court of Senior Sub-Judge, Jullundur. The Railway Administration failed to prove delivery on the basis of documentary evidence but contested the case on circumstantial evidence. The court granted a decree of Rs. 15,305 on 23rd February 1974 against the Railway. An appeal filed by the Railway Administration on 10th July 1974 (after incurring an expenditure of Rs. 2,499) is stated to be pending in the court of Additional District Judge, Jullundur.

The Railway Administration stated (August 1976) that "there is no lacuna in the rules on the delivery and removal of the goods but these claims have arisen on account of procedural defects in allowing delivery and removal of the consignments unloaded at Jullundur City for which individual staff who handled

these consignments are responsible and are being taken up". It further stated (January 1977) that, one of the two goods clerks who were held responsible for the disposal of consignments mentioned at (i) and (ii) above expired in October 1976 and that the amount of Rs. one thousand debited against him in respect of case (i) and full amount of compensation claim paid in respect of case (ii) are proposed to be recovered from his settlement dues; the punishment of stoppage of increment for two years awarded to the other goods clerk by the Divisional authority had been considered inadequate and was proposed to be reviewed. The staff at fault in the third case had been charge-sheeted on 20th October 1976 for careless and negligent working.

#### **29. Northern Railway—Charges for improper description of goods**

According to Goods Tariff, if on arrival at destination it is found that goods have been improperly described and that a lower rate than that correctly applicable had thereby been obtained, charges at double the class 150 rate will be levied and collected from the consignees.

In May 1972, three consignments described in the forwarding notes as "tin plate waste/waste as tin plate cutting" were booked from Indira Docks (Bombay Port Trust Railway) to Sonepat and charged as tin plate or tinned sheet cuttings under class 57.5. In accordance with the special condition prescribed in the Goods Tariff, the width of tin plates or tinned sheets to be charged as 'cuttings' should not exceed 15 cms. On arrival of the consignments at Sonepat, it was found that this special condition had not been satisfied and, therefore, freight for these should have been charged as for "tinned sheets" under class 82.5. These consignments were treated as misdeclared and the undercharges were assessed (including penalty for mis-declaration) at Rs. 76,666.

On 19th May 1972, the firm represented to the Chief Commercial Superintendent that the railway receipt was prepared on the basis of import bill in which the consignment was mentioned

as "tin plate waste" and hence delivery be effected on recovery of correct charges. The representation of the firm was considered but since the consignments were packed in containers, these were treated as a case of misdeclaration. The firm again represented on 26th May 1972 and 29th May 1972 stating that (i) these were imported goods, described as "tin plate waste", (ii) the goods were booked in wagons direct from the docks after showing import documents, (iii) the Railway authorities booked the commodity as "tin plate waste" knowing fully well about this commodity, (iv) the size and thickness were mentioned on all the bundles and (v) delivery was taken by them in loose condition without concealing the contents of the containers.

The reports of Rate Inspectors who investigated this case during May-June 1972, showed that in the original trade invoice produced by the firm the size of the sheets was shown as 18" x 24" and larger, which clearly indicated that the consignment did not fulfil the prescribed condition and as such could not be charged as "tin plate waste" or tin sheet cuttings. The dimensions mentioned on the metal covers were not clear to show whether they indicated length, breadth and height of packages or its contents. It was also not clear whether they were in inches, millimetres or centimetres. It was stated that contents in each container weighed about one tonne and the containers had been broken open because the intention of the firm was to avoid the use of a crane for unloading. On the basis of these reports, it was decided by the Railway Administration on 13th June 1972 that above consignments being packed should be treated as misdeclared.

On 20th June 1972, the firm again represented against these orders stating that (i) necessary particulars had been supplied by the booking agents to the forwarding station which showed that they had no intention to hide anything (ii) at the time of unloading the sheets were exposed by the firm themselves, which showed their good intentions and (iii) the packing containers were open on one side and the size was also mentioned on them.

The Railway Administration (the Chief Commercial Superintendent) waived the misdeclaration charges amounting to Rs. 68,810 in July 1972 mainly on the ground that the intention of the party to defraud the Railway had not been substantiated. The Railway realised only Rs. 7,856 on account of difference in freight rates between classes 82.5 and 57.5.

The Railway Administration stated (August 1975) that the containers being open on one side and the size of the contents being indicated on each container, it was for the Bombay Port Trust Railway staff to tender correct advice about the classification of the consignments and if they failed to give correct advice the party should not be held solely responsible for the same.

The Bombay Port Trust Railway Authorities, however, stated, in February 1976, that the consignor had not declared the description of the articles in order to determine the rate chargeable, loading was not supervised by the staff of Indira Docks and, therefore, they were mainly guided by the description recorded by the party in the forwarding note; the refund was arranged by the Northern Railway Administration without making a formal reference to them to ascertain whether the party had wilfully or fraudulently not described the contents properly and that this was a clear case of misdeclaration.

It may be stated that the rules in the Indian Railway Commercial Manual and also in the Goods Tariff prescribe that every consignment should be accompanied by a forwarding note signed by the sender or his authorised agent and amongst other particulars, it should contain description of the articles sufficient to determine the rate chargeable and the consignors must satisfy themselves that their packages are properly addressed and forwarding note correctly written out as the railway would not accept responsibility about accuracy and would hold senders liable for any mistake or misdeclaration. The consignment described in the original trade invoice as "Electrolytic Tin Plate waste, waste mainly bright, soft tempered, low grade assorted to size and gauge" was put down in the forwarding note as "Tin

Plate waste, waste as tin plate cuttings". In the former the consignments were shown as "exported goods 107 lb. and lighter, 18" x 24" and larger", while in the latter no such details were given. There was thus wilful omission on the part of the party to give the size and description of the articles in sufficient detail to enable the station staff to determine the rate chargeable and, therefore, they could not be absolved of the responsibility of giving incomplete description of the article thereby obtaining a rate lower than that correctly applicable.

The Railway Board stated (February 1976) that the Chief Commercial Superintendent while taking the decision to waive the penalty had taken into account all the material evidence available with the Railway and that the consignor had not withheld any information which was available with him and at the destination also he had asked the Railway to examine the contents of the packages and assess the correct freight applicable. There was, therefore, no deliberate intention of misdeclaration.

The Bombay Port Trust Railway Authorities, however, maintained that a formal reference to them was necessary in view of the fact that "they are now trying to shift the entire blame on the Bombay Port Trust staff and particularly so when the amount of misdeclaration charges involved is as high as Rs. 68,000 approximately".

### **30. Northern Railway—Non-realisation of demurrage charges**

Telescopic rates of demurrage charges were introduced by the Railway Administration at 23 selected stations (20 in Delhi Division and 3 in Bikaner Division) of Northern Railway with effect from 15th November 1961. Jagadhri was one of the 20 stations. The Station Master, Jagadhri, started levying demurrage charges at telescopic rates on consignments received at that station including those pertaining to three firms whose mills were served by assisted sidings.

The firms did not agree to pay demurrage charges at the telescopic rates. On their representation, the Divisional

Commercial Superintendent, Delhi, without consulting the Chief Commercial Superintendent, decided, in December 1962, that the telescopic rates did not apply to these sidings. Accordingly, the Station Master, Jagadhri, continued to levy demurrage charges at old flat rates.

During test check of the records of Jagadhri station in May 1969, Audit pointed out that levy of demurrage charges at flat rate was not in accordance with the orders effective from 15th November 1961. The Railway Administration decided in July 1970 that telescopic rates of demurrage charges were also applicable to the sidings served by Jagadhri station. The siding owners started paying demurrage charges at the telescopic rate with effect from 1st October 1970 but they represented against the payment of the charges with retrospective effect. In the meantime (during June to August 1970) the Accounts Department raised debits against Jagadhri station for short collection of demurrage charges amounting to Rs. 4.81 lakhs for the period 1st January 1964 to 30th September 1969 (records for earlier periods were stated to be not available).

The firms continued representing against payment of demurrage charges at telescopic rates for the period prior to October 1970. After protracted correspondence, the General Manager accorded sanction, in February 1975, to recover only Rs. 86 thousand as nominal demurrage charges and decided to forgo the balance amount of Rs. 3.95 lakhs on the ground that levy of enhanced demurrage charges retrospectively, in any circumstances, would cause hardship.

The Railway Administration stated (February 1976) that certain sidings like New Delhi Mineral siding, New Delhi Power House, Daya Basti Goods siding and Meerut City Mandi siding were specifically mentioned in the notification of November 1961 while sidings served by Jagadhri station were not mentioned in that notification. This led the Divisional Commercial



Superintendent to decide that the telescopic rates were not applicable to the sidings at Jagadhri.

It may be mentioned that a review of the position at seven other stations of Delhi Division out of 20 stations mentioned in the notification of November 1961, disclosed that demurrage was correctly charged by six stations with effect from 15th November 1961, and in the case of one station the discrepancy was detected by the Accounts Department in September 1969 and set right. The short collection of demurrage charges at that station is being made good by the Goods clerk (out of Rs. 10,920, a sum of Rs. 8,664 had been recovered till October 1976 from the Goods clerk).

### 31. Northern Railway—Non-observance of routing and rating instructions

Rule 125(i)(e) of Goods Tariff of the Indian Railway Conference Association provides that in the event of the shortest route, when also the cheapest, being partially or wholly closed for traffic, the correct route for carriage of traffic shall be the next shortest open route at the charges by the next cheapest open route. In such a case, the sender or his authorised agent should give written and signed instructions on the forwarding note for charging freight by the next cheapest open route and the booking station staff must make necessary endorsement on the railway receipt and its counterfoil.

The Divisional Operating Superintendent, Northern Railway, Jodhpur, issued instructions on 8th September 1975 that with immediate effect and until further advice, booking of all goods traffic across Degana-Phulera section should be stopped. On 21st September 1975, the Chief Operating Superintendent, Northern Railway, also issued instructions that booking of all goods traffic including high-rated and military 'A' traffic should be stopped to and from stations on Jodhpur Division *via* Phulera and such traffic should be accepted *via* alternative route. Booking of goods traffic over the closed route *via* Degana-Phulera section was resumed from 23rd January 1976.

In the course of inspection of accounts of Jodhpur station undertaken by Audit in December 1975, it was noticed that with effect from 9th September 1975 goods traffic had been booked by stations of Northern as well as other Railways to that station *via* Phulera-Degana and freight had been charged for distances *via* Phulera-Degana even though this route was closed and the traffic was actually carried by alternative route *via* Phulera-Marwar. A further test check of the records of three more stations, namely, Rai-ka-bagh, Gotan and Merta City disclosed a similar position. The total undercharges of freight due to non-observance of routing and rating instructions were assessed by Audit at Rs. 1.30 lakhs. As a result of the review of the position undertaken by the Accounts Department at the instance of Audit, further undercharges amounting to Rs. 74,383 were detected in respect of traffic booked from various stations of Jodhpur Division.

Similar irregularity had been noticed in Bikaner Division of Northern Railway. A test check of the records of Bikaner station alone for November 1975 disclosed undercharges of Rs. 5,475.

The review is still (January 1977) to be completed and undercharges of freight are yet to be recovered.

In partial modification of the instructions issued on 21st September 1975, the Chief Operating Superintendent, Northern Railway, issued a directive on 1st October 1975 that gypsum traffic "which is normally routed *via* Phulera may be carried *via* Bhatinda and freight charged by normal route till breaches on Phulera-Degana section are repaired". The route *via* Degana-Phulera having been closed, the next shortest and the cheapest route available for such traffic booked to Sindri (Eastern Railway) was *via* Marwar Junction and the freight should have been charged by that route even though the traffic of gypsum might have been carried by the longer route *via* Bhatinda. However, freight on gypsum traffic booked during October 1975 to January 1976 from various stations in Jodhpur

Division to Sindri and carried *via* Bhatinda was charged *via* Degana-Phulera (the closed route) instead of *via* Marwar Junction-Phulera resulting in short collection of freight for 278 kms in case of traffic moving from Badwasi near Nagaur station, 75 kms in the case of traffic moving from Thaiyat Hamira near Jaisalmer station and 7 kms in respect of traffic moving from Kavas near Barmer station. The amount of undercharges is still (January 1977) to be assessed and realised by the Railway Administration.

### 32. Northern, Northeast Frontier, Southern and Western Railways— Undercharges of freight

#### *Northern Railway*

(i) The freight charges for over-dimensional consignments loaded in special type wagons (broad gauge) and carried by a special train were increased by the Railway Board from Rs. 73 per kilometre to Rs. 110 per kilometre subject to a minimum charge of Rs. 4,400 per train, with effect from 1st February 1975. In addition thereto, supplementary charges on the total freight charges at the rate of 16-2/3 per cent for distance upto and inclusive of 500 kms and at the rate of 22 per cent for distance beyond 500 kms were leviable. These rates were notified by the Railway Administration on 27th December 1974 and again on 16th January 1975.

A test check of the records of Hardwar station disclosed that one over-dimensional consignment of "Wound Stator" was booked from a railway siding served by that station to Madras Port siding in May 1975. A similar consignment booked from K. P. Docks in August 1975 was received in September 1975 at the siding of Hardwar station. Both these consignments were hauled in special goods trains. Although the notification of 16th January 1975 had been received at that station, the charges were not levied/collected at the enhanced rates resulting in short collection of freight of Rs. 1.60 lakhs. The omission escaped the notice of the internal check organisation of the Railways concerned, namely, Northern and Eastern Railways.

A test check of the accounts of that station also disclosed instances of short collection of freight of Rs. 19,317 in respect of 26 consignments received at or booked from Hardwar due to error in classification, non-observance of revised minimum weight conditions and incorrect computation of freight charges ignoring revision in tariffs, etc.

The Northern Railway Administration stated (September 1976) that station staff had been taken up for their lapses and action was being initiated against staff of Accounts office for not detecting the mistake in internal check in respect of traffic booked from Hardwar. As regards 27 consignments received from other Railways including one consignment carried by special train from K. P. Docks, the undercharges of freight had not been included in respect of 13 consignments in the statements received from these Railways.

Out of total undercharges of Rs. 1.79 lakhs (approximately) Rs. 40 thousand are still (February 1977) to be recovered.

(ii) From 15th February 1976 the minimum weight for charging freight at wagon-load rates on consignments of iron pipes and tubes of any length and any diameter loaded in a BOX wagon was raised by the Railway Board to 450 quintals. The notification to this effect was issued by the Chief Commercial Superintendent, Northern Railway, on 23rd January 1976, but the Divisional Superintendent, Delhi Division, notified the enhancement of the minimum weight to the stations on 19th April 1976.

During the course of test check of invoices of Ganaur station it was noticed that, in the absence of the notification, freight on consignments of iron pipes and tubes booked during 15th February to 18th March 1976 had been charged on the basis of old minimum weights/actual weights resulting in undercharges of freight of Rs. 1,12,566. The station staff started charging freight applying the correct minimum weight with effect from 21st March 1976 on the basis of a copy of the Railway Board's orders received from one of the consignees.

As a result of review of such consignments booked from other stations of Delhi Division, further undercharges of Rs. 7,289 were noticed.

Out of 49 invoices in respect of which undercharges of freight was detected by Audit, 34 invoices involving a sum of Rs. 78,827 fell under the percentage check of the Accounts Department but the mistake escaped detection in internal check.

The Railway Administration stated (January 1977) that (a) the result of disciplinary action initiated against the concerned staff of the Divisional Superintendent's office for delay in issuing the notification was awaited and (b) the staff of Accounts Department had been charge-sheeted on 8th November 1976 for not detecting the mistake in internal check. It further stated that debits for the undercharges of freight amounting to Rs. 1,19,855 had been raised against Eastern, Southern, South Eastern and Western Railways, out of which only Rs. 15,581 have so far (January 1977) been recovered.

#### *Northeast Frontier Railway*

Under the Goods Tariff the freight rates for consignments of new empty tins (containers) booked as 'smalls' or in 'wagon-loads' as well as the minimum prescribed weight at which wagon-load rates apply are higher than that for used or old empty tins. A test check of the records of Jogbani station for the period from November 1971 to January 1975 disclosed that freight on the consignments of new empty tins booked to nine stations of North Eastern Railway had been charged as for used empty tins resulting in undercharges of freight of Rs. 72,453, out of which Rs. 53,315 are still (December 1976) to be recovered.

#### *Southern Railway*

(i) Rules in the Goods Tariff provide that for the purpose of computing the minimum weight for charging freight, BCX, BOX and BFR types of wagons having carrying capacity more than 44 tonnes and BOB, BRS, BRH and BOI types of wagons

should be equated to  $2\frac{1}{2}$  four-wheeled wagons, BOY, BOBX and BOBS types of wagons to 3 four-wheeled wagons and CRT type wagons to  $1\frac{1}{5}$  four-wheeled wagons. In the case of BFU and BWL well type wagons freight charges are to be levied on actual weight subject to minimum weight for charge on the marked carrying capacity of the wagon.

A test check of the accounts of ten stations of Southern Railway for different periods between September 1971 to March 1976 disclosed that (a) freight on consignments booked in BOX and BCX types of wagons had been charged at twice the minimum weight of one four-wheeled wagon instead of at  $2\frac{1}{2}$  times; (b) for consignments booked in CRT type wagons, freight was charged as for one four-wheeled wagon instead of at  $1\frac{1}{5}$  times; and (c) in respect of heavy machinery like transformers carried in BFU and BWL well type wagons, freight was charged on actual weight without applying the condition of minimum weight for charge on the marked carrying capacity. The short collection of freight charges for the period September 1971 to March 1976 was assessed at Rs. 2.30 lakhs, out of which Rs. 2.20 lakhs are still (January 1977) to be recovered. The position obtaining at other stations of the Railway is stated to be under review.

The omission escaped notice of the Accounts Department and action to fix responsibility is still (January 1977) to be initiated.

(ii) The particular liquid/oil a tank wagon is intended to carry, its loadability by volume and the weight of the particular liquid for the loadable volume, are all marked on each wagon and these details are notified to all stations through rate circulars. Liquid carried in a tank wagon is to be charged on the appropriate marked carrying capacity (in weight) of a tank wagon.

In respect of vegetable oil booked in tank wagons from eight stations on Southern Railway, the correct carrying capacity effective from different dates between 1st April 1971 and

31st December 1975 had not been adopted in working out the freight charges. During the period January 1972 to March 1976 the total amount of undercharges of freight (excluding the amount realised at destination stations at the time of delivery) was assessed at Rs. 43,284 out of which Rs. 43,011 are still (January 1977) to be recovered.

The notifications also stipulated that if any liquid other than those for which carrying capacities had been notified was required to be loaded, charges should be levied on the highest of the notified carrying capacities of the tank wagons for other liquids and in the absence thereof on the highest carrying capacity (weight) as marked on the tank wagons. Denatured spirit is a liquid for which carrying capacity was not notified; therefore, freight should have been charged for on the highest notified carrying capacity for other liquids for the wagon actually used. The non-observance of the instructions by the staff of Golden Rock, Erode and Tondiarpet stations resulted in undercharges of freight of Rs. 41,761 on consignments of denatured spirit booked during the period October 1974 to January 1976 for which debits are stated to have been raised against the booking stations. The amount is still (January 1977) to be recovered.

#### *Western Railway*

From 15th August 1974 the minimum weight for charging wagon-load rates on consignments of 'Salt—not otherwise classified' and 'Salt for chemical industries' was raised by the Railway Board from 220 quintals per broad gauge wagon to the carrying capacity of the wagon used and from 145 quintals per metre gauge wagon to 160 quintals. These enhanced minimum weight conditions were not applicable to wagons of floor area less than 21.1 sq. metres in the case of a broad gauge wagon and 12.5 sq. metres in respect of a metre gauge wagon.

A test check of the records of two stations for the period from 15th August 1974 to 24th January 1975 and six stations for the period from 15th August 1974 to February 1976

disclosed that the freight charges on wagon-load consignments of this commodity were computed on the basis of the minimum weight conditions in force prior to 15th August 1974, even though salt was loaded in wagons of requisite floor area, resulting in short realisation of freight amounting to Rs. 62,500.

The Railway Administration stated (December 1976) that the Traffic Accounts office subsequently worked out the undercharges of freight as Rs. 68,303, out of which Rs. 57,472 had already been detected in internal check and Rs. 4,113 had been collected by the destination stations.

It may be mentioned that Rs. 64,190 are yet (January 1977) to be recovered and undercharges in respect of other salt booking stations are still to be worked out by the Railway Administration.

The Railway Board stated (February 1977) that a review of past transactions was in progress and undercharges wherever detected would be recovered.

### **33. Northern Railway—Delivery of tank wagons to oil companies**

Under the extant rules wagons should not be placed in the railway siding unless book delivery has been effected and freight and other charges have been collected at the serving station. The Railway Administration may permit placement of wagons where it is not possible to strictly enforce these conditions because of operational and other reasons. In such cases it is to be ensured that there is no delay in effecting book delivery and collecting the charges.

During the period January 1966 to January 1970, one hundred and fifty oil tank wagons were placed in the sidings/decanting points of the Indian Oil Corporation at Shakurbasti without effecting book delivery. In the case of only 74 tank wagons, the dues were either adjusted or recovered from the



Indian Oil Corporation. The dues amounting to Rs. 15.01 lakhs on account of the remaining 76 tank wagons were adjusted against the claims of the Indian Oil Corporation as late as May 1976.

Besides, 155 unconnected/diverted tank wagons containing POL traffic costing over Rs. 50 lakhs, were made over to the various oil companies including Indian Oil Corporation at Shakurbasti during the period 1971 to June 1974 for which the cost (in respect of consignments whose ownership is not known) and freight charges have not so far been deposited with the Railways. A test-check at a few other stations disclosed that out of 505 unconnected oil tank wagons handed over to oil companies during the period 1961—74, collection of freight and other dues has been outstanding in respect of 82 wagons.

The Railway Board stated (February 1977) that instructions had since been issued by the Northern Railway Administration to the Divisions to ensure that "in cases where physical deliveries are effected and book deliveries are not effected, the company should be pressed for surrendering railway receipts or to execute indemnity bonds for regularising the transactions".

#### **34. Western Railway—Delay in recovery of dues from a railway siding owner**

A firm had three railway sidings, categorised as 'special class sidings'—two broad gauge sidings at Phalodi and Sawai Madhopur respectively and one metre gauge siding at Sawai Madhopur. At these three sidings, wagons of limestone, coal and other commodities were being delivered to the siding owner for several years even though the firm had not been paying all dues (like demurrage, charges for detention to rolling stock, siding charges, etc.) due to certain disputes having arisen on the basis at which these charges had been computed. This irregular practice of not collecting the Railway dues before the delivery of the goods or immediately thereafter was brought to the notice of the Railway Administration by audit in June 1972, when Rs. 22.17 lakhs were outstanding against the firm.

The outstanding dues against the firm as on 10th October 1975 had risen to Rs. 62.43 lakhs which included Rs. 14.08 lakhs payable against the credit notes issued by the firm for payment of freight etc. These credit notes were dishonoured in August 1975 and the amount was realised from the guarantor bank in October 1976. The dues (siding, demurrage and detention charges, undercharges of freight, maintenance charges for the sidings, etc.) for the period ending 31st October 1975 as outstanding on 10th November 1976 has been assessed at Rs. 43.67 lakhs. Some of these dues date back to the periods prior to 1966-67. The yearwise break-up of the outstanding dues representing demurrage and siding charges only, given below, would indicate the progressive piling up of the dues from year to year :—

Period ending	Demurrage charges	Siding charges	Total
	(rupees in lakhs)		
31st March 1973	7.30	11.25	18.55
31st March 1974	9.74	10.90	20.64
31st March 1975	19.63	11.77	31.40
30th June 1975	23.86	13.54	37.40
31st October 1975	28.35	17.23	45.58

Out of Rs. 45.58 lakhs outstanding on 31st October 1975, Rs. 30.17 lakhs were due to be realised as on 10th November 1976. Besides, for the period up to 31st October 1975 a sum of Rs. 13.50 lakhs was also recoverable from the firm (as on 10th November 1976) on account of :

(i) detention charges of rolling stock (locomotives and rakes)	Rs. 6.62 lakhs
(ii) maintenance charges of sidings	Rs. 2.22 lakhs
(iii) cost of materials for special repairs to sidings	Rs. 1.97 lakhs
(iv) other charges on account of rent of land, deficiency to rolling stock, etc.	Rs. 1.37 lakhs
(v) undercharges of freight	Rs. 1.15 lakhs
(vi) foreign service contribution in respect of Railway staff deputed to the firm	Rs. 0.17 lakh

The Railway Administration stated (January 1977) that all possible steps were being taken to recover the dues. Some of these claims, namely, siding charges, had been referred to the Railway Rates Tribunal and courts whose judgements had been received in some cases. It further stated that the outstanding amount would be further reduced "as soon as a decision on the leviability and correctness of the charges due on a number of items is taken" by the Railway Administration.

### 35. Central and South Eastern Railways—Non-recovery of siding charges at enhanced rates

Consignments of coal in wagon-loads were being booked from a colliery siding at Nowrozabad (South Eastern Railway), owned by a cement company, to its factory at Kymore (Jukehi) on Central Railway. As per extant rules, siding/placement charges shown in the railway receipts by the booking stations are collected by the destination station along with freight charges as indicated therein. However, the destination station is responsible for the realisation of the correct charges. Any modification in the siding/placement charges is notified to stations and other Railways through rate circulars.

The South Eastern Railway revised the charges for placement of wagons from Rs. 4.50 to Rs. 9 per loaded four-wheeled wagon in respect of the siding at Nowrozabad with effect from 26th October 1970. However, the issue of the 'Advance Through Traffic Rate Circular' was delayed for three months due to the cyclostyling machine being out of order. The circular sent to Nowrozabad station through railway dak on 10th February 1971 was not received by that station. The circulation of printed 'Through Traffic Rate Circular' was also delayed because the matter sent to the press for printing on 30th June 1971 was received after printing in February 1972. It was delivered to the Station Master, Nowrozabad, on 21st April 1972, but the weighbridge staff did not get the intimation of the change as the printed circular was again lost in transit. The

station, it appears, came to know of the changes on 7th April 1973 through advice issued by the Accounts office of Central Railway.

The printed circular was received by the Central Railway Administration on 20th March 1972. No action was taken by that Railway Administration immediately to notify the upward revision in rates to its staff at Kymore (Jukehi); the enhancement in rates was advised to them in March 1973, that is, after 11 months. The rate circular was, however, issued by the Commercial Department only in August 1973 after the Accounts Department brought this matter to its notice in June 1973.

The delays in notifying the revised siding/placement charges resulted in short collection of charges amounting to Rs. 96,249 for the period from November 1970 to March 1972 and Rs. 39,042 from April 1972 to April 1973.

The staff at Kymore station objected to the debits raised against them on the ground that the intimation about the enhancement of charges was received by them only in April 1973. Thereupon, the Central Railway Administration preferred a claim against the cement company in September 1973. The company did not accept the claim on the ground that 21 days' notice as required under the claim rules was not given and under principles of natural justice the charges should not be revised with retrospective effect.

The Central Railway Administration stated (December 1976) that the matter regarding realisation of Rs. 1,35,291 had been under negotiation with the cement company.

## CHAPTER VIII

### OTHER TOPICS OF INTEREST

#### 36. Northern Railway—Lost Property Offices

##### *Introduction*

Consignments booked for transportation by rail but lying at the Railway stations beyond the prescribed periods as unclaimed, undelivered and unconnected or any lost or unclaimed property, other than the booked consignments, deposited with Station Masters are required to be sent to the Lost Property Offices of the Zonal Railways for custody and disposal either by delivery to the rightful owners if the consignments are subsequently claimed or connected, or by periodical auction at a reasonable price. A Lost Property Office is generally under the charge of a Superintendent (Senior subordinate) who is assisted by a number of clerical and Class IV staff. In all matters pertaining to commercial and accounts procedures, a Lost Property Office is treated like a station and is inspected periodically by the officers and inspectors of the Commercial Department of the Railway as well as by the Inspectors of Station Accounts.

There are three Lost Property Offices on the Northern Railway—Delhi-Kishanganj, Kanpur and Jodhpur ; the last one is meant for stations on the metre gauge section of the Railway. The working of these offices was generally reviewed by Audit with reference to the records for the years 1973-74 and 1974-75. The results of the review are mentioned in the succeeding paragraphs.

*Transfer of goods to Lost Property Offices*

In accordance with the extant orders if, after the expiry of the period of notice of removal of goods served on the consignor/consignee, a consignment is not taken delivery of within a period of one month from the date of its receipt at the destination station, the consignment should be transferred to the Lost Property Office. Articles such as coal, ores, road-metal, limestone, etc., which owing to their nature cannot conveniently be transferred to the Lost Property Office, fragile goods, articles of insignificant value or of no value and undelivered consignments under dispute lying at a station should not be transferred to the Lost Property Office.

The Railway Board issued instructions in March 1972 that unclaimed and unconnected goods should, as far as possible, be auctioned either at the same station or at a nearby suitable goods shed where market is available and that the cases of transfer of goods to the Lost Property Offices should be minimised.

The number of packages received by the three Lost Property Offices during 1973-74 and 1974-75 is given below :

Year	Number of packages received at		
	Delhi— Kishanganj	Kanpur	Jodhpur
1973-74	7,653	14,479	5,535
1974-75	15,741	19,601	2,631

Out of 15,741 packages received by the Lost Property Office, Delhi-Kishanganj, during 1974-75, 10,528 packages were sent in ten wagons by Suram, Ludhiana and Amritsar Stations of Firozpur Division during November 1974 and February 1975. The contents were bentonite powder, gypsum powder, chalk powder, wooden pieces, etc. Since these articles are of a nature that they cannot conveniently be transferred to the Lost Property Office, prior approval of the Divisional Commercial Superintendent had to be obtained under the rules for transferring them to the Lost Property Office. This had been

done in respect of the contents of only three out of the ten wagons.

Besides, 21 consignments (508 packages) of old drums, un-serviceable tyres, cotton waste, mill waste, wooden-chips, earth (mitti), tokries (baskets), chimney glasses, broken slate pencils, moonj (material for making ropes, strings, etc.) and jharoos (brooms), etc., had been transferred to the Lost Property Office, Delhi-Kishanganj, during January 1974 to March 1975. Similarly, 43 consignments (188 packages) of similar articles had been sent to the Lost Property Office, Kanpur, during October 1974 to September 1975.

The rules enjoin that lost property of insignificant value or of no value should not be sent to the Lost Property Office. In disregard of these instructions, the consignments of insignificant value were transferred to the Lost Property Offices without obtaining orders of the superior authority. In none of the cases mentioned above the stations transferring the unclaimed and unconnected consignments to the Lost Property Offices took an inventory of the contents of the packages as required under the rules. The consignments were visually identifiable; besides, the inventory of the contents would have also enabled the Station staff to know that the articles were of insignificant value which ought not have been sent to the Lost Property Office.

The Railway Administration stated (February 1977) that instructions had been repeated time and again not to send packages containing lost property of insignificant value or of no value to the Lost Property Offices and that the Divisions had been asked to take this up with the staff at fault. As regards non-compliance with the instructions relating to inventory of unclaimed and unconnected consignments before transferring them to the Lost Property Offices, the Railway Administration stated that this was mainly because Railway Protection Force staff were not posted at all stations; at most of the stations carpenters were not available to open the packages and to repack

them and possibilities of pilferage when large number of packages are opened at road side stations could not be ruled out. However, instructions were being reiterated to ensure that proper inventory of such packages is taken.

*Delay in opening of the packed consignments*

Except in cases where pilferage is suspected from outward appearance of the packages received at the Lost Property Offices these are not opened until lots are made out for auction of the contents. While opening certain packages at the time of auctions held on different dates during 1970 to 1974 at Delhi-Kishanganj, it was found that 67 of them contained bricks and stones. These packages had been received between 1969 and 1973; they were opened after periods ranging from more than one month to 41 months. As the stations transferring the consignments did not take an inventory as prescribed in the rules. it was not possible to find out whether the consignments had originally been booked as such or the contents were subsequently replaced.

At the Lost Property Office, Kanpur, also 23 consignments containing bricks, stone pieces, burada, dust and iron pieces were received from certain stations during November 1965 to December 1974. These consignments were originally booked from Kanauj, Bombay, Howrah, Patna City, Lucknow, New Delhi, Jullundur City, Meerut City and Kanpur Central stations to Bhadohi, Janghai, Lucknow, Allahabad, Aligarh, Bareilly and Moradabad stations described as medicines, microswitches, angle plates, etc. Inventory was not taken by the station transferring the goods to the Lost Property Office. In respect of 20 consignments the cases were opened and checked by the Lost Property Office after periods ranging from more than two months to seventeen months. The matter had been under the investigation of the Special Police Establishment and the Government Railway Police for periods ranging from two years to five years.



The Railway Administration stated (February 1977) that in the case of eight consignments criminal cases had been instituted, which were dismissed; the Government Railway Police had reported that there was "no clue" in respect of 11 consignments. These 19 consignments were auctioned during February 1974 to September 1976 fetching only Rs. 123.

At Jodhpur 2 cases of electrical goods booked in June 1971 from Delhi Sadar Bazar to Jodhpur were found to contain bricks. In another case a consignment of tea was originally booked in March 1969 from Dibrugarh Town (Northeast Frontier Railway) to Kuchaman City (Jodhpur Division). The party refused to take delivery of the consignment as the contents were found to be husk powder. It was transferred to the Lost Property Office, Jodhpur, in January 1970 where it was disposed of for Rs. 2 only in the public auction held as late as 16th December 1975.

#### *Disposal of goods*

The number of packages disposed of by the three Lost Property Offices during 1973-74 and 1974-75 was as under :

Year	Number of packages disposed of		
	Delhi-Kishanganj	Kanpur	Jodhpur
1973-74	6,938	14,743	4,632
1974-75	11,837	15,840	2,277

The freight and wharfage charges due on the consignments auctioned during 1973-74 and 1974-75 and sale proceeds realised are indicated in the table below :

Year	Delhi-Kishanganj		Kanpur		Jodhpur	
	Freight and other charges due*	Sale proceeds	Freight and other charges due*	Sale proceeds	Freight and other charges due*	Sale proceeds
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1973-74	2,51,843	1,51,599	6,84,765	4,12,323	38,677	54,487
1974-75	3,80,891	2,06,548	8,34,795	7,05,843	23,224	45,193

\*The above do not take into account the amount of compensation claims which might have been paid to the rightful owners of the goods.

The Railway Administration stated (February 1977) that the disposal of packages had been speeded up and this in turn resulted in increase in sale proceeds during 1975-76 viz., Rs. 3,25,577 in the Lost Property Office, Delhi-Kishanganj and Rs. 1,32,414 in the Lost Property Office, Jodhpur. However, during 1975-76 the number of packages received by the former office was 15,476 as against 7,653 and 15,741 packages during 1973-74 and 1974-75 respectively; 4,468 packages were received by the latter office during 1975-76 as against 5,535 and 2,631 packages received during 1973-74 and 1974-75 respectively.

#### *Detention to wagons*

During 1974-75, one hundred and twelve wagons received at the Lost Property Office, Delhi-Kishanganj, had been detained for 22,718 hours (the extent of detention of wagons excepting one, beyond free time allowed for unloading ranged from 45 to 743 hours per wagon). The detentions were attributed to :

- (a) heavy intake of packages at the Lost Property Office during 1974-75 and lack of enough space for handling these packages ;
- (b) paucity of labour; the Superintendent, Lost Property Office sent proposals to the Assistant Commercial Superintendent during October and November 1974 for engagement of 4 casual labourers for three days but the orders were stated to have not been passed by the competent authority ;
- (c) non-placement of wagons in the position of unloading at the sheds;
- (d) non-availability of cranes ; and
- (e) bunching of loads, for example 11 wagons were placed on 14th October 1974 against normal placement of one wagon per day.

The review of the position relating to the Lost Property Office, Kanpur, for the period January to June 1975 also disclosed that 87 wagons had been detained for 9,413 hours (in the case of 42 wagons the extent of detention per wagon beyond free time of 5 hours ranged from 45 hours to 909 hours). Besides, 41 wagons had been idling after release by the Lost Property Office for periods ranging from 18 hours to 163 hours, after allowing a period of 24 hours, because of the delay in withdrawing the released wagons (the total duration of detention beyond 24 hours was 2,135 hours).

#### *Inventory of valuable articles*

A review of the inventory of valuable articles received at the Lost Property Office, Kanpur, disclosed that 29 items out of 47 were over one year old. The oldest item pertained to the year 1972. The weight of 10 pieces of ornaments (gold and silver) as per records of the Lost Property Office varied from those indicated by the forwarding stations. Previously, these articles were being sent to the Lost Property Office, Delhi-Kishanganj but this practice was discontinued from August 1974. The procedure in vogue for disposal of articles like watches, old currency coins, time pieces, transistors, silver and gold pieces at the Lost Property Office, Delhi-Kishanganj, has not yet (February 1977) been extended to the Lost Property Office, Kanpur.

The Railway Administration stated (February 1977) that out of 47 items, 31 items had been disposed of by public auction held during July—September 1976 fetching Rs. 2,025 (in respect of 29 items) and that the main reason for the variations in weight of valuable was that all stations did not possess sensitive machines whereas these ornaments had been weighed at the Lost Property Office, Kanpur, on the physical balance in the presence of the messenger who brought them, and the Railway Protection Force staff.

The Railway Board stated (February 1977) that the Railway Administration was being asked to introduce a suitable procedure for disposal of valuable articles at the Lost Property Office, Kanpur.

### 37. Northern Railway—Unauthorised occupation of railway land

The Public Accounts Committee (1963-64) in its thirteenth Report had commented upon a case reported in paragraph 36 of Audit Report (Railways), 1963, about encroachment of railway land and non-payment of rent thereof. Facts already reported and further developments are briefly mentioned below :

A firm in New Delhi encroached on railway land by constructing a permanent structure in 1942. The encroachment was regularised by the Railway Administration by licensing an area of 1,666 sq. yards to the firm. It further encroached on 2,866 sq. yards of railway land in December 1943, which was also regularised in March 1945. After relinquishing some area, the firm executed an agreement in January 1947 for 1,152 sq. yards at an annual rent of Rs. 2,074. In July 1950, the firm sublet a portion of land to another sister concern in violation of the agreement and also further encroached on land measuring 2,246 sq. yards. It built thereon a factory with roads etc. In February 1962 the firm communicated its willingness to pay rent for the land in its possession on the basis of the old agreement and also suggested negotiations for the sale of the land. The Railway Board decided in November 1962 that arrears of rent should be recovered at 6 per cent of the lease hold value of the land and after the firm paid the rent fixed in that manner, the land should be leased to it for a further period of 20 years, the rent being assessed at 6 per cent of present day value of land, subject to revision every five years to accord with the prevailing market price. The firm was asked by the Railway Administration in December 1962 to accept these terms and to pay Rs. 2,04,815 [Rs. 1,06,037 towards arrears of rent of 12½ years from 1st July 1950 to 31st December 1962 (excluding Rs. 10,372 already paid by it), Rs. 49,374 as advance rent for one year from 1st January 1963 and an equal amount towards security deposit and Rs. 30 as preliminary charges for a fresh agreement:]. The firm paid only Rs. 1,06,037 and made a counter proposal for outright sale of the land to it without agreeing for a fresh lease for a further period of 20 years from 1st January 1963.

In accordance with the terms of settlement between the Railway Board and the firm reached in 1963, the land was leased for a period of 10 years from 1st January 1963 subject to the condition that for the first five years the rent would be recovered at the rate of 6 per cent annually of land value of Rs. 186 per sq. yard and the rent would be liable to reassessment with reference to the market value of land every five years as per rules governing lease of railway land to outside parties. This was brought to the notice of the Public Accounts Committee by the Railway Board in July 1964.

The agreement embodying the settlement arrived at earlier for the lease of land, measuring 2,743 sq. yards, for a period of 10 years from 1st January 1963 was, however, executed with the firm as late as May 1969. In accordance with this agreement the firm was required to pay rent at the rate of Rs. 30,611.88 per annum (based on 6 per cent of land value of Rs. 186 per sq. yard) for the period 1st January 1963 to 31st December 1967 subject to its enhancement by the Railway Administration every five years on the basis of 6 per cent per annum of revised valuation of land leased to be fixed in consultation with the Land and Development Officer, Delhi, or other Civil authorities empowered to assess the valuation of the land. In December 1967 the Railway Administration revised the rent at the rate of Rs. 98,748 per annum (based on 6 per cent of land value of Rs. 600 per sq. yard as assessed by the Ministry of Works and Housing, New Delhi) for the period 1st January 1968 to 31st December 1972. According to the agreement, the firm was bound to pay the fee at the enhanced rates as fixed by the Railway "on receipt of a notice of 15 days". The firm did not pay rent at the revised rate for the latter spell and deposited rent for the period upto end of December 1971 at the rate of Rs. 30,611.88 per annum. The Railway Administration terminated the lease with effect from 31st December 1972 after serving a notice on 15th July 1972; but the firm continues (December 1976) to occupy the land and, on 1st July 1975, encroached upon an additional area of land measuring 117.33 sq. yards.

The Railway Administration stated (January 1977) that on the representation of the firm the additional area under encroachment was re-verified and was found to be 84 sq. yards. The firm vacated it on 17th May 1976 and a bill for Rs. 8,876 on account of rent for this area of land was preferred on the firm on 8th November 1976.

It may be added that an application was filed before the Estate Officer under the Public premises (Eviction of Unauthorised Occupants) Act, No. 40 of 1971 only in July 1975. The case is still (January 1977) pending with the Estate Officer as the hearings fixed on eight dates during November 1975 to December 1976 had been postponed. In the meantime, Rs. 17.20 lakhs have become due against the firm on account of (a) arrears of rent for the period 1st January 1968 to 31st December 1972, (b) rent for unlawful retention and encroachment of land during January 1973 to June 1976 and (c) interest on arrears of rent.

### 38. Southern Railway—Sale of railway land at concessional rate to a private party

A plot of railway land situated in the heart of Bangalore city measuring 2,500 sq. yards (or 2,090 sq. metres) was leased by the Mysore Government in 1950 to a private nursing home at a nominal rent of Rs. 25 per annum under the impression that the land belonged to the State Government. The Railway Board, in 1954, decided to honour the commitment of the State Government and early in 1956 the land was leased by the Railway Administration to the same nursing home for a period of 30 years from 1st February 1956 on the same nominal rent of Rs. 25 per annum subject to the conditions that the licensee would give to the Railway employees and their dependents treated in the nursing home a reduction of 25 per cent in charges for room, nursing, operations, diet and X-Ray treatment and would also reserve a maximum of two beds at a time for their use.

Early in 1962 the nursing home authorities relinquished land measuring 267 sq. yards (about 222 sq. metres) at the request of the Railway to the Municipal Corporation, Bangalore, for construction of a road.

During 1964—66, the question of transfer of the leased plot of land to the nursing home was considered by the Railway Board and it was decided in August 1966 that this could be done only in accordance with extant rules, that is, if the land was no longer required by the Railway it could be disposed of to the best advantage of the Railway. In 1967 the lessee requested for transfer of the land to the nursing home at a concessional rate, that is, at less than the market rate but this was not agreed to by the Railway Board. However, the Board decided in May 1971 to sell the plot measuring about 2,230 sq. yards (or about 1,865 sq. metres) to the nursing home at a rate of Rs. 30 per sq. yard subject to the condition that the railway employees and their dependents would continue to get treatment in the nursing home at the concessional rates as stipulated in the agreement of 1956. The Railway received only Rs. 66,897 (in 1971) in this deal.

The rate of Rs. 30 per sq. yard was worked out on the basis of the market value prevailing in 1954 *viz.*, Rs. 15 per sq. yard plus 6 per cent simple interest on that valuation. For the following reasons, however, the rate appears to be low :

- (i) In 1964, the Commissioner (Urban), Bangalore, had informed the Railway Administration that the value of the land leased to the nursing home may be fixed at Rs. 80 per sq. yard.
- (ii) The Public Works Department of the Government of Karnataka had notified in October 1971, after considering the local market rates and the corporation rates, the land value in Gandhi Nagar, where the nursing home is situated, as Rs. 150 per sq. yard.

On the basis of the market rate prevailing in 1964, the amount forgone by the Railways amounted to Rs. 1.12 lakhs (approximately) and with reference to the market value notified in 1971, the amount forgone was Rs. 2.68 lakhs.

During the period from May 1971, when the land was sold to the nursing home authorities, to October 1975, thirty-nine employees and their dependents had availed of the nursing home facilities (four as in-patients and 35 in X-Ray and Pathological Department). No account of out-patients had been maintained. As the nursing home charges are not reimbursable to Railway employees and as there are three railway dispensaries in and around Bangalore City, the concessional facilities in the nursing home are likely to be availed of only by a small number of employees.

The Railway Administration stated (December 1976) that in April 1970 the nursing home again represented to the Railway Administration for an outright sale of the land at the price not more than Rs. 15 per sq. yard. Considering the fact that the nursing home was doing useful service to the public, the case was considered *de novo*. At that stage the alternatives were : (a) to continue the lease at the nominal rent or (b) to reach a settlement at reasonable price as the party was not agreeable to pay at the then prevailing market rate. If alternative (a) had been followed, the Administration would have got Rs. 750 for the licence period expiring in 1986. Although, as per agreement, the Railway Administration could have claimed the land and structures thereon after 1986, there would have been numerous difficulties in evicting the party because it had already invested heavily on the premises and the eviction proceeding would have involved the Railway in long litigation etc. It was, therefore, decided to relinquish the land at a rate of Rs. 30 per sq. yard for which the party was agreeable as it was felt that this price together with the fact that the Railway employees and their dependents would receive medical treatment at concessional rates, would be a reasonable basis for settlement.



The Railway Board further stated (January 1977) that the land had been developed by the party after spending money and in case the undeveloped land was to be sold to the party as a fresh transaction, the value of land would have been considerably less than the market rate as quoted by the State Government.

### 39. **Outstanding dues from a wagon builder**

The special conditions of the contract for wagon building for 1969-70 provided for 'on account' payment upto 90 per cent of the value of steel and other raw materials procured by the manufacturing firm against such materials received in the works of the firm on production of a certificate to that effect from the concerned officer of the Inspection and Liaison Organisation of the Research, Designs and Standards Organisation and on the firm's furnishing necessary indemnity bond to the paying authority. The 'on account' payment was to be adjusted while making payment for supplies of completed wagons. In addition, wheelsets, roller bearing axle boxes, centre buffer couplers and cast steel bogies used in the manufacture of wagons are supplied to wagon builders in suitable instalments free of cost f.o.r., works siding against a proper undertaking for their safe custody.

During May to July 1969, the Ministry of Railways (Railway Board) placed three orders on a firm of Bombay for manufacture and supply of 264 BOX type wagons and 124 BCX type wagons to be completed by June 1970 (extended in November 1970 to 31st May 1971). The total value of the order was about Rs. 2.06 crores.

During May 1969 to January 1970, the firm preferred 35 claims for 'on account' payments against these orders and obtained payment of about Rs. 39.25 lakhs from Central Railway, the paying authority. By July 1970, the firm had delivered 13 wagons and only a sum of Rs. 5.47 lakhs out of the total advance payments was recovered leaving an unadjusted balance of Rs. 33.78 lakhs. In July 1970, the firm declared a lay off and

ultimately closed its factory in March 1971 due to financial and labour troubles.

In addition, there were dues on miscellaneous accounts *viz.*, cost of railway materials supplied to the firm but not used in wagon manufacture (Rs. 5.30 lakhs), amount re-imbursable to Railways for the modifications/relaxations in specifications availed of by the firm in execution of earlier wagon orders (Rs. 2.27 lakhs) and wharfage charges (Rs. 1.43 lakhs). The total amount due from the firm on the date of its closure was Rs. 42.46 lakhs (after off-setting Rs. 0.32 lakh payable by the Central Railway Administration to the firm as claims on consignments).

A preventive check carried out in 1970 jointly by the Special Police Establishment, Bombay, and the Vigilance Directorate of the Railway Board in the works of the firm disclosed discrepancies in the stock of material procured for manufacture of railway wagons and irregularities in the preparation of 'on account' claims amounting to Rs. 17.20 lakhs preferred by the firm and certification thereof by the inspecting officials of the Research, Designs and Standards Organisation. In consequence one Deputy Director and three Inspectors of the Research, Designs and Standards Organisation were prosecuted along with two employees of the firm. The Deputy Director and two Inspectors were convicted by the Special Judge, Bombay, on 8th April 1975 and awarded one year's rigorous imprisonment and fines for cheating the Railways.

The Accounts Department of the Central Railway admitted five 'on account' bills even though the prescribed proforma submitted by the firm for claiming such payment did not contain particulars of cheque number and date of the cheque in token of the firm having paid for the materials.

In April 1971, the Railway Board was advised by its Legal Adviser that it was open to Government to sue the firm for recovery of Railways' dues after ascertaining the assets of the

firm with a view to seeing whether it would be worthwhile to execute the decree when obtained against it. The banker of the firm, however, stated in June 1971 that all the goods in the factory of the firm had been hypothecated to the bank against the loans and advances given by it and repudiated Railways' claims on all materials including railway materials with the firm.

The bank has already filed suits against the firm for realisation of its dues.

The question of filing a plaint against the firm and its banker by the Railways for realisation of dues is still (January 1977) under consideration of the Railway Board.

#### 40. Eastern Railway—Excessive consumption of gear case oil by electric locomotives

In Paragraph 45 of the Report of the Comptroller and Auditor General of India for the year 1971-72, Union Government (Railways) loss owing to leakage of gear case oil from forty-five WAG-2 electric locomotives imported from Japan and commissioned during 1964-66, was mentioned. The monthly average consumption of gear case oil worked out to 186 litres per locomotive based on consumption during June 1968 to December 1969, when these locomotives were based at Asansol Locomotive Shed. The monthly average consumption of gear case oil per locomotive from January 1970 when these locomotives were transferred to Mughalsarai Locomotive Shed, was as indicated below :—

Year	Monthly average consumption per locomotive (in litres)
1970	396
1971	522
1972	425
1973	511

(January to June only)

In the information furnished to the Public Accounts Committee, the Railway Board stated (August 1973) that the monthly rate of consumption of gear case oil had been under continuous review by the Research, Designs and Standards Organisation, the Railway Board and the Railway Administration almost from the time of commissioning of these locomotives. The matter had also been taken up with the manufacturers and due to the actual consumption level being much higher than the figure indicated by the manufacturers originally and also due to wide variations in the actual consumption, monthly consumption rate had been determined by the Railway on the basis of actual performance.

The monthly consumption rate so determined was not, however, laid down to facilitate a watch being kept on the reasonableness of actual consumption. The average monthly consumption had risen to 511 litres per locomotive during January to June 1973.

The Board also stated that the abnormal increase in the consumption of gear case oil was due to deterioration of oil seals, basically defective design of oil seals and topping up gear case oil to a higher level so as to avoid damage to the gears and bearings on account of lack of oil. The Committee desired that the question of bringing down the consumption of oil should be expeditiously examined so as to take necessary steps [c.f., Paragraphs 7.21 to 7.24 of one hundred and twenty-sixth Report of the Public Accounts Committee (1973-74)].

The Railway Board informed the Public Accounts Committee in July 1974 that suitable instructions had been issued to the Eastern Railway to further examine the possibility of reducing the oil consumption in consultation with the Research, Designs and Standards Organisation.

A review of the position obtaining during 1974 and 1975 indicated that the consumption of gear case oil continued to

be very high as compared to average monthly rate of consumption during 1968 and 1969 even though certain modifications had been carried out in the gear case suspension arrangement, gear case cover seals, etc., as per the advice of the Research, Designs and Standards Organisation and two 35 tonne cranes costing Rs. 7.68 lakhs had been installed at the Mughalsarai Electric Locomotive Shed, for lifting the locomotives for attending to the leakage repairs promptly. The monthly average consumption per locomotive was 579.3 litres during 1974 and 547.9 litres during 1975. The excessive monthly average consumption resulted in an additional expenditure of Rs. 26.21 lakhs during the period April 1974 to December 1975 based on the monthly average consumption figures of 1968 and 1969.

The Railway Administration stated (December 1976) that the consumption of lubricating oil in 1974-75 or later should not be considered as excessive and that a comparison with consumption figure of 1968-69 would not be appropriate as the earlier practice of maintaining low level of oil in the gear case had to be given up as this had led to high incidence of bearing failures and lubricating oil is now kept at a higher level. Besides, the wear and tear of parts of gear case due to the age of the locomotives also accounted for higher leakages of oil. It also stated that close monitoring of oil consumption for each locomotive at different filling points had been done and based on the trend of actual consumption the maximum limit for monthly consumption had been prescribed in September 1975 as 600 litres per locomotive during summer months from March to September and 550 litres per locomotive during winter months from October to February and when this figure exceeded, the locomotive is withdrawn from service for special attention. The oil consumption has reduced to 455 litres per month per loco during 1976 (eight months average) despite the aging of the locomotives. Further trials and modifications were also in hand in consultation with <sup>the</sup> Research, Designs and Standards Organisation and oil suppliers.

#### 41. Eastern Railway—Mis-appropriation of cash

Rules provide that the entire collection of station earnings of a day should "invariably" be sent to the Railway's Cash Office by the train notified for the purpose of carrying cash of that station and that no part of the cash should be retained by the station staff without the prior approval of the competent authority. If, for any reason other than the absence of travelling cash safe in the scheduled train or its getting out of order, the Station Master fails to deposit the cash on a day, he will retain it till the following day and also intimate by telegram to the Divisional Superintendent, the Traffic Accounts Office and the Chief Cashier the reasons for such retention. The rules also require that the Commercial and the Accounts Officers and the Inspector of Station Accounts should carry out surprise checks to ensure that the procedure for handling, custody and remittance of cash at stations as well as for the safe transit of cash is rigidly followed by all concerned.

The Yard Master (Station Master), Jhajha, had not been remitting the station earnings to the Divisional Cashier, Danapur, since 2nd March 1974. It was only on 29th March 1974 that a Travelling Inspector of Station Accounts was deputed by the Divisional Headquarters Office to Jhajha to investigate into the matter. He found that goods earnings from 2nd March 1974 and coaching earnings from 19th March 1974 had not been remitted by the Yard Master. Since the Yard Master absented himself from 30th March 1974 his cash safe was opened on 7th April 1974 by the Assistant Commercial Superintendent and the Divisional Accounts Officer, Danapur, in presence of the Government Railway Police and the Acting Yard Master. On opening the cash safe, only Rs. 811.75 in cash and Rs. 12,407.05 in vouchers were found in the safe, and Rs. 77,117.72 were found missing out of Rs. 90,336.52 collected during 2nd March 1974 to 30th March 1974. The case was reported to the Government Railway Police, Jhajha and a fact finding committee

of Senior Scale Officers was also constituted in April 1974. Their findings are awaited (December 1976). The Yard Master has been absconding since 30th March 1974.

The surprise inspections conducted earlier in September 1973 and February 1974 by the Accounts Inspector disclosed heavy detention of cash by that station due to alleged want of cash bags and cash safe in the scheduled train on many days. No steps were, however, taken by the authorities to ensure proper and timely remittance of cash.

Even after this incident, the position of remittance of cash from Jhajha did not become entirely regular. In November 1975 station earnings of periods ranging from 2 to 8 days were allowed to accumulate at the station on the alleged grounds of non-availability of cash bags for remittance.

The Railway Administration stated (July 1976) that the supply of empty bags had been augmented and a strict watch was being kept for regular supply of cash bags to the station. It further stated (February 1977) that movement of cash safe was seriously affected from January 1974 on account of students agitation. So far as detention of cash in the month of March 1974 was concerned no information was transmitted to the Divisional Commercial Superintendent and the Divisional cash office and for this the staff held responsible had been charge-sheeted for major penalty. It also stated that in October 1975 the even flow of cash bags to the station was affected by several holidays falling in that month. In order to prevent recurrence of such cases in future "remedial measures have since been taken by the Divisional authorities".

#### **42. North Eastern Railway—Expenditure on litigation**

Twelve Mechanical Signal Maintainers were appointed as trainees by the District Signal and Telecommunication Engineer

(Construction), Gorakhpur. On completion of their training and passing the prescribed trade test they were allowed the regular scale of pay of Rs. 110—180 per month from different dates between May and December 1964 by the same authority. Their services were terminated with effect from 7th August 1966 without indicating reasons therefor. The notices of termination of their services were issued by the Assistant Signal and Telecommunication Engineer who had also been delegated with the power to make appointment to this category of staff.

The retrenched staff challenged the termination of their services, in November 1966, in the Court of Civil Judge, Gorakhpur *inter alia* on the grounds that, as they had been appointed by the District Signal and Telecommunication Engineer, the Assistant Engineer was not competent to terminate their services and that the termination of the service was contrary to the provisions of Industrial Disputes Act, 1947. The Railway Advocate and the Law Officer of the Railway advised the Administration in January 1967 that with reference to the rule position and the case law the Railway Administration's case on the first point was weak. Nevertheless, the case was contested. In October 1968, the court decided the case against the Railway Administration maintaining that the termination of service by an authority lower than the appointing authority was not legal in terms of rules governing railway employees and the case law.

The Railway Administration filed an appeal against the judgement of the Civil Judge in the Court of the District Judge, Gorakhpur, in 1969. In 1970, the District Judge decided the appeal against the Railway Administration on the same grounds, namely, the services were terminated by an authority lower than the appointing authority.

The Railway Administration filed a second appeal in 1971 in the High Court, Allahabad, as the Law Officer advised in



March 1971 that the application of the principle of Article 311 of the Constitution of India was not correct. The High Court in January 1974 dismissed the appeal upholding the decisions of the lower courts.

The employees were reinstated in August 1974. The Railway Administration had to pay Rs. 2.48 lakhs to these employees on account of arrears of pay and allowances etc., for the period 7th August 1966 to 15th August 1974. In addition, an expenditure of Rs. 3,597 was incurred on litigation. In a similar case of retrenchment of 13 Mechanical Signal Maintainers, the Lucknow Bench of Allahabad High Court in the judgements delivered in January and April 1970 held the retrenchment of 9 Mechanical Signal Maintainers as invalid due to non-compliance with the provisions of the Industrial Disputes Act, 1947, which amongst others included failure to furnish the reason for retrenchment in the termination notice. This case was mentioned in paragraph 36 of the Report of the Comptroller and Auditor General of India for the year 1971-72—Union Government (Railways).

#### 43. Eastern Railway—Irregular payment of running allowance to drivers

Running allowance is granted to running staff (*viz.*, drivers, guards, etc.) for performance of duty connected with the charge of moving trains. Such allowance is calculated on the total kilometrage covered by them in a wage period. A joint Train Report is prepared by the guard and the driver of a train showing, *inter alia*, particulars of the journeys performed by them from originating to terminating stations, loads at the originating station, those attached or detached *en route* etc. From these reports, running allowance journal (posting sheet) pertaining to each driver/motorman showing the dates of journey and total

kilometrage earned is prepared by the senior subordinate-in-charge (Foreman) of a running shed (in a single copy) and sent to the bill-preparing office (Personnel Branch of the Divisional Headquarters Office). Based on particulars of journeys, duty, etc., shown in the journal, running allowance due to the staff is computed and drawn by the bill-preparing office through salary bill. The journal does not accompany the salary bill sent to the Accounts Department.

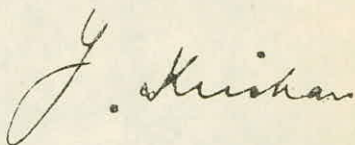
A test check of the bills of the drivers of E.M.U. coaches (motormen, drivers 'C', engine turners, etc.) of Sealdah Division for the period from February to October 1975 undertaken by Audit in February 1976 disclosed that the total kilometrage for drawal of the running allowance had been inflated and shown in excess of the kilometrage actually earned by the respective staff as per the manuscript register maintained by the Foreman, resulting in overpayment of Rs. 1.18 lakhs.

The running allowance journals for the period February to December 1975 and also for earlier periods were not made available to Audit for verification even though, as per extant procedure, they were required to be preserved for one year. On the basis of the manuscript registers maintained by the Traction Foreman to the extent they were available, the overpayment has been assessed by Audit at Rs. 2.05 lakhs for a period of 11 months (February to October 1975 and January and February 1976).

The Railway Administration stated (July 1976) that the bill-preparing clerk had been suspended with effect from 5th March 1976 for not producing the journals.

## 44. Recoveries at the instance of audit

During the year 1975-76, Rs. 68.15 lakhs were recovered or noted for recovery at the instance of audit. As a result of further review made by the Railways of these and similar cases Rs. 13.03 lakhs more were noted for recovery.

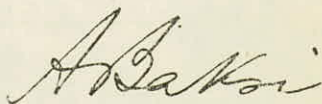


(Y. KRISHAN),  
Director of Railway Audit.

NEW DELHI

Dated the 22nd April 1977  
2 Vaisakha 1899

*Countersigned*



(A. BAKSI),  
Comptroller and Auditor General of India.

NEW DELHI

Dated the 22nd April 1977  
2 Vaisakha 1899



## ANNEXURE I

Statement showing the position of admitted debits raised upto 31st March 1975 but outstanding as on 31st March 1976

Year	Central	Eastern	Northern	North Eastern	Northeast Frontier	Southern	South Central	South Eastern	(in units of rupees)	
									Western	Total
Upto										
1964-65	566	52,637	8,621	38,851	..	..	29,810	8,009	3,600	1,42,094
1965-66	65	10,376	3,303	4,788	..	..	..	1,366	..	19,898
1966-67	..	11,793	6,156	6,351	1,510	..	..	6,017	..	31,827
1967-68	1,946	21,505	12,126	8,178	2,241	..	1,187	40,985	718	88,886
1968-69	23,931	15,591	11,839	9,885	2,889	1,160	13,524	9,968	..	88,787
1969-70	3,750	34,813	56,734	35,822	5,296	35	5,812	8,543	3,905	1,54,710
1970-71	2,859	41,528	34,906	19,139	7,275	1,333	651	9,541	663	1,17,895
1971-72	13,592	1,14,534	61,282	17,925	47,776	17,542	4,860	2,31,652	17,600	5,26,763
1972-73	27,569	2,40,178	2,24,322	1,07,489	23,127	10,749	18,645	71,166	36,796	7,60,041
1973-74	14,620	6,32,384	3,27,170	64,735	34,232	10,143	22,633	38,868	37,325	11,82,110
1974-75	61,752	10,48,175	4,70,585	1,16,012	13,940	47,468	66,999	1,84,842	69,685	20,79,458
Total	1,50,650	22,23,514	12,17,044	4,29,175	1,38,286	88,430	1,64,121	6,10,957	1,70,292	51,92,469

## ANNEXURE II

Sl. No.	Pairs of stations between which the service is available	Date of introduction
(i)	Wadi Bandar—Salt Cotaurs	16-4-1969
(ii)	Wadi Bandar—Secunderabad	23-5-1969
(iii)	New Delhi—Howrah	15-3-1969
(iv)	Salt Cotaurs—Bangalore Cantonment	14-1-1969
(v)	Yeswantpur (Bangalore)—Wadi Bandar	11-11-1969
(vi)	Carnac Bridge—Asarva (near Ahmedabad)	15-1-1966
(vii)	Carnac Bridge—New Delhi	20-11-1967
(viii)	Shalimar—Salt Cotaurs	3-11-1970
(ix)	Wadi Bandar—Shalimar	16-4-1971
(x)	New Delhi—Salt Cotaurs—Bangalore Cantonment	1-10-1973
(xi)	Carnac Bridge—Kota	16-4-1973
(xii)	Pune—Salt Cotaurs	20-12-1974