

REPORT
OF THE
COMPTROLLER
AND
AUDITOR GENERAL
OF INDIA



सत्यमेव जयते

FOR THE YEAR
1971-72

UNION GOVERNMENT (RAILWAYS)

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PREFATORY REMARKS

The Report contains the results of test audit of the accounts of the Indian Government Railways for 1971-72. Chapter I deals with a general review of the Appropriation Accounts of Railways for 1971-72 and certain other connected documents. Chapter II deals with specific instances of financial irregularities etc., noticed in the course of audit. It includes a few irregularities pertaining to earlier years which could not be dealt with in previous Reports. Certain matters relating to the period subsequent to the year 1971-72 have also been included.

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



CHAPTER I

Comments on the Appropriation Accounts, 1971-72 and connected documents

FINANCIAL RESULTS

1. (a) After a period of 5 years of deficits aggregating Rs. 87.33 crores, the working of the Railways showed a net surplus of Rs. 17.84 crores in 1971-72. This surplus was credited to the Development Fund (Rs. 9.21 crores) and Revenue Reserve Fund (Rs. 8.63 crores).

The table below gives the gross receipts and expenditure during the year 1971-72 *vis-a-vis* budget:—

	(Amount in crores of Rupees)			
	Actuals 1970-71	Budget 1971-72	Actuals 1971-72	Variation over Budget
1. Gross Revenue Receipts	1006.96	1070.45	1096.97	+ 26.52
2. <i>Deduct</i>				
(a) Revenue expenditure	862.22	903.55	927.89	+ 24.34
(b) Payment to General Revenues	164.58	173.77	151.24	— 22.53
3. Surplus (+) Deficit (—)	— 19.84	— 6.87	+ 17.84	+ 24.71

The payment to General Revenues was made up of

1. Interest on loan capital at the average borrowing rate of Central Government applicable to Commercial Undertakings	131.46
2. Payments in lieu of Passenger fare tax and assistance to States for financing safety works	18.11
3. Balance treated as contribution	1.67
	151.24

The Budget estimates envisaged a net deficit of Rs. 6.87 crores. While both the gross revenue receipts and revenue expenditure registered an increase over the budget, leaving a marginal increase of Rs. 2.18 crores only in net revenue, the payments to General Revenues decreased by as much as Rs. 22.53 crores. This reduction in the payment of dividend to General

Revenues (both compared to last year and also budget) was mainly due to certain concessions and exemptions totalling Rs. 22.06 crores obtained on the basis of recommendations of the Railway Convention Committee, 1971 in their Interim Report as indicated in para 7 below.

The Railways also reduced the appropriation to the Pension Fund to Rs. 11.50 crores as compared to the Budget estimate of Rs. 15.00 crores. They also imposed an *ad hoc* economy cut of Rs. 1.80 crores on expenditure on minor works chargeable to Revenue.

But for the concessions and exemptions in the payment of dividend to General Revenues, the reduction in the appropriation to the Pension Fund and *ad hoc* cut on Revenue works expenditure, the financial results of working of the Railways would have shown a net deficit of Rs. 9.52 crores, against Rs. 6.87 crores anticipated in the Budget. On the other hand, excluding the element of additional expenditure *(Rs. 14.63 crores) covered by post-budgetary developments which could not be provided for, the result would be a net surplus of Rs. 5.11 crores.

(b) The balances in the Revenue Reserve Fund and Development Fund at the end of 1971-72 were Rs. 31.45 lakhs and Rs. 8.12 crores respectively. This year also the Railways borrowed an amount of Rs. 21.62 crores from the General Revenues to meet expenditure chargeable to the Development Fund. An amount of Rs. 12.95 crores was withdrawn from the Revenue Reserve Fund for repayment of instalments of loans taken during the earlier years as also interest on the outstanding loans. The total amount outstanding at the end of the year, on the loans taken from General Revenues, stood at Rs. 106.21 crores, as against Rs. 95.85 crores at the end of the previous year. In addition, the Railways also owe an amount of Rs. 70.28 crores on account of Deferred Dividend payments on new lines, which is in the nature of a contingent liability.

There were net accretions, during the year to both the Depreciation Reserve Fund and the Pension Fund which had balances of Rs. 167.61 crores and Rs. 100.33 crores respectively at the end of 1971-72.

*NOTE :—(1) Payment of additional Interim Relief.	Rs. 6.32 crores
(2) Increase in rates of Running, Travelling, Night Duty and House Rent Allowances etc.	Rs. 5.91 crores
(3) Expenditure on restoration of damages to track on account of flood and cyclones in Orissa and Assam regions.	Rs. 2.40 crores
	Rs. 14.63 crores

(c) The overall operating ratio of the Railways showed an improvement. The percentage of Working Expenses to Traffic Earnings was 83.11 during 1971-72 as compared to 84.13 during the previous year.

The performance of Eastern Railway deteriorated resulting in a deficit of Rs. 25.97 crores against a deficit of only Rs. 8.45 crores anticipated in the Budget and the actual deficit of Rs. 17.98 crores in the previous year.

The Northeast Frontier Railway, North Eastern Railway and Southern Railway showed smaller deficits this year. The operating ratio of the Northeast Frontier Railway showed a deterioration; the other two Railways have shown an improvement during 1971-72.

(d) As part of the Railways' Fourth Plan, it was envisaged in the Budget estimates that the investments on works would be of the order of Rs. 280.00 crores. The break up of the provision between Capital, Depreciation Reserve Fund, Development Fund and Revenue and the actual expenditure were as under:—

	(Amount in crores of rupees)		
	Budget 1971-72	Actuals 1971-72	Variation
Capital	151.00	190.84	+39.84
Depreciation Reserve Fund	100.00	90.88	— 9.12
Development Fund	20.00	20.82	+ 0.82
Open Line Works—Revenue	9.00	7.30	— 1.70
TOTAL	280.00	309.84	+ 29.84

The increase of Rs. 39.84 crores under Capital expenditure was mainly under Suspense Heads as given below:—

	(Amount in crores of rupees)		
	Budget 1971-72	Actuals 1971-72	Variation
Stores Suspense	—1.28	36.33	+37.61
Manufacture Suspense	1.08	5.11	+ 4.03
Miscellaneous Advances	2.44	8.56	+ 6.12

The substantial expenditure under Stores Suspense during the year increased the inventory holdings of the Railways to Rs. 149.6 crores as against Rs. 129.8 crores at the end of the previous year.

2. Revenue Receipts

The total Revenue receipts during the year 1971-72 under report was Rs. 1096.97 crores (Traffic Earnings Rs. 1096.59 crores and Miscellaneous Receipts Rs. 0.38 crore). The details are shown below:—

(Amount in crores of rupees)

Particulars	Actuals	Budget	Actuals	Variation
	1970-71	1971-72	1971-72	over Budget
Passenger earnings	295.49	318.75	320.13	+1.38
Other Coaching earnings	62.11	59.50	69.43	+9.93
Goods earnings	618.23	659.00	675.30	+16.30
Sundry earnings	33.40	36.00	36.84	+0.84
Suspense	-2.54	-3.00	-5.10	-2.10
Gross earnings	1006.69	1070.25	1096.59*	+26.34*
Miscellaneous Receipts	0.27	0.20	0.38	+0.18
Gross Revenue Receipts	1006.96	1070.45	1096.97	+26.52

While presenting the interim Budget estimates in March, 1971 it was expected that the gross traffic receipts during 1971-72 would be about Rs. 1044 crores at the existing tariffs. Increase in volume of traffic was expected to yield an additional revenue of Rs. 40.00 crores (Passenger 8.7, other coaching 1.5 and goods 30.0). In the Budget presented in May, 1971 it was explained that certain adjustments in fares and freights were necessary so as to put the Railway Finances on an even keel. The passenger fares were increased by varying amounts for different distance slabs, the maximum increase being 25 paise for Third class ordinary and Rs. 7.00 for Air-conditioned class per ticket. The freight rates were increased for coal and certain categories of Iron & Steel and also the Class level of commodities both for wagon loads and smalls was enhanced by one step upto Class 45. It was stated that the change in class level would result in increase in freight rates ranging from 8.9 per cent to 5.3 per cent. These changes in the tariff were expected to yield Rs. 26.25 crores of additional revenue. Thus an additional revenue of Rs. 66.25 crores was anticipated during 1971-72 over the revised estimates (Rs. 1004.00 crores) of 1970-71.

Against these anticipations, the actuals during 1971-72 were Rs. 1096.59 crores, *i.e.*, Rs. 89.90 crores more than the actuals of 1970-71 and Rs. 26.34 crores more than the Budget. The increases during 1971-72 over

*Difference in total is due to rounding off.

the actuals of 1970-71 were mainly under passenger earnings Rs. 24.64 crores, other coaching earnings Rs. 7.32 crores and goods earnings Rs. 57.07 crores.

The budget estimates took into account a three per cent increase in the passenger traffic. The actual increase in the volume of passenger traffic over 1970-71 was 4.3 per cent in terms of passengers originating and 6.11 per cent in terms of passenger kilometres.

The anticipated additional revenue earning traffic of 9 million tonnes did not, however, materialise. The actual revenue earning traffic lifted during 1971-72 was only 170.1 million tonnes as against 167.9 million tonnes of the preceding year. The net tonne kilometrage of revenue earning traffic increased from 110,696 millions in 1970-71 to 116,896 millions in 1971-72 representing an increase of 5.6 per cent.

3. Revenue Expenditure

The revenue expenditure during the year was Rs. 927.89 crores and was more than the Budget by Rs. 24.34 crores and more than the actuals of previous year by Rs. 65.67 crores.

(Amount in crores of rupees)

Particulars	Actuals 1970-71	Budget 1971-72	Actuals 1971-72	Variation over Budget
A. Working Expenses:—				
(i) Staff Administration, Staff Welfare & Operating Staff	266.73	281.98	291.84	+ 9.86
(ii) Repairs & Maintenance	248.53	256.11	272.74	+ 16.63
(iii) Fuel	146.93	156.01	155.93	— 0.08
(iv) Miscellaneous expenses including operation other than staff and fuel, payment to worked lines and suspense	70.30	71.48	74.97	+ 3.49
(v) Appropriation to Depreciation Reserve Fund	100.00	105.00	105.00	
(vi) Appropriation to Pension Fund	14.85	14.85	11.38	— 3.47
B. Miscellaneous expenditure such as cost of Railway Board and its Attached Offices, Surveys, Audit and Subsidy paid to Branch Line Companies				
	8.07	9.12	8.73	— 0.39
C. Open Line Works—				
Revenue	6.81	9.00	7.30	— 1.70
Total	862.22	903.55	927.89	+ 24.34

(A) The increase of Rs. 26.49 crores under 'Staff' and 'Repairs and Maintenance' was mainly due to :—

- (i) payment of additional Interim Relief with effect from 1st October, 1971 sanctioned by the Government of India (Rs. 6.32 crores);
- (ii) increase in the rates of Running Allowance, Travelling Allowance, Night Duty Allowance, and House Rent Allowance due to re-classification of certain cities (Rs. 5.91 crores);
- (iii) more expenditure on repairs and maintenance of rolling stock (Rs. 5.14 crores), electrical, signal and telecommunication services (Rs. 3.29 crores), service buildings, track, bridges etc. (Rs. 1.97 crores);
- (iv) expenditure on restoration of flood damages to track etc. (Rs. 2.40 crores);
- (v) increase in prices of materials (Rs. 1.06 crores);
- (vi) additional payment of rental for Posts & Telegraphs cables (Rs. 0.54 crore);
- (vii) purchase of drugs and medicines (Rs. 0.67 crore); and
- (viii) aggregate of minor variations (Rs. 1.83 crores).

These increases were offset by savings due to non-operation of certain posts (Rs. 0.66 crore) and other economy measures (Rs. 1.98 crores).

(B) While presenting the Budget estimates for 1971-72 in March, 1971, it was explained that during the year 1971-72 an additional originating traffic of about 9 million tonnes was expected; this represented 4.5 per cent increase over the level expected to be reached in 1970-71; the expenditure on fuel to carry this additional traffic would mount up by a corresponding percentage; being Rs. 7.80 crores more in value than the revised estimates of Rs. 162.19 crores for 1970-71 (gross). The increase was mainly made up of : electric consumption (Rs. 1.98 crores) due to increased electric traction on Central, Eastern, Northern and South Eastern Railways; coal (Rs. 2.99 crores); other fuel (Rs. 2.82 crores) to provide for anticipated expansion of diesel services on all the Railways except North Eastern Railway and for miscellaneous causes (Rs. 0.01 crore).

The actuals showed a saving of Rs. 0.08 crore only. This saving was mainly on account of non-materialisation of traffic (Rs. 2.38 crores—under

coal (—) Rs. 3.20, Electric traction (—) Rs. 0.85 and other fuel (+) Rs. 1.67 crores) and aggregate of minor variations (Rs. 0.90 crores), partly counter-balanced by more expenditure on account of enhancement of prices of diesel oil (Rs. 1.97 crores), more consumption of diesel oil due to substitution of steam traction by diesel traction (Rs. 0.78 crore) and revision of electric tariff (Rs. 0.45 crore).

The traffic did not materialise to the extent anticipated.

(C) The increase of Rs. 3.49 crores under 'Miscellaneous expenses' was due to more expenditure on compensation for goods lost or damaged etc., (Rs. 2.45 crores), freight and incidental charges (Rs. 1.12 crores), stores (including catering stores), clothing and stationery (Rs. 1.39 crores), civil defence and security measures (Rs. 0.64 crore), electrical services owing to revision of tariff (Rs. 0.26 crore), payments to Port Trust Railways (Rs. 0.41 crore) and fluctuations in adjustment of debits to suspense (Rs. 1.61 crores). These increases were partly offset by savings due to fluctuations in adjustment of debits through Stock Adjustment Account (Rs. 3.09 crores) and aggregate of minor variations (Rs. 1.30 crores).

(D) The saving under Appropriation to Pension Fund was due to less appropriation to the Fund than provided for in the budget.

(E) The savings of Rs. 1.70 crores under "Open Line Works—Revenue" was mainly due to *ad hoc* economy cut applied on expenditure on minor works during the year.

BUDGETARY CONTROL

4. The number of demands voted during the year 1971-72 was 19 as against 21 in the previous year. The number of supplementary demands obtained was 13 as against 11 in the previous year. The amount of supplementary grants was, however, Rs. 50.52 crores against Rs. 38.27 crores in the previous year.

The number of charged Appropriations obtained for the year was 8 as against 7 in the previous year. The number and amount of supplementary Appropriations obtained during the year was 10 for Rs. 1.01 crores against 10 for Rs. 0.41 crore in the previous year.

The actual total disbursement during the year showed a net excess of Rs. 9.57 crores over the total Grants and Appropriations (including supplementaries) obtained during the year as shown below:—

Particulars	(Amount in crores of rupees)		
	Voted Grants	Charged Appropriations	Total
1. Original	1800.54	0.73	1801.27
2. Supplementary	50.52	1.01	51.53
3. Total	1851.06	1.74	1852.80
4. Total disbursement	1860.74	1.63	1862.37
5. Net excess (+)/saving (—)	+ 9.68	— 0.11	+ 9.57
6. Percentage of net excess (+)/saving (—) to total Grants/Appropriations	+ 0.5%	— 6.3%	+ 0.5%
7. Percentage of net saving in the previous year	— 3.1%	— 8.7%	— 3.1%

The number of grants and appropriations where the provisions finally made resulted in excesses was 10 in the year as against 4 in the previous year. However, the overall variations from the total grants and appropriations were smaller.

5. Savings in Grants and Appropriations

A. Savings in Grants

There were savings under 11 grants aggregating Rs. 36.53 crores.

The largest saving of Rs. 22.53 crores occurred under Grant No. 12—Dividend to General Revenues. This saving is mainly attributable to certain concessions and exemptions obtained on the basis of recommendations of the Railway Convention Committee, 1971 in their Interim Report, adopted by Parliament in December, 1971.

A saving of Rs. 6.73 crores occurred under Grant No. 14—Construction of New Lines. The saving was mainly due to slow progress on certain projects on account of shortfall in supply of materials.

A saving of Rs. 3.5 crores occurred under Grant No. 11A—Appropriation to Pension Fund. The saving was due to less appropriation to the Pension Fund than contemplated in the Budget, as a consequence of the decision taken by the Railway Board during the year to reduce the budgetted appropriation to the Fund.

A saving of Rs. 1.70 crores occurred under Grant No. 13—Open Line Works (Revenue). This was mainly due to *ad hoc* economy cut applied on expenditure on minor works under this grant during the year.

A saving of Rs. 1.54 crores occurred under Grant No. 8—Revenue Working Expenses—Operation other than Staff and Fuel. The saving was due to less payment of hire and penalty charges (Rs. 1.44 crores), fluctuations in adjustments under Stock Adjustment Account (Rs. 1.02 crores) and aggregate of minor savings (Rs. 0.14 crore), partly offset by increased expenditure on clothing and stores (Rs. 0.47 crore), more payments under compensation (Rs. 0.26 crore), more expenditure under electrical services (Rs. 0.20 crore) and on printing and stationery (Rs. 0.13 crore).

A supplementary grant of Rs. 1.02 crores had been obtained in March, 1972 under this Grant for payment of compensation claims for goods lost or damaged, increase in electricity tariff, expenditure on printing and stationery, payment of additional 'Interim Relief' sanctioned by the Government with effect from 1st October, 1971 and arrear payments to Port Trust Railways; offset by savings due to more credit adjustments under Stock Adjustment Account and other minor causes. This supplementary grant was, however, unnecessary as the actuals were less than even the original grant by Rs. 0.52 crore, resulting in a final saving of Rs. 1.54 crores.

The small savings under the other 6 grants amounted to Rs. 0.53 crore.

B. Savings in Appropriations

Savings aggregating Rs. 11.22 lakhs occurred in 9 Appropriations. The largest saving was under 'Appropriation No. 14—Construction of New Lines' amounting to Rs. 4.89 lakhs and was due to non-receipt of debits for cost of land from civil authorities to the extent anticipated. Supplementary Appropriations amounting to Rs. 17.74 lakhs obtained in March, 1972 for this purpose were somewhat excessive.

Saving under Appropriation No. 8—Operation other than Staff and Fuel amounted to Rs. 2.16 lakhs due to less decretal payments than anticipated.

Saving under Appropriation No. 9—Miscellaneous Expenses was Rs. 2.12 lakhs due to less decretal payments than anticipated. Supplementary Appropriation of Rs. 5.89 lakhs obtained in March, 1972 under this Appropriation was somewhat excessive.

6. Excesses over Grants and Appropriations

Excesses occurred under nine voted grants and one charged appropriation as against two voted grants and two charged appropriations in the previous year. The amount of excess was Rs. 46.21 crores as against Rs. 0.22 crore in the previous year. The details of excesses during 1971-72 which require to be regularised under Article 115 of the Constitution of India are as under :—

No. & Name of Grant/ Appropriation	Final Grant/ Appropriation	Actual expenditure	Excess	Percentage
A—Grants				
4. Working Expenses— Administration	87,63,74,000	87,87,16,875	23,42,875	0.3

The excess was due to fluctuations in office contingent expenditure.

The final grant included an amount of Rs. 1,67,57,000 obtained as supplementary grant in March, 1972.

5. Ordinary working expenses—Repairs and Maintenance	2,92,69,60,000	2,98,16,45,763	5,46,85,763	1.9
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The excess was due to fluctuations in adjustments in respect of depreciation charges in utilisation of rolling stock (Rs. 176 lakhs), more expenditure on shed and shops repairs (Rs. 165 lakhs), maintenance of electrical signal and telecommunication services (Rs. 133 lakhs), repairs to service buildings, roads and bridges etc. (Rs. 35 lakhs), payments on account of Travelling Allowance, Interim Relief etc., (Rs. 12 lakhs) and aggregate of minor variations (Rs. 26 lakhs).

The Railway Administration obtained a supplementary grant in March, 1972 of Rs. 10,12,17,000 to cover payments of additional Interim Relief (Rs. 297.23 lakhs), expenditure on repairs to damage caused to track, bridges and equipment by widespread floods, cyclones etc. (Rs. 310.00 lakhs), for payment of arrears of rental of Posts & Telegraph line wires (Rs. 97.68 lakhs), increased expenditure on stores and materials used in repairs and maintenance of Railway assets (Rs. 53.06 lakhs) and train lighting equipment for providing better lighting in trains (Rs. 95.64 lakhs), more expenditure on Travelling, Night Duty and House Rent Allowances due to increase in rates on account of reclassification of certain cities (Rs. 56.38 lakhs), more expenditure on running repairs, workshop repairs and special repairs to rolling stock (Rs. 309.99 lakhs); partly offset by a saving of (Rs. 161.43 lakhs) due to various economy measures and less expenditure on repairs and maintenance of buildings, roads etc. (Rs. 46.38 lakhs).

The supplementary grant was, however, inadequate to cover the excess.

6. Ordinary Working expenses—Operating staff	1,86,93,75,000	1,87,55,45,808	61,70,808	0.3
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The excess was due to more payments on account of revision of Running Allowances (Rs. 28 lakhs), more payment of Overtime and Mileage allowances (Rs. 21 lakhs—which includes under estimation of Rs. 18 lakhs for payment of arrear Mileage and Overtime Allowances by North Eastern Railway) and fluctuations in payment of salary and allowances (Rs. 25 lakhs), partly offset by savings due to minor variations (Rs. 12 lakhs).

The Railways had obtained a supplementary grant of Rs. 5,05,23,000 in March, 1972 to cover payments of Running Allowances at enhanced rates with effect from January, 1971 (Rs. 300.89 lakhs), additional Interim Relief sanctioned with effect from 1st October, 1971 on the recommendation of Third Pay Commission (Rs. 232.82 lakhs), increased payment of House Rent and City Compensatory Allowances due to reclassification of cities (Rs. 26.40 lakhs), more expenditure on Night Duty Allowance and Travelling Allowance due to revision in rates (Rs. 65.77 lakhs), partly offset by savings of Rs. 120.65 lakhs due to non-filling up of posts and other minor causes. This, however, proved inadequate. Incidentally, it is pointed out that the Railways had surrendered an amount of Rs. 15,60,000 in March, 1972. This surrender was injudicious.

9. Ordinary Working expenses—Miscellaneous expenses	39,66,15,000	40,90,46,380	1,24,31,380	3.1
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The bulk of the excess was caused by more payments of freight charges (Rs. 94 lakhs), expenditure on Special Emergency Force, Territorial Army and Civil Defence measures (Rs. 19 lakhs), more amounts having to be kept under suspense (Rs. 45 lakhs) and liquidation of more liabilities during the year (Rs. 54 lakhs), partly counterbalanced by less expenditure on gratuities and special contribution to Provident Fund (Rs. 19 lakhs), less contribution to Provident Fund (Rs. 16 lakhs) and aggregate of minor variations (Rs. 63 lakhs).

The Railways had obtained a supplementary grant of Rs. 2,74,54,000 in March, 1972 to cover payments of additional Interim Relief, Travelling, Daily and House Rent Allowances due to revision in rates and more gratuities, etc., payable to staff on settlement (Rs. 26.08 lakhs), payments for

stores for Catering Department due to increased rates etc. (Rs. 41.09 lakhs), more transactions under suspense (Rs. 64.20 lakhs), expenditure on Civil Defence measures undertaken during the period of Emergency and on the strengthening of Railway Protection Special Force (Rs. 101.85 lakhs) and payments of increased rents, taxes and other minor causes (Rs. 65.74 lakhs), partly offset by less payments due to less contribution required towards Provident Fund and other miscellaneous reasons (Rs. 24.42 lakhs). This, however, proved inadequate to cover the excess. The Railways had also surrendered an amount of Rs. 50,69,000 in their final modification, which was not judicious.

10. Ordinary working ex-				
penses—Staff Welfare	28,64,52,000	28,79,15,201	14,63,201	0.5

The excess was mainly due to more expenditure on drugs, medicines and diet charges (Rs. 22 lakhs). This increase was partly offset by savings on account of other minor variations (Rs. 7 lakhs).

The Railways had obtained a supplementary grant of Rs. 77,61,000 in March, 1972. This, however, proved inadequate to cover the excess. The Railway Administrations had also surrendered in their final modification an amount of Rs. 14,95,000 which was perhaps not necessary.

15. Open Line Works—				
Capital, Depreciation				
Reserve Fund and				
Development Fund	610,48,89,000	640,06,47,663	29,57,58,663	4.8

The final grant included a supplementary grant of Rs. 18.26 crores made up of additional provision under :—

- (i) Stores Suspense (Rs. 17.26 crores)—mainly due to more purchases of stores for works, general purposes stores, fuel oil etc., and increase in the prices thereof;
- (ii) Manufacture Suspense (Rs. 1.09 crores)—mainly due to more outturn of coaches in railway workshops;
- (iii) Miscellaneous Advances (Rs. 5.18 crores)—to cover payment for more imported steel and raw material for fabrication etc.;
- (iv) Investment in Road Services (Rs. 1.82 crores)—on account of proportionate share of capital contribution expected to be made by the Central Government in the State Road Transport Corporations;

partly offset by saving under :—

- (v) Rolling Stock and Machinery and Plant (Rs. 1.15 crores)—based on the latest known delivery position during the year;
- (vi) Works including Track Renewals (Rs. 5.71 crores)—less provision necessitated due to slower progress and postponement of certain works and less debits expected for stores etc; and
- (vii) Less expenditure for taking over of open line P & T wires (Rs. 0.23 crore).

The supplementary grant proved inadequate and there was an excess of Rs. 29.58 crores under this grant.

Excesses occurred under 'Works' (Rs. 2.90 crores), 'Stores' (Rs. 17.15 crores) 'Manufacture Suspense' (Rs. 7.50 crores), 'Misc. Advance' (Rs. 2.53 crores) and 'Development Fund' (Rs. 0.88 crore). These excesses were partly offset by savings under 'Rolling Stock' (Rs. 1.02 crores), 'Investment in Government Commercial Undertakings—Road Service' (Rs. 0.29 crore) and 'Taking over of P & T Line Wires' (Rs. 0.07 crore).

The causes for excesses were as follows :—

- (a) Under 'Works' (Rs. 2,90 lakhs)—mainly due to more receipt of stores (Rs. 2,24 lakhs), debits for customs duty (Rs. 42 lakhs) and minor variations (Rs. 24 lakhs);
- (b) Under 'Stores' (Rs. 17,15 lakhs)—due to receipt of more stores through purchases for general purposes, coal, H.S.D. Oil and adjustment of cost of imported stores and customs duty (Rs. 19,60 lakhs), manufactured stores (Rs. 45 lakhs), returned stores from works (Rs. 46 lakhs) and fluctuations in adjustment through Stock Adjustment Account, materials issued for fabrication etc. (Rs. 1,67 lakhs); these increases were partly offset by savings due to more issue of materials to works and manufacture operation (Rs. 4,95 lakhs) and minor variations (8 lakhs);
- (c) Under 'Manufacture Suspense' (Rs. 7,50 lakhs)—due to more receipt of stores from stock as also through purchases (Rs. 6,81 lakhs), less issue of manufactured stores to works (Rs. 81 lakhs) and returned stores to stock (Rs. 15 lakhs) and minor variations (Rs. 11 lakhs); partly offset by more issue of manufactured stores to stock (Rs. 38 lakhs);
- (d) Under 'Miscellaneous Advance—Capital' (Rs. 2,53 lakhs) due to adjustment of cost of stores issued on loan, for fabrication and advances for stores (Rs. 1,05 lakhs), adjustment of more expendi-

ture on rolling stock and wheel sets under this head (Rs. 98 lakhs), customs duty (Rs. 21 lakhs) and minor variations (Rs. 29 lakhs);

- (e) Under 'Development Fund' (Rs. 88 lakhs) due to more progress on certain works owing to better availability of materials.

Against these excesses, the savings which occurred under 'Rolling Stock' (Rs. 1,02 lakhs) were due to less production of Rolling Stock (Rs. 1,45 lakhs), non-materialisation of certain payments, adjustment of credits for escalation claims (Rs. 72 lakhs); these were partly offset by receipt of more debits for customs duty (Rs. 82 lakhs) and other minor variations (Rs. 33 lakhs). The savings under 'Investment in Road Services' was due to delay in payments to State Road Transport Corporations (Rs. 29 lakhs). The savings under 'Taking over of open line wire from P & T Department' (Rs. 7 lakhs) was due to non-receipt of debits.

16. Pensionary charges—				
Pension Fund	10,38,60,000	10,54,34,131	15,74,131	1.5

The excess occurred on account of more debits received from Civil Accounts Offices than anticipated. The final grant included an amount of Rs. 1,50,49,000 of supplementary grant obtained in March, 1972 for meeting the increased pensionary payments. This proved inadequate.

18. Appropriation to Development Fund	44,78,000	9,20,85,799	8,76,07,799	1956.4
19. Appropriation to Revenue Reserve Fund	8,63,07,000	8,63,14,711	7,711	0.01

The excess under these two grants were due to net surplus available for being credited to Development Fund and Revenue Reserve Fund being more than anticipated because of improvement in the gross revenue receipts (Rs. 18.75 crores) and reduction in payment of dividend to General Revenues (Rs. 0.91 crore), partly counterbalanced by increase in revenue expenditure (Rs. 10.90 crores).

Supplementary grants of Rs. 44,78,000 and Rs. 8,63,07,000 taken in March, 1972 proved inadequate because of the ultimate improvement in the net revenue receipts.

B—Appropriations—

6. Ordinary working expenses—Operating Staff	4,99,000	5,06,842	7,842	1.6
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The excess was due to more payments on account of certain court decrees during the year. A supplementary appropriation of Rs. 499 thousand obtained in March, 1972 fell short to the extent of Rs. 8 thousand.

OTHER TOPICS

7. Reports of the Railway Convention Committee, 1971.

During the year under report, the Railway Convention Committee, 1971, presented its Interim Report to Parliament on 7th December, 1971 and the recommendations contained in it were approved by Lok Sabha on 16th December, 1971 and Rajya Sabha on 20th December, 1971. The main recommendations of the Committee in this Interim Report relating to dividend payable to General Revenues are reproduced below :—

- (1) "Having regard to the financial burden of the Railways the Committee are of the opinion that the capital-at-charge of the non-strategic portion of the Northeast Frontier Railway and the unremunerative branch lines, as also the element of over capitalisation may be exempted from payment of dividend".]
- (2) "The Committee also feel that having regard to the long period of construction/gestation of railway investment in general and the time taken by such investment to reach full earning potential, 25 per cent of outlay in a year on works-in-progress (which would otherwise be liable to payment of dividend) may be exempted from payment of dividend for a period of 3 years".
- (3) "The Committee consider that the present position in regard to the Railways' Fund balances is somewhat anomalous. They are of the view that consistent with the commercial practice of utilising reserve as internal resources, the Railways should be given the benefit of interest at the current dividend rate on the fund balances by being permitted to take credit for the difference between the dividend rate and the average borrowing rate at which interest accrues at present to the Funds as a set off in the dividend payable from the Railway to the General Revenues".

The Ministry of Railways framed their Revised Estimates for 1971-72 and Budget Estimates for 1972-73 based on the Recommendations contained in the Interim Report. As a result, the liability of the Railways for payment

of dividend to the General Revenues for the year under report was reduced by Rs. 22.06 crores as detailed below :—

(Amount in crores of rupees)	
(i) Exemption of capital-at-charge of :—	
(a) Non-strategic portion of Northeast Frontier Railway	6.48
(b) Unremunerative branch lines	2.32
(c) Element of over-capitalisation	5.50
(ii) Exemption of 25 per cent of outlay on works-in-progress (which would otherwise be liable to payment of dividend) for a period of 3 years	4.23
(iii) Credit for the difference between the dividend rate and the average borrowing rate at which interest accrues to Railways' Fund balances, allowed as set off in the dividend payable	3.53
TOTAL	22.06

The Interim Report covered the period of two years 1971-72 and 1972-73. In their First Report presented to Parliament in December, 1972, the Committee has recommended that their interim recommendations with regard to rate of dividend payable by the Railways to the General Revenues and other ancillary matters may be taken to cover the year 1973-74 also.

8. The Railway Passenger Fares Act, 1971.

An Ordinance to provide for the levy of tax on Railway fares was promulgated by the President of India in October, 1971 and it was subsequently passed by both Houses of Parliament in December, 1971. Under this Ordinance a tax at the rate of 5 per cent of the fare, where the fare is one rupee or more, was levied on fares paid for journeys commencing on or after 15th November, 1971. This tax was to be collected by the Railway Administration as an addition to the fares. It was also provided that during each financial year ending on or after 31st March, 1972 "there shall be paid to each State (not being Union Territory) such sum of money as bears to the net proceeds of the tax collected during that year in all the territories of India the same proportion as the aggregate of the fares collected in that State during that year bears to the aggregate of the fares collected in all the territories of India during that year".

During the year under report, Railways have accounted provisionally a net collection of Rs. 4.65 crores, as passenger fare tax.

9. Wagon turn-round.

The term "Wagon turn-round" has been defined as the time interval (in days) which elapses between two successive utilisations (loading) of a wagon.

The index of wagon turn-round for all railways during the last 7 years showed gradual deterioration as indicated below :—

Year	B. G. (Days)	M. G. (Days)
1965-66	11.8	8.41
1966-67	12.3	9.03
1967-68	12.6	9.54
1968-69	12.7	9.69
1969-70	12.6	9.41
1970-71	13.3	10.1
1971-72	13.5	10.6

The performance of certain railways during the same period was as under :—

Railway	Broad Gauge		
	1965-66	1970-71	1971-72
Eastern	6.76	8.83	10.3
Northern	7.03	7.40	7.83
Northeast Frontier	7.30	8.42	10.2
Western	6.02	7.22	6.17

Railway	Metre Gauge		
	1965-66	1970-71	1971-72
Northern	3.90	4.43	4.67
North Eastern	7.13	9.30	10.2
Northeast Frontier	11.4	11.9	12.3
Western	5.49	6.92	6.85

With the augmentation of the capacity of important marshalling yards and also increase in the speeds of goods trains a progressive reduction in the index was warranted.

The Ministry of Railways (Railway Board) stated (December, 1972) that part of the increase in wagon turn-round time was due to increase in lead of traffic, and partly due to traffic failing to come up to the expected level in the years 1966-67, 1967-68 and 1968-69 which resulted in idling of wagons; increase in the holding of special type wagons, the utilisation of which involved a certain amount of empty haulage; increase in the number of wagons held up inside Steel Plants in spite of comparatively less traffic; extensive anti-social activities since 1970-71 onwards, particularly, in the eastern region of the country, affecting train running, yard and terminal performance; large scale emergency movements in 1971-72, slowing down movements of other traffic and consequently leading to detention to such other traffic wagons; and explained that the functioning of the railways should be viewed not in isolation but in the light of the various political, sociological and economic developments taking place in the country.

10. Detention to wagons in sick lines, Transportation workshops and Mechanical workshops.

The percentage of wagons awaiting repairs in sick lines, Transportation workshops (running sheds) and in Mechanical workshops has been increasing over the years indicating increased detentions to wagons.

Percentage of wagons awaiting repairs to total on line :—

	In sick line and Transportation workshops		In Mechanical workshops		Total	
	B.G.	M.G.	B.G.	M.G.	B.G.	M.G.
1965-66	3.10	2.29	0.89	1.08	3.99	3.37
1966-67	3.34	2.57	0.87	1.03	4.21	3.60
1967-68	3.25	2.73	0.84	0.84	4.09	3.57
1968-69	3.14	3.15	0.86	0.88	4.00	4.03
1969-70	3.46	3.12	0.95	1.04	4.41	4.16
1970-71	4.13	3.31	0.98	1.15	5.11	4.46

Besides the increasing trend in proportion of wagons awaiting repairs, the detentions in Mechanical workshops for repairs also have been increasing, as seen from the following statistics showing the average number of

days wagons despatched during the year remained in Mechanical workshops :—

Railway		1968-69	1969-70	1970-71	1971-72
Central	B.G.	4.46	4.66	5.96	6.03
Eastern	B.G.	5.37	5.52	5.40	5.86
Northern	B.G.	4.79	5.03	5.42	8.3
	M.G.	6.89	6.70	5.73	5.35
North Eastern	M.G.	*	5.77	5.83	5.75
Northeast Frontier	M.G.				
	Dibrugarh workshops	*	5.33	6.69	6.45
	Bongaigaon workshops	*	12.1	12.5	12.9
Southern	B.G.	*	4.35	4.39	5.26
	M.G.	*	2.94	4.29	4.68
South Central	B.G.	4.09	4.05	4.59	7.10
	M.G.	3.84	3.72	3.70	7.81
South Eastern	B.G.	7.32	6.55	8.53	10.6
Western	B.G.	6.23	5.29	8.85	11.6
	M.G.	3.86	3.95	6.50	7.31

Due to both these factors, the availability of wagons in good repairs out of the total on line has gone down during 1970-71.

The Ministry of Railways (Railway Board) stated (November, 1972) that the wagon ineffectiveness increased slightly in 1969-70 and 1970-71, only, primarily due to the serious law and order situation that developed in the eastern part of the country, affecting in particular the Eastern and South Eastern Railways. There was also an increase in the theft of bearing brasses and wagon components which rendered a large percentage of wagons ineffective.

11. North Eastern Railway—Increase in the number of engine failures.

An engine is considered to have failed when it is unable to work its booked train from start to destination or causes a delay of one hour or more through some defects. The various causes leading to engine failures are

*Not available.

classified by the Railway Administration as (i) defective design/material, (ii) bad workmanship in shops/sheds, (iii) mismanagement by crews, (iv) bad fuel/water and (v) other miscellaneous causes.

A review of the statistics relating to steam engine failures on the Railway from the year 1966-67 to 1970-71 (Annexure I) showed that (i) the number of engine failures increased from 120 during 1966-67 to 182 during 1968-69 and stood at 164 for the year 1970-71; (ii) the percentage of failures attributable to bad workmanship and mismanagement was 90.3 during 1970-71 as against 73.3 for the year 1966-67; (iii) the performance index of Kms. per engine failure also deteriorated from 236 thousand Kms. in 1966-67 to 183 thousand in 1970-71; and (iv) the engine failures were generally more pronounced on the passenger services than on goods services. The incidence of engine failures relating to passenger services to total engine failures varied between 60.2 per cent and 70 per cent during the period from 1966-67 to 1970-71, except in the year 1967-68 when it was 46.5 per cent.

Engine failures which reflect operational efficiency of maintenance of the steam locomotives involving standards of maintenance in sheds, workmanship in shops and operation by engine crews, had shown a deteriorating trend since 1966-67.

The Railway Administration stated (October, 1972) that the factors governing the engine failures were largely human and, therefore, required continuous attention to ensure that adequate control on engine failures was being exercised; that engine failures were invariably meticulously enquired into and administrative action initiated to avoid recurrence of such cases. However, the increase in percentage of the failures caused by bad workmanship and mismanagement, from 73.3 per cent in 1966-67 to 90.3 per cent in 1970-71 indicates that measures taken by the Administration to control such failures had not been fully effective in arresting the deteriorating trend of maintenance and operation since 1966-67.

12 Railways' participation in State Road Transport Corporations.

Primarily with a view to regulate rail-road co-ordination, the Central Government (Railways) are at present participating in 12 State Road Transport Corporations and one State Road Transport Company in Orissa. The total capital invested by the Central Government (Railways) in these Corporations/Company stood at Rs. 30.75 crores as on 31st March, 1972

The Road Transport Corporations, which have been incurring losses, are mentioned below indicating the amount of losses upto the end of 31st March, 1970 and during the years 1969-70 and 1970-71 :—

(Amount in lakhs of Rupees)

Name of the State Road Transport Corporation	Total capital as on 31-3-1970	Losses upto the end of 31-3-1970	Losses during	
			1969-70	1970-71
1. Bihar State Road Transport Corporation	807.21	237.83	38.12†	22.33*
2. Madhya Pradesh State Road Transport Corporation	1083.67	184.48	42.45	38.18
3. Kerala State Road Transport Corporation	849.04	161.65	67.30	130.68
4. Mandi Kulu (Himachal Pradesh) Road Transport Corporation	69.00	75.38*	18.58*	16.38*

The accounts for West Bengal (North Bengal) State Road Transport Corporation have been in arrears for the years 1969-70 and onwards. The Central Government (Railways), however, invested Rs. 25 lakhs in 1968-69 and Rs. 46.78 lakhs in 1971-72 in this Corporation. The authenticated accounts of the Corporation for the years 1967-68 and 1968-69 finalised in November, 1971 and February, 1972 showed net loss of Rs. 4.01 lakhs and Rs. 20.61 lakhs respectively.

However, the interest on contribution of Railways is payable annually by these Corporations. During 1971-72 some of the Corporations found it difficult to pay interest to the Central Government (Railways) on investments, due to their depleted financial position. In respect of such Corporations the entire interest due to the Central Government (Railways) has been adjusted

†Includes payment of arrears of income tax on profit earned during the years from 1960-61 to 1962-63.

*Provisional.

against further Capital contributions which Railways were called upon to make in them from year to year to match with contribution of the State Governments, as shown below :—

Name of the Road Transport Corporation	(Amount in lakhs of Rupees)		
	Contribution towards share capital during		Total amount adjusted aga- inst share capital contri- bution
	1970-71	1971-72	
1. Andhra Pradesh	Nil	48.64	16.84
2. Madhya Pradesh	25.00	Nil	25.00
3. North Bengal	Nil	46.78	3.03

As Mandi Kulu Corporation was in persistent default in the matter of payment of interest, no further capital contribution has been made after 1965-66.

The share of the Central Government (Railways) investments, which generally used to be between 20 per cent and 33 $\frac{1}{3}$ per cent of the capital of the Corporation, was raised to a uniform level of 33 $\frac{1}{3}$ per cent with effect from 1st April, 1969 (except in the case of Mandi Kulu and Pepsu Road Transport Corporations), and a sum of Rs. 4.41 crores was paid during 1971-72 by Central Government (Railways) towards capital contribution increasing the investment from Rs. 26.34 crores on 31st March, 1971 to Rs. 30.75 crores on 31st March, 1972.

A sum of Rs. 83 lakhs, representing the cost of stores initially borne by the Railways was due for recovery from the Road Transport Department of the erstwhile Hyderabad (Deccan) State. After the division of assets of this Department, the outstanding dues became the liability of Andhra Pradesh, Maharashtra and Mysore Road Transport Corporations. The latter two Corporations remitted an amount of Rs. 18.30 lakhs between November, 1971 and January, 1972. The recovery of the balance of Rs. 74.82 lakhs (Rs. 30.31 lakhs towards principal and Rs. 44.51 lakhs interest) remains to be effected (December, 1972).

13. Outstanding dues against Non-Government Railways

The rules provide for monthly allocation of traffic receipts among various Railways and consequent adjustment as early as possible of through traffic transactions between creditor and debtor Railways. In addition to net debits or credits arising out of such traffic transactions, the Non-Government Railways are billed for shares of maintenance charges of

stations, joint transshipment etc., by the appropriate Government Railways and these Non-Government Railways are expected to settle these monthly transactions with least possible delay.

A review of these transactions with the six Non-Government Railways showed that the total outstandings on this account, as on 31st March, 1972 stood at Rs. 49.99 lakhs of which Rs. 11.52 lakhs related to periods over three years and Rs. 33.46 lakhs were for periods over one year and upto three years.

Of these six Railways, three have since closed down, viz., Shahdara-Saharanpur Light Railway, with effect from 1st September, 1970 and Howrah-Amta and Howrah-Sheakhala Light Railways with effect from 1st January, 1971. The total dues against these Railways as on 31st March, 1972 worked out to Rs. 37.51 lakhs of which Rs. 2.37 lakhs pertained to periods over three years and Rs. 30.67 lakhs were for periods over one year and upto three years. An official liquidator has been appointed in respect of Shahdara-Saharanpur Light Railway only and the Indian Government Railways have filed their claims with him.

The outstandings against the other three Non-Government Railways which are still running, namely, Arrah-Sasaram Light Railway, Futwah Islampur Light Railway and Dehri-Rohtas Light Railway are assessed at Rs. 12.48 lakhs, of which Rs. 9.15 lakhs (inclusive of a loan of Rs. 9 lakhs) pertained to periods over three years and Rs. 2.80 lakhs were for periods over one year and upto three years.

The firm which owned the three Railways that were closed down stated that they had been running at a loss and had no liquid resources to pay the dues of Indian Government Railways and that they could not preferentially pay the dues only to the Indian Government Railways, as they had other creditors also to whom payment was due from them.

Railwaywise and periodwise details of the outstandings are given in Annexure II.

14. South Central Railway—Irregularities in accountal of Scrap.

Ferrous scrap arisings in the Mechanical and Signal & Telecommunication Workshops at Secunderabad are assessed visually, instead of being weighed, and sent to Stores Depot for disposal, where too these are similarly assessed. Correct accounts of arisings of scrap, quantity sent to Stores Depot and balance in shops are not maintained by the Workshops. Non-ferrous

scrap arisings which are more valuable, are also not weighed at the workshops and only approximate weights are recorded on the advice notes of stores sent to Stores Depot where these are weighed. Further, while some items of non-ferrous scrap had been sent to Stores Depot in numbers, their acknowledgements were given by the Stores Depot by weight. The prescribed procedure for exercising control over realisation and accountal of non-ferrous arisings had also not been followed by the workshops in as much as a comparison of actual arisings against expected arisings had not been done.

Large differences existed between the quantity of ferrous scrap sent by shops and that acknowledged by the Stores Depot and the value of such scrap short received during the period of three years ending 1970-71, was estimated at Rs. 1.6 lakhs. The approximate value of ground balance of scrap in the Stores Depot as on the 31st March, 1971, available for disposal was stated as Rs. 26.70 lakhs which was in excess of the book balances by Rs. 5.04 lakhs.

No stock verification of ferrous scrap by Accounts Department had been conducted since the formation of the South Central Railway.

The Railway Administration stated (December, 1972) that the difference between the quantity of scrap sent and that received was only theoretical and it was not possible to evaluate it; and since the ground balance had at no time been determined by actual weighment, it could not be stated whether it differs from the book balances.

CHAPTER II

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

PURCHASES AND STORES

15. South Central Railway — Procurement of small track fittings at extra cost.

Orders for the supply of 31.69 lakhs of steel keys were placed by Director General, Supplies & Disposals on firm 'A' on 8th April, 1970 at the rate of 57 paise per piece, out of which 14.44 lakhs steel keys were to be supplied to South Central Railway by March, 1971. As adequate quantity of steel billets was not received out of the quota for allotment by Director General, Supplies & Disposals, the firm did not supply any keys upto December, 1970.

In view of large requirements of steel billets for firms on whom D.G.S.&D. had placed orders for fabrication of track fittings for Railways, a proposal for import was processed through a series of high level meetings from January, 1970 onwards and the decision to import steel billets was taken in July, 1970. The Railway Board arranged for the import of 28,000 tonnes of steel billets in October, 1970, to be supplied within two to four months. Full quantity of steel billets was received by March, 1971 out of which only 1243 tonnes could be issued to fabricators by November, 1971 [c.f. para 20 of the Report of the Comptroller & Auditor General of India for the year 1970-71—Union Government (Railways)].

In May and June, 1970, when the proposal for import was under consideration, the Railway Board instructed the Railways to resort to direct procurement from trade to meet their urgent requirements for small track fittings for Track Renewal Works. Accordingly, the South Central Railway Administration placed direct purchase orders on 26th December, 1970 and 27th February, 1971, for the supply of 3.25 lakhs steel keys at a rate of Rs. 1.25 per piece on firm 'A', which had failed to supply keys by December, 1970 against orders placed by Director General, Supplies & Disposals, in April, 1970. The extra payment made to the firm on this account worked out to Rs. 2.21 lakhs.

The main justification for the direct purchase of steel keys at a higher rate from firm 'A' was that the fabricator would have to arrange the raw material by himself from other than controlled sources and that the requirements of keys were most urgent and could not be met from the normal source of supply under the running contracts with the Director General, Supplies & Disposals owing to non-supply of raw materials.

It may, however, be pointed out that the direct purchase at higher rates was avoidable in view of the arrangements having already been made for the import of billets and partial restoration, by the end of 1970, to the Director General, Supplies & Disposals the special quota of steel billets from the steel plants. Further, the supply position could have been improved by special efforts made through the Director General, Supplies & Disposals (under whose running contracts substantial quantities were pending from the firm).

The Railway Administration stated (October, 1972) that the supply position of keys was extremely critical and the Railway purchased only 13 per cent of the outstanding number of steel keys and it was also not considered necessary to consult the Director General, Supplies & Disposals as there was a complete failure in the supply of keys against orders already placed by him. They also stated that the cost of keys manufactured by using imported billets and supplied against the subsequent running contract of the Director General, Supplies & Disposals finalised in August, 1971 was Rs. 1.12 per key and if the Railway had waited for about a year they could have saved only 13 paise per key or about Rs. 39,000 at the most.

The Railway Board further stated (January, 1973) that : (i) as against the requirement of 2,300 tonnes of tested billets for manufacture of 31.69 lakhs keys, the firm received only 340 tonnes of tested billets upto November 1970; (ii) they had been pursuing the question of supply of keys to meet urgent requirements in the quarterly production schedule meetings held by the D.G.S. & D; and (iii) the Railway Administration had also been directly chasing up the firms for the supply of the keys against the D.G.S.&D's orders endorsing copies of these letters to the D.G.S. & D. They also explained that the D.G.S.&D. had entered into further contracts for a total quantity of 101 lakhs of keys with imported billets at an average rate of Rs. 1.254 per key and, therefore, there was no significant loss to the Railways in having procured keys @ Rs. 1.25 per key.

It may be stated that since the billets had already been procured by the Railways for issue to the fabricators subject to the difference between the cost of imported and indigenous billets being borne by the Railways, a comparison

with the price of keys fabricated out of such imported billets is not appropriate. After taking into account the higher landed cost of imported billets—Rs. 1,200 against Rs. 659 per tonne for indigenous supply — the extra amount paid to the firm worked out to Rs. 1.17 lakhs computed on the basis of rate accepted in April, 1970.

16. Western Railway — Loss due to defective supply of oil paste for paint-zinc oxide.

In December, 1967, the Director General, Supplies & Disposals placed two orders on a firm for a total supply of 2,86,980 Kgs. of oil paste for paint-zinc oxide (conforming to the Indian Standard Specification 98/1950 with amendment No. 1 of January, 1962) against the indents placed by the Western Railway. Out of this, supplies of 19,840 and 35,600 Kgs. of oil paste, valued at Rs. 2,61,560 were received at the Railway's Stores Depot, Ajmer in April, 1968 and August, 1968 respectively, duly inspected by the Director of Inspection, Madras. An advance payment of Rs. 2,48,482 representing 95 per cent of the cost was also made on the proof of inspection and despatch. Suspecting that the supplies were not according to specification, tests were conducted in May and September, 1968 at the Railway's laboratory at Ajmer. It was found that the pigment used in the material supplied contained about 30 per cent of zinc oxide, against a minimum of 99 per cent as per the 'specification'. The supplies were, therefore, rejected by the Railway Administration and advices of rejection issued to the firm and the Director of Inspection, Madras, in May, 1968 and September, 1968. Further samples from the two supplies were drawn on 7th November, 1968 in the presence of the representative of the Director of Inspection and sent on 5th December, 1968, to the National Test House, Calcutta (where the supplies had been originally tested) for chemical examination and retesting. At the time of testing the representative of the Railway was, however, not associated. The Director of Inspection advised the Railway Administration in February, 1969 that the samples were found to contain zinc oxide according to 'specification'.

The Railway Administration retested the samples on 6th May, 1969 in their laboratory at Ajmer which confirmed their earlier findings. The Director of Inspection, Madras was, therefore, requested in June, 1969 to arrange for a test at the National Test House, Calcutta in the presence of a Railway representative. The Director of Inspection, Madras stated on 13th June, 1969 that it was not possible to reopen the issue and to draw a further sample for test since the samples already drawn had been found to be satisfactory; and that as considerable time had elapsed since the date of manufacture, the result of any further test would not be binding on the firm.

The Controller of Stores, Western Railway then (29th December, 1969) reported the matter to the Director General, Supplies & Disposals who stated in March, 1970 that it was open to the consignee to witness the test and that a retest was not possible as already two years had elapsed since manufacture and inspection of the material. The Director General, Supplies & Disposals, however, agreed to request the firm for the replacement of supplies. Subsequently, in May, 1971 the Director General, Supplies & Disposals advised that, on consultation, the Ministry of Law had also opined that in face of the two tests already conducted by the National Test House, Calcutta, there was no reasonable ground for maintaining that the stores were not according to specification and that the consignee could not insist, either under law or any terms of the contract, on drawal of further samples for another test at National Test House, Calcutta. The Director General, Supplies & Disposals reiterated in June, 1972 that in view of the results obtained in the previous two tests, further retest after a lapse of about 4 years would not be much of contractual assistance, even in arbitration, as the oil paste would have lost its utility, there being a specific life period for this paint item. The Railway Administration, however, held the view that the time element would not affect the percentage of zinc oxide and the retest would reveal the correct percentage of zinc oxide contents even at this stage (November, 1972) and facilitate a mutually acceptable settlement.

The matter has been under correspondence since 1968 and in the meantime, a total quantity of 55,440 kgs. of oil paste, valued at Rs. 2.62 lakhs out of which an amount of Rs. 2.48 lakhs was paid in advance, had been lying under dispute.

It is stated that a case against the firm is under investigation by the Special Police Establishment and these two cases are also included in the scope of investigation.

17. Central Railway— Loss on procurement of bearing plates due to non-adoption of drawings in metric units

The metric system of weights and measures was introduced by stages from October, 1958 and finally on 1st December, 1967 the use of non-metric units was declared illegal. The Central Railway Administration placed an indent on Director General, Supplies & Disposals on 23rd December, 1967, for procurement of 1,95,000 numbers of bearing plates, the specifications and drawings of which were in non-metric units. While inviting tenders, the Director General, Supplies & Disposals amended these specifications to conform to metric units but drawings in the non-metric units

were retained. On this basis, a contract for the supply of bearing plates at the rate of Rs. 4.19 each was awarded to firm 'A' in April, 1968. Since the firm failed to make supplies, the contract was cancelled in January, 1969 at their risk and cost. In April, 1969, fresh orders conforming to the drawings in non-metric units were placed on another firm 'B' for supply of bearing plates at the rate of Rs. 5.60 each, the extra expenditure being recoverable from firm 'A'.

In May, 1969, the Central Railway Administration suggested to the Director General, Supplies and Disposals to substitute the non-metric drawings by metric drawings. Metric drawings of the bearing plates were the equivalent conversion of the inch unit drawings and there was no difference between these two drawings excepting the variation in dimensions due to rounding off to the nearest figure. The Director General, Supplies & Disposals, however, did not agree to the Railway's suggestion on the plea that it was obligatory to order stores to identical drawings in such cases of risk purchase. Firm 'B' delivered only 16,104 nos., of bearing plates and thereafter failed to complete the supply even after grant of extensions. In September, 1970, the order on this firm for the balance quantity was cancelled at their risk and cost.

Legal advice given in September-October, 1970 was that the contracts with both these firms were void in law, since they stipulated supplies conforming to drawings in non-metric units, the usage of which had become illegal at the time the contracts were awarded. Consequently, the enforcement of recovery of extra expenditure arising due to such risk purchases had to be given up and the balance quantity was ordered on firm 'C' at the rate of Rs. 7.50 each, after adopting drawings in metric units. This resulted in an additional expenditure of Rs. 6.65 lakhs and Rs. 3.50 lakhs computed on the basis of accepted rates of firms 'A' & 'B' respectively.

The Railway Administration stated (August, 1972) that since this was a standard material required by Railways, the Director General, Supplies and Disposals who was dealing with indents from all the Railways for the same item could have substituted the non-metric drawings with the metric drawings, as he had done in other similar cases in consultation with the Railways.

The Ministry of Supply stated (September, 1972) that the Director General, Supplies & Disposals was acting only as an agent and it was for Railways to satisfy that the stores conformed to requirements stipulated in the indents; further, the drawings in non-metric units and metric units given by Central Railway were not identical and substitution straightaway by the Director General was not possible.

18. Central, South Eastern and Southern Railways—Non-recovery of advance payments made to a firm on proof of despatch of stores found deficient on receipt.

In paragraph 24 of Audit Report, Railways, 1969, it was mentioned that a sum of Rs. 44 thousand representing the estimated cost of deficiencies was due to be recovered from a firm in Calcutta to whom 90 per cent advance payment of Rs. 83 thousand had been made, as the supplies of signal posts made were found incomplete on receipt by the consignee (Northern Railway). The Government informed the Public Accounts Committee in October and December, 1970 that the matter was before the Arbitrator. On further enquiry, the Ministry of Supply stated in July, 1972 that the cases were still with the Government Counsel who had to file fresh application before the Arbitrator for "Substituted Service" and that the Arbitrator had issued Order Sheets on some of the Directors of the firm.

Further examination revealed that the same firm had obtained similar 90 per cent advance payments aggregating Rs. 5.59 lakhs on the strength of inspection notes and proof of despatch of stores to other consignees, viz., Central, Southern and South Eastern Railways against different orders placed by the Director General, Supplies & Disposals but on receipt, stores estimated to cost Rs. 3.94 lakhs were found to be deficient. These cases are mentioned below:—

Central Railway

Based on the indents placed by Central Railway, the Director General, Supplies & Disposals concluded a contract with the firm in July, 1962 for supply of 99 signal brackets (channel type) 2 doll and 3 doll with signal fittings etc., at a cost of Rs. 1.50 lakhs. The supply was to be completed by 31st December, 1962. The firm tendered the materials for inspection during the period from 15th November to 29th December, 1962 and these were passed by the Director of Inspection, Ministry of Supply. The firm obtained advance payment amounting to Rs. 1.35 lakhs on the proof of inspection and despatch of stores. The supplies were received at the Stores Depot, Bhusaval between 5th December, 1962 and 21st January, 1964. The Railway Administration found that a large number of components were deficient and this was taken up first with the firm in April, 1963. The Director General, Supplies & Disposals and the Pay & Accounts Officer, Calcutta were also requested in July and September, 1963 to withhold payment till they were advised of the receipt of all the components. The firm

supplied certain components in October, 1963 and January, 1964 and advised the Railway Administration in April, 1964 that their firm was being re-organised and they would complete the supplies shortly. However, in July, 1965 the firm advised the Director General, Supplies & Disposals that since they had got no workshop, the shortages could be made good by purchases elsewhere and the cost of items short supplied deducted from their dues. In September, 1967 the Railway Administration ultimately purchased the components at a total cost of Rs. 1,29,544.30 after examining the feasibility of their manufacture in Railway workshops and consulting the Director General, Supplies & Disposals, and requested him in March, 1971 to prefer a claim for this amount. The Director General, Supplies & Disposals had, however, informed the Administration in May and August, 1969 that the firm was no more in existence and the case had been referred to Arbitration but added that even if the award was given in their favour the prospect of recovery appeared to be bleak.

South Eastern Railway

Against four orders placed by the Director General, Supplies & Disposals on the same firm between July, 1962 and April, 1963 for the supply of 2 doll and 3 doll signal brackets, lifting barriers, channel posts etc., to South Eastern Railway, the firm secured advance payments aggregating Rs. 3.20 lakhs during the period from August, 1962 to October, 1964 on the strength of inspection notes and proof of despatch of stores to the consignee. The supplies which were received in various consignments between 1962-63 and 1963-64 were found to be incomplete. In September, 1963, the Pay & Accounts Officer, Calcutta was advised by the Railway Administration to withhold payment. The Director General, Supplies & Disposals, however, granted extension of time to the firm to make good the shortages and advised the Pay & Accounts Officer not to withhold payment. Out of total amount of Rs. 3.20 lakhs paid to the firm Rs. 87 thousand represented payment towards receipt of 20 sets which were complete, leaving a balance of Rs. 2.33 lakhs recoverable from the firm. Against this sum, the Pay & Accounts Officer could recover only Rs. 22 thousand from other dues of the firm. Thus a sum of Rs. 2.11 lakhs was due to be recovered from the firm. The Director General, Supplies & Disposals, however, asked the firm in December, 1968 to deposit a sum of Rs. 1.70 lakhs in respect of 3 out of the 4 orders but the amount is yet (December, 1972) to be recovered.

In August, 1971, the Director General, Supplies & Disposals informed the Railway Administration that the case was being processed for recovery through the Court of Law after ascertaining the name and present

address of the firm. He further advised in February, 1972 that the subject cases referred to the Court were dismissed on the plea that the correct address of the firm was not known and that these cases had again been referred to the Court for publication.

Southern Railway

Advance payment amounting to Rs. 1.04 lakhs had been made to the same firm on the proof of despatch and certificate of inspection by Director of Inspection against two orders placed by the Director General, Supplies & Disposals in August, 1962 and February, 1963 for supply of 31 numbers 2 doll and 33 numbers 3 doll signal brackets to Southern Railway. The supplies which were received on different dates between October, 1962 and May, 1963 were found to be deficient and the firm was requested to make good the deficiencies but these have not been received so far. The total value of the deficient components had been assessed at Rs. 53 thousand in respect of one of the two orders. The particulars of deficient components in respect of the other order was furnished to the Director General, Supplies & Disposals in October, 1966. The matter is still (December, 1972) under correspondence with the Director General, Supplies & Disposals and the connected files of the Railway Administration are stated to be with the Special Police Establishment, Calcutta.

19. Loss due to delay in supply of Roller Bearing Axle Boxes.

In October, 1959 the Ministry of Railways (Railway Board) placed an order on an indigenous firm for manufacture and supply, *inter alia*, of 2304 Nos. roller bearing axle boxes (16 ton capacity), at a total cost of Rs. 15.16 lakhs, to be supplied by December, 1960. At the request of the firm made in August, 1961, a revised delivery schedule to complete the supply by January, 1962 was accepted by the Ministry of Railways (Railway Board), subject to recovery of liquidated damages in terms of the contract. The revised delivery schedule could not also be adhered to by the firm and the actual supply commencing from April, 1961 was only 1854 Nos. upto June, 1965.

These roller bearing axle boxes were meant for fitment mainly on the 16 ton wheel sets (BG) (950 Nos.) ordered on another indigenous firm in December, 1959. The wheel sets received by the Railways during 1960 and early part of 1961 had to be stored for a long period due to delay in the supply of roller bearing axle boxes. An examination of these wheel sets in 1964 revealed that the paint as well as the wrapping had deteriorated and paint peeled off from certain portions of the journals which got rusted and pitted.

They needed machining before use and consequently required roller bearing axle boxes of step sizes (*i.e.*, below the normal diameter). The order of October, 1959 for supply of roller bearing axle boxes was, therefore, short closed to the extent actually supplied (*i.e.* 1854 Nos.) and a fresh order was placed on the firm in December, 1965 for supply of the balance 450 roller bearing axle boxes to first step size at the same price and conditions.

In terms of the contract, the liquidated damages leviable at 2 per cent per month for delayed supplies, amounted to Rs. 8.16 lakhs. Considering however, that this was the first order for indigenous manufacture of axle boxes of intricate nature, the Ministry of Railways (Railway Board) proposed in October, 1969 to limit the recovery of liquidated damages to the extent of Rs. 81,965 as detailed below :—

(i) payment towards wage escalation charges arising due to delay in supply of these roller bearing axle boxes to a manufacturer of 40 C.E. wagons for the Railways; (ii) loss of earnings due to delay in the delivery of the above wagons; (iii) expenditure on the movement and rectification of damaged wheel sets; and (iv) extra payment due to upward revision of Inter State Sales Tax rates from April, 1963 on the purchase of these roller bearing axle boxes.

However, the legal opinion tendered was that the firm could only be made liable for the claim of Rs. 7,462 on account of increase in sales tax, if the same was directly attributable to the delay in supply; the claims on other accounts would be untenable as no knowledge could be attributed to the firm that the axle boxes were to be supplied to a private manufacturer of wagons for Railways or that the wheelsets obtained by Railways under a separate contract had been rusting due to delay in supply of the axle boxes. Even after it was pointed out that from the very nature of the part supplied the contractor could not be absolved of the knowledge that without the axle boxes the wheelsets would remain unused and the manufacture of wagons would not also be completed, the legal opinion already tendered was not revised.

Accordingly, claims for liquidated damages except for Rs. 7,462 were waived in February, 1970 with the condition that the firm should exchange free of cost 484 Nos. roller bearing axle boxes to first and second step sizes as may be required by Railways, for an equal number of standard size axle boxes already supplied by them.

During February, 1968 to January, 1971 Eastern Railway despatched 491 damaged wheelsets to Southern Railway for rectification. 437 wheelsets were rectified by Southern Railway and 10 sets declared unsuitable for mounting even to second step size axle boxes, leaving a balance of 44 sets in the process of rectification as at the end of September, 1972.

The delayed supply of the roller bearing axle boxes resulted in prolonged storage of 491 wheelsets which, besides involving payment of about Rs. 2.55 lakhs as dividend to General Revenues till the end of 1968, without getting any service or return from them, caused damage to these wheelsets to be rectified at an assessed cost of Rs. 52,756 (including overheads). Besides, liquidated damages were levied only to the extent of Rs. 7,462 as against Rs. 8.16 lakhs.

The Ministry of Railways (Railway Board) stated (December, 1972) that contribution to General Revenues on account of wheelsets lying in disuse and also the loss on account of rectification charges of Rs. 52,756, were more than offset by the appreciation in price of wheelsets which amounted to Rs. 4.15 lakhs and that liquidated damages of Rs. 7,462 were levied in accordance with the terms of the contract and the legal opinion.

20. Extra expenditure in the clearance of steel billets at Sea Port.

The Ministry of Railways (Railway Board) placed a contract for the supply of 28,000 tonnes of billets on a West German firm on 24th October, 1970, stipulating that materials should be ready for shipment within two to four months after the receipt of the order. The contract terms also provided that the entire quantity of 28,000 tonnes was to be shipped to Bombay Port and the billets were to be loose or in bundles weighing not more than 1.5 tonnes each so that payment of heavy lift charges at the port of discharge is avoided.

On 28th October, 1970, the firm, while accepting the contract, advised that the entire quantity would be ready for shipment between December, 1970 and February, 1971 in bundles of maximum weight of 3 tonnes each. Further instructions that the bundles should not exceed 1.5 tonnes each could be conveyed clearly to this firm only on 16th December, 1970, by which time, 16,294 tonnes of billets had been despatched in bundles weighing upto 3 tonnes. Though the firm could ship the balance of 11,706 tonnes in bundles weighing below 1.5 tonnes each, the Bombay Port Trust Authorities, in the absence of a clear packing account and particulars to this effect in the relevant bills of lading and invoices, levied heavy lift charges applicable to lifts above 1.5 tonnes each. Consequently, the Central Railway had to incur an extra expenditure of Rs. 2 lakhs by way of payment of heavy lift charges on nearly 23,000 tonnes of steel billets to the Bombay Port Trust.

These billets were intended for supply as raw materials to the fabricators on whom Director General, Supplies & Disposals had placed orders for supply of track materials to the Railways. The outstanding

demands of raw materials of such fabricators were about 10,800 tonnes for Calcutta area, 10,900 tonnes for Bombay area and 17,854 tonnes for Delhi area. At Calcutta, the Railways had also a small departmental organisation under the Eastern Railway Administration for clearance from Calcutta Port, while at Bombay this could be done only by employing a clearing agent. Since there was no difference in the rates of ocean freight chargeable on the consignments shipped from Continental ports to Bombay or Calcutta, it would have been advantageous for the Railways to arrange shipment of at least half the quantity of billets through Calcutta Port instead of getting the entire consignment at Bombay Port. The Central Railway Administration also indicated (January, 1971) to the Railway Board the lack of adequate arrangements for handling such a big quantity of import at Bombay and suggested diversion of a part of the cargo to Calcutta. However, the efforts made by the Ministry in February, 1971 to consign a part of the quantity upto a maximum of 18,000 tonnes to Calcutta port, proved too late as the shipping arrangements had advanced to such a stage that no change of destination could be effected. The import of the entire quantity through Bombay Port involved payment of Rs. 3.35 lakhs to the clearing contractors at Bombay, half of which could have been avoided had the shipment of about 14,000 tonnes been arranged through Calcutta Port and cleared by Railways themselves. In addition, about 5427 tonnes of the billets received at Bombay had to be moved (till June, 1972) at the cost of Railway, for supply to the fabricators in Calcutta and Kanpur areas, entailing extra expenditure to the tune of Rs. 5.99 lakhs. Even allowing for the higher port charges in Calcutta, the additional cost arising out of the total import through Bombay port, works out to Rs. 6.21 lakhs.

The Ministry of Railways (Railway Board) stated (November, 1972) that as the import was to supplement the indigenous supply of billets to the fabricators it was considered that the most economical course would be to consign imported billets to Bombay to feed Bombay/Delhi areas and leave the Calcutta needs to be met from the indigenous steel plants. They also stated that the overall advantages in handling of these consignments in less number of bundles will more than off-set the heavy lift charges paid to the Bombay Port Trust.

As already stated, the Ministry of Railways themselves made efforts in February, 1971 to consign a part of the quantity upto a maximum of 18000 tonnes to Calcutta Port which, however, did not succeed. It is also observed that the Ministry of Railways are still importing billets, blooms etc., in loose condition or bundles not exceeding 1.5 tonnes each to avoid payment of heavy lift charges.

PLANNING AND EXECUTION OF SCHEMES

21. South Central Railway—Remodelling of Vijayawada Yard.

A Master Plan was prepared in the year 1962 for the remodelling of Vijayawada Yard of South Central Railway to be taken up in four Phases at a total estimated cost of Rs. 4 crores. Phase I, estimated to cost Rs. 60 lakhs, covering the construction of a new yard with reception and despatch lines at the Kazipet end of the Yard, was completed by February, 1965 with an actual outlay of Rs. 91.26 lakhs (till 31st March, 1972).

Phase II, estimated to cost Rs. 60 lakhs, envisaged provision of three fly-overs for simultaneous reception of trains from the Waltair and Kazipet directions. One of the fly-overs was later deleted and the Phase II work completed by May, 1969.

The Master Plan provided that in Phase III, with an outlay of Rs. 200 lakhs, a new up yard would be developed, converting the present up yard into a down yard to suit directional working; the construction of a new loco shed was also proposed. However, the scope of work in Phase III was reduced by the Railway Board while including it in the Works Programme of 1968-69, by omitting the proposed loco shed, reducing the number of reception and marshalling lines and also suggesting use of released materials to keep the cost below Rs. 150 lakhs. While re-planning Phase III proposals accordingly, certain difficulties in executing the work in accordance with the Master Plan came to light in 1969, and the Master Plan could not be gone ahead with. Attempts to improve the Plan did not succeed and all the studies conducted, including one by a Work Study Team, revealed certain limitations and it was not found feasible to provide at Vijayawada full facilities for dealing with both up and down train traffic due to topography, re-alignments and fly-overs already completed in the earlier Phases, etc. It was, therefore, finally decided that facilities for dealing with the down traffic should be developed at Bitragunta, a station south of Vijayawada, on the line to Madras, at a distance of 221 kms.

Execution of work under the first two Phases of the Master Plan of 1962, which was subsequently abandoned, resulted in avoidable expenditure as detailed below:—

Acquisition of land

Out of 354 acres of land acquired for all Phases of work at a cost of Rs. 44.60 lakhs till the end of August, 1971, nearly 100 acres intended for new yard facilities planned under Phase III have been rendered surplus to requirements. The cost of the surplus land is Rs. 13.03 lakhs.

Provision of fly-overs

Phase II of the work, as already modified and estimated to cost Rs. 71.74 lakhs, provided for the construction of two fly-overs with 30 ft. high banks so that trains to and from Waltair and Kazipet could flow into the yard without any cross moves. For this purpose, a contract for 793,000 cu. m. of earthwork for bank formation was awarded to a contractor in February, 1965 @ Rs. 27.56 per 10 cu. m. Although the estimate provided Rs. 2.23 lakhs for the strengthening of the high banks, the actual manner of strengthening was not decided nor was the work connected therewith included in this contract. The Member (Engineering) of the Railway Board who inspected the work in May, 1967, instructed that the banks should be strengthened by providing berms and accordingly the R.D.S.O., after conducting investigations, recommended in July, 1967 the provision of berms with suitable width to prevent slope failure. By this time, 90 per cent of the stipulated quantity of earthwork on the main bank had already been completed by the contractor. The contractor, who was asked in January, 1968 to do the extra earthwork in connection with the provision of berms, expressed his inability to undertake the work due to rise in prices and demanded the rate of Rs. 60 per 10 cu. m. as against his original rate of Rs. 27.56 per 10 cu. m. The Administration, however, decided on a rate of Rs. 40.75 per 10 cu. m. for work on portions where the bank had already been completed. The total extra earthwork involved in the provision of additional berms was estimated to be 57 thousand cu. m. out of which 32,687 cu. m. had to be paid for at the enhanced rate, resulting in an extra expenditure of Rs. 43 thousand.

Further, as one of the fly-overs served the only purpose of reception of passenger trains from Kazipet side, construction of the second fly-over could have been avoided had one fly-over been provided with lines to despatch passenger and goods trains to Kazipet as well as to receive passenger trains from Kazipet. The estimated cost of both the fly-overs is Rs. 17.7 lakhs and the saving on account of providing only one fly-over instead of two cannot, however, be exactly quantified.

In regard to land rendered surplus, the Railway Administration stated (December, 1972) that in metropolitan areas land was very valuable and useful for future expansion and that the danger of private pockets of land in the middle of a major marshalling yard had to be guarded against. As for the provision of high banks for fly-overs, they stated that the original intention was to strengthen the bank by stone pitching in consultation with the State Public Works Department and Central Water and Power Commission;

but in view of the advice of R.D.S.O. additional earthwork had to be undertaken by the same contractor; and that the second fly-over was considered necessary for obviating cross movements between the engines to and from the loco shed now proposed and the passenger trains from and to Secunderabad direction.

22. South Eastern Railway—Delay in mechanisation of the hump in the Marshaling Yard at Tatanagar.

The Marshalling Yard at Tatanagar serving the steel plant and other subsidiary industries located in the Tatanagar area was provided with a manually operated hump for the speedy break up of the loaded wagons for classification and formation of trains for carrying the loaded wagons on different routes. This yard was dealing with 900 wagons per train day (as in April, 1965) and the number was expected to go up by 300 in connection with the setting up and expansion of different industries in the area and the developments envisaged during the Third Five Year Plan. In order to accelerate the humping and to reduce the serving time, the Railway Board approved the mechanisation of the hump and provision of retarders and included this work in the Works Programme for the year 1964-65. The Abstract Estimate for the work for Rs. 52.87 lakhs was sanctioned by the Railway Board in September, 1966. It was assessed that by the introduction of multiple cuts with mechanical retarders, the time taken to break up a loaded train on the hump could be reduced from about 45 minutes to 15 minutes, resulting in saving of detention to the extent of 30 minutes per wagon humped and that the incidence of damages to the rolling stock and consignments due to loose shunting would be kept under control.

Tenders for the work were opened in February, 1965 and the recommendation of the Tender Committee for award of the work to a firm was accepted in June, 1965. Efforts were made thereafter to reduce the foreign exchange requirements to the barest minimum and finally the letter of intent was placed on the firm in June, 1966. The import licence for major portion of the material was received in December, 1966. A contract valued at Rs. 44.32 lakhs was entered into with the firm, in July, 1967 for the mechanisation of the hump. In terms of the contract Agreement, a period of 24 months reckoned from 20th December, 1966, *i.e.*, from the date of receipt of import licence, was allowed for procurement, manufacture, supply, installation and final commissioning of the equipment at the Marshalling Yard.

When the work was in progress, the firm pointed out on 25th October, 1967 that their work had come to a standstill due to non-finalisation of

the Tatanagar Reception Yard plan. Again on 30th January, 1968, the firm wrote about their hold up in the manufacture of certain items due to non-finalisation of the signalling plan. In the mean time, the Administration felt the need for certain additions and alterations in the Yard layout and sent the amended signalling plan to the firm on 19th April, 1968. The final approval of the Railway Administration to the revised plan could be conveyed to the firm only on 15th January, 1969 after receipt of the revised requirements from the firm on 17th December, 1968. The suitability of the hump height, originally fixed at 9.5 ft., was also reconsidered as the steam engines available for humping were not capable of pushing against steep gradients necessitated by the hump height. After obtaining from the firm the implications of reduction and conducting further experiments on the performance of wagons rolling from the hump, it was decided on 16th June, 1969 to retain the hump height at the original level of 9.5 ft. itself and utilise diesel locomotives for hump shunting instead of steam engines.

This work approved for commencement in 1964-65 and scheduled for completion by December, 1968 in the first instance, is still in progress. The long delay in completion is attributable to the time taken for negotiations with the firm, delay in the finalisation of the Yard plans, drawings and height of hump and also difficulties felt by the firm since December, 1970 in the indigenous development of certain items. Successive extensions for the completion of the work have been sanctioned, the last being upto 31st December, 1972 with imposition of penalty.

As the work remains incomplete, the break up of loaded trains on the hump is being done only manually without the assistance of the mechanical retarders. After December, 1968, when the work was initially programmed to be completed, the average number of wagons dealt with per day went up to 1260 during the period from December, 1968 to November, 1971. If the mechanisation of the hump were completed by December, 1968, as originally planned, the anticipated reduction of 30 minutes in the detention of every wagon humped could have been realised and the net loss of earnings, estimated at Rs. 3.75 lakhs for the period from 20th December, 1968 to 30th September, 1972, avoided. Moreover, during the period from December, 1968 to November 1971, 1050 wagons got damaged due to manual humping, entailing an expenditure of Rs. 32 thousand on their repair, apart from a net loss of Rs. 22 thousand in their earnings.

In the mechanical operation of the hump, the services of skid porters are not required except for dressing up the wagons for coupling, for meeting the breakdown of retarders, etc. An expenditure of Rs. 5.32 lakhs (for the

period from 20th December, 1968 to 30th September, 1972) on 63 skid porters, whose services would not have been required in the mechanised operation of the hump, could also have been avoided if the mechanised hump and retarders were commissioned by December, 1968.

The Railway Administration stated that if the date of completion of the work were taken as 31st December, 1970, the estimated net loss of earnings assumed from 1st January, 1971 to 31st December, 1972 would be Rs. 1.50 lakhs; expenditure on repairs of wagons got damaged due to manual handling would be Rs. 19 thousand in addition to net loss of Rs. 10 thousand in their earnings; and expenditure on retention of additional skid porters for the same period would be Rs. 2.86 lakhs. They further stated that if the mechanised hump had been commissioned, there would have been a recurring expenditure of Rs. 2.22 lakhs per annum on its operation and maintenance.

23. South Eastern Railway—Expansion of the Capacity of the Engineering Workshop at Sini.

Prior to 1964, the capacity of the Engineering Workshop at Sini, for structural fabrication including tie bar fencing, conversion of B. G. sleepers to N.G. sleepers, etc., was about 200 tons monthly. To cope with additional development works proposed during the Third Five-Year Plan and in order to develop the capacity for fabrication of plate girders upto 60 ft. spans and 100 ft. triangulated spans, three estimates were sanctioned during 1963-64 as mentioned below:—

- (i) Construction of an additional shed (Rs. 2.78 lakhs);
- (ii) Construction of a shed and procurement and installation of additional machinery (Rs. 19.90 lakhs); and
- (iii) Remodelling of existing shed and welding shop (Rs. 2.96 lakhs).

The total engineering portion of these estimates was Rs. 11.29 lakhs; plant and machinery Rs. 11.17 lakhs; and the balance was for electrification and signalling. The proposal included construction of two big partly covered sheds with 400 ft. and 300 ft. long bay and a lean to shed. For the execution of a part of the engineering portion of the work, viz., column foundation and certain other items costing about Rs. 1.5 lakhs, a contract was awarded in November, 1966. The remaining work, comprising manufacture and erection of steel structure etc., was proposed to be done departmentally.

The work of column foundations was completed by the contractor in August, 1967. In November, 1967, the Railway Board, in view of sufficient capacity then existing in the private sector, advised the Zonal Railways that no further manufacturing capacity should be created in the Engineering workshops of the Railways and if there were any sanctioned works for expansion of such workshops these should not be carried out without a thorough examination of the necessity for the same. The Railway Administration accordingly reviewed the need for expansion of the workshop and decided to drop the construction of 400 ft. bay but to complete the 300 ft. long bay for which fabrication had already been done. In spite of the reduction in the scope of works, the actual expenditure booked till the end of January, 1972, on the Engineering portion was Rs. 15.01 lakhs as against the total estimate of Rs. 11.29 lakhs. As regards provision of machinery at an estimated cost of Rs. 11.17 lakhs, the Administration decided not to purchase the same. Thus, after the investment of Rs. 15.01 lakhs on the engineering portion, only a shed of 300 ft. long bay was added to the Workshop without any addition to the existing plant and machinery.

The present production capacity of the Workshop (August, 1972) is stated to be approximately 100-120 tonnes in terms of bridge girder fabrication per month as against 200 tons of tie bar fencing and sleeper conversion per month which existed prior to 1964. The output of structural steel at the Workshop during the last three years have been much below the level obtained in 1964 as indicated below :—

Year	Monthly Production
1969	175 tonnes
1970	116 tonnes
1971	122 tonnes

The Railway Administration explained (October, 1972) that as against 560 men employed in 1964 to produce 200 tonnes per month in three shifts, only 246 men were employed in one shift in 1971 to produce 122 tonnes; and that the productivity has increased from 0.36 tonnes per man per month in 1964 to 0.50 tonnes in 1971. It may be pointed out that the structural fabrication in the workshop was under incentive scheme between 1965 and 1968 and the same was withdrawn in 1969.

WORKS EXPENDITURE

24. South Central Railway—Extra payment to a contractor due to incorrect fixation of rate.

In January, 1966 a contract valued at Rs. 68.68 lakhs was awarded for the construction of a multistoreyed building at Secunderabad for the Headquarters offices of South Central Railway. One of the items related to R.C.C. work 1 : 2 : 4 with broken stone to pass through 1.91 cm. dia. ring in columns, lintels, beams etc., including shuttering and staging with Railway's steel for reinforcement. The accepted rate for this item of work was Rs. 79.45 increased by 99.95 per cent (i.e. Rs. 158.86) per cu.m. The special Specifications attached to the agreement provided *inter alia*, that all concrete used in R.C.C. work should conform to the requirements of strength prescribed for M. 250 concrete in Indian Standards Specifications. If the concrete did not come up to the requirements of prescribed strength, the remedial measures as prescribed by the Engineer would be adopted by the contractor at his cost.

While the work was in progress, the Administration decided to change the R.C.C. mix for beams from 1 : 2 : 4 to 1 : 1½ : 3, as the former mix would not give the strength prescribed for M. 250 concrete, and also for reasons of easy workability coupled with better compaction and vibration to the degree required and serious practical difficulties stated to have been encountered in pouring concrete due to congestion of heavy reinforcement. Since the rate for R.C.C. work in beams in the ratio 1 : 1½ : 3 had not been given in the Standard Schedule of Rates of the Central Railway, 1964 which was applicable to this case, the Administration sanctioned it as a non-scheduled item in March, 1969, working out a new rate from the fundamentals adopting the prevailing market rates for the entire labour and material involved in the item. By this method of computation, a new rate of Rs. 283.17 per cu. m. was arrived at for making payment to the contractor, instead of allowing only reasonable increases to cover the element of cost of additional material and labour over the accepted rate of Rs. 158.86 per cu. m. for R.C.C. work in beams with 1 : 2 : 4 mix. Such a fixation, based on the prevailing market rates, resulted in an extra payment of Rs. 3.10 lakhs to the contractor.

Also the actual sanction issued in March, 1969 for the operation of the new non-scheduled item of R.C.C work 1 : 1½ : 3 in beams did not specify either the required strength or any change in the method of compaction.

The Administration stated (December, 1972) that in accordance with the General Conditions of Contract, the rate for any item of work not contained in the Standard Schedule of Rates, should be agreed upon between the Engineer and the Contractor before execution of such items of work and, accordingly, the rate was determined on the basis of prevailing market rates, which was the correct method of computation and which was also the prevailing practice in other Government Departments.

25. Central Railway—Extra expenditure on the construction of a bridge in Sank-Morena Section.

The doubling of the line between Sank and Morena on the Agra-Jhansi section was sanctioned by the Railway Board in April, 1969 on Urgency Certificate. The date of completion of the work was fixed by the Railway Administration as 31st December, 1971. Limited tenders for the construction of second girder bridge over Asun river, forming part of this work, with 5×100 ft. and 2×40 ft. spans for single track with 200 ft. approach on either side, were invited in May, 1969. Though the detailed working drawings were not ready, drawings based on the Survey Report were prepared for assessing the quantities for inclusion in the tenders. The tenders were finalised in July-August, 1969 and the lowest negotiated tender for Rs. 15.05 lakhs accepted. The agreement for the work was signed in September, 1969 stipulating completion of the work by November, 1970. At that time the tentative drawings were considered sufficient to arrive at the correct quantities and no major deviation was foreseen.

Subsequently, the Railway Administration conducted detailed investigations to ascertain the lineal waterway and location of the new bridge with reference to the existing bridge of 4×100 ft. span, which was declared vulnerable due to inadequate waterway, and decided in consultation with Central Water & Power Research Station, Poona, to provide a double track bridge with 2×250 ft. spans, instead of a bridge with single track only. This delayed the availability of the working drawings which could be finalised only in December, 1970 *i.e.*, a month after the target date for completion of the bridge. The change in the design of the bridge also involved increase in the quantities of a number of items of work.

Meanwhile, the contract due to expire by the end of November, 1970, was not terminated, since no action was possible in the absence of any fault on the part of the contractor warranting action to terminate the contract. In November, 1970 the contractor also represented that since the drawings for the bridge were not made available to him he could not start the work

and that it would not be possible for him to execute the work at the rates already agreed upon in September, 1969, as the cost of labour and materials had since gone up, unless the Railway Administration was prepared to pay at the enhanced rates claimed by him. He stated that if the revised rates were acceptable to the Railway Administration he would withdraw his earlier claim for compensation at the rate of Rs. 15 thousand per month towards the loss on keeping his men and machinery idle till the working drawings were received by him. The Administration could not, therefore, find it practicable to bring in a new agency to carry out the work although earlier, in October, 1970, it had been decided that transactions with this contractor should be banned for two years in the first instance. After consulting the Ministry of Law, the Railway Administration conducted negotiations with the contractor on single tender basis in May, 1971 and accepted in June, 1971 higher rates, increasing the value of the contract to Rs. 36.21 lakhs with a revised completion period of 15 months, viz., upto September, 1972.

Though the work was sanctioned on Urgency Certificate in April, 1969, the delay in finalising the actual design and working drawings of the bridge led to an extra expenditure of Rs. 3.37 lakhs.

The Administration stated (November, 1972) that the delay ultimately resulted in the development of a technically sound economic proposal for this important bridge, since further expenditure on improvement or replacement of the existing bridge could be saved. The section between Sank and Morena was commissioned on 1st February, 1972 with single line working on the old Asun bridge. They further stated that progress on this bridge had been slow due to difficulties met with during sinking of the wells and shortage of steel and the target date of completion might have to be postponed on this account.

26. Western Railway—Extra expenditure on earthwork—Kota-Alnia Doubling.

In connection with the doubling of track between Kota and Alnia (20.6 kms.) sanctioned in April, 1969, the Railway Administration invited tenders for earthwork in banks, cuttings in main lines, yards, level crossings, approach roads, platforms etc., from Kms. 909.50 to 918.20 on 10th June, 1969, returnable on 30th August, 1969 and accepted the lowest tender valued at Rs. 9.79 lakhs (excluding one item for which the rate quoted was 96 per cent above the Schedule of Rates) on 20th November, 1969. The contract agreement was executed on 19th January, 1970.

Even before this tender was finalised, the Railway Board issued a general directive on 9th September, 1969, that while designing bridges in connection with doubling schemes, all efforts should be made to provide adequate free board under the new bridges irrespective of whether adequate free board was available or not under the existing bridges and further reiterated on 4th November, 1969 that the Railways were to provide best technical solutions on their own. This directive entailed reassessment of the quantum of earthwork covered by the above tender but the Railway Administration did not modify or provide for such variations, while awarding the work on 20th November, 1969 on the basis of tenders already invited and opened on 30th August, 1969.

The change in the alignment in the section to provide for adequate free board was finalised in August, 1970 after detailed field investigation and it was then known that an additional quantity of 80,000 cu.m. of earthwork with contractor's own earth would be required. On 6th March, 1971, a supplementary work order requiring the contractor to execute the additional quantity of earthwork at the original accepted rate was presented for the signature of the contractor; but he expressed his inability to execute the work and demanded higher rates. The Railway Administration thereafter negotiated with the contractor and finally executed a supplementary work order with the contractor in May, 1971 for the additional quantity of earthwork at the rate of Rs. 10.50 per cu.m., as against the original rate of Rs. 5.47 per cu.m., resulting in an extra expenditure of Rs. 4 lakhs.

In the same project, similar tenders for earthwork in the section from Kms. 897.60 to 909.50 had been originally opened on 30th August, 1969, but were rejected and fresh open tenders, returnable on 15th December, 1969 were invited on 17th November, 1969. The lowest tender valued at Rs. 11.18 lakhs was accepted on 20th February, 1970 and the contract agreement was executed on 14th April, 1970. In this case also, no increases were provided for changes in quantities of earthwork necessary for adequate free board under new bridges, though the tenders had been opened on 15th December, 1969 *i.e.*, three months after the issue of the directive by the Railway Board. After subsequent determination in August, 1970 of the additional quantum of earthwork as 14,630 cu.m. the contractor protested on 25th August, 1971, against the enhancement and requested for an upward revision of the rate. Negotiations were conducted with him and a higher rate of Rs. 10.50 per cu.m. as against the original rate of Rs. 5.99 per cu.m. was accepted by the Administration on 23rd October, 1971. This resulted in an extra expenditure of Rs. 0.65 lakhs.

In both the cases the contract agreements stipulated that the quantities shown in the schedules of quantities were tentative and the Railway reserved the right to increase or decrease the quantities to complete the work and the contractors would be bound to carry out the work as per rates quoted by them. Besides, the General Conditions of Contract also provided for making any alterations in the design, character, position, site, quantities, dimensions or in the method of execution of works. Railway Board's own clarification issued on 6th May, 1963, in consultation with the Ministry of Law, envisaged that such variations between 15 per cent and 25 per cent depending on the nature of the particular category of work, would not be unreasonable. If the additional quantities of earthwork had been got executed at the original rates upto the permissible limit of 25 per cent, the extra expenditure could have been reduced by Rs. 2.46 lakhs.

27. South Central Railway—Extra payment to a firm under 'Wage Escalator' clause of a contract.

A contract valued at Rs. 420.86 lakhs for fabrication, supply and erection of steel girders for the rail-cum-road bridge across river Godavari at Rajahmundry was awarded to a firm in December, 1967 and an agreement executed on 30th March, 1971. The contract provided that on the basis of approved drawings, the contractor should by himself assess and procure all raw steel (high tensile and mild steel), matching steel, rivets and other steel materials required for the work and ensure delivery of fabricated steel work on a joint monthly average rate of not less than 1,000 tonnes in order to complete all work under the contract by the end of March, 1971. The actual date of commencement of fabrication and the period of fabrication and erection, though principally governed by the availability of steel, depended upon the finalisation and handing over of design drawings and complete technical data by the Railway, approval of the shop working drawings submitted by the firm and receipt of sufficient quantities of matching steel and other materials to cover at least two months' production to permit uninterrupted fabrication and placement of wagons or movement thereof by the Railway. If the completion time was exceeded due to delays being caused by any of these factors or under 'Force Majeure' clause of the agreement, the firm was to be allowed extension of time without levy of liquidated damages. The rates of items involving fabrication steel work and bearings were also subject to a wage escalator clause provided for in the contract agreement. The contract also provided that advance payments shall be made to the extent of 90 per cent for raw steel, rivets, billets, nuts and washers, upto a limit of 50 per cent of the value of the contract.

The work was commenced by the contractor in April, 1969. The firm had procured 14,500 tonnes of raw steel by the middle of October, 1969 out of the total quantity of 16,525 tonnes involved in the work for which advance payment to the extent of Rs. 146 lakhs had also been made by the Railway. Except for slight delays which arose in the initial stages and were sorted out promptly, the progress of fabrication and despatch of the steel work was not affected by delays in finalisation and approval of drawings; there was no appreciable delay in the inspection of fabricated steel so as to affect the progress of work; and no difficulty was expressed by the firm in regard to the availability of wagons. However, the firm could not maintain the schedule of delivery of fabricated steel in accordance with the agreement and 8,500 tonnes due for supply by the middle of December, 1969 was supplied by the end of August, 1970.

The Railway Administration admitted claims, under the wage escalator clause, aggregating Rs. 21 lakhs to end of August, 1970 on account of increases in wage structure given effect to from 1st January, 1969, 1st July, 1969, 1st December, 1969, 1st January, 1970, 1st March, 1970, 1st April, 1970 and 1st June, 1970, for 8,713 tonnes of fabricated steel despatched upto August, 1970. This included an amount of Rs. 7.06 lakhs paid as wage escalation for 8,500 tonnes due for supply by the middle of December, 1969 on account of increase in the pay structures effective thereafter *i.e.*, from 1st December, 1969, 1st January, 1970, 1st March, 1970, 1st April, 1970 and 1st June, 1970.

Since in terms of the Agreement the contractor shall be solely responsible for procurement of steel material and he was on his own to take all action needed to ensure expeditious procurement of matching steel, this payment of Rs. 7.06 lakhs, on account of wage escalation arising due to factors subsequent to scheduled dates of delivery represents an extra-contractual payment.

The Railway Administration stated (December, 1972), that there was a set back in performance till June, 1970 due to delay in the receipt of raw steel and matching steel for two months' production; and that they were received in June, 1970 from which month only the fabrication is reckoned to have commenced. It may be pointed out that the Railway Administration themselves informed the firm in October, 1969 about the extremely unsatisfactory progress in fabrication, even though about 14,500 tonnes of raw steel had been procured by it as against 16,525 tonnes of steel required for the work.

LAND AND BUILDINGS**28. Northern Railway—Avoidable payment of interest due to delay in payment of land awards.**

An independent Land Acquisition Organisation under the control of Assistant Commissioner, Land Acquisition (Railways) was set up at Jammu in September, 1968 for acquisition of land required for the construction of Kathua-Jammu Rail Link. The detailed estimate for the Project contained a provision of Rs. 1.21 lakhs for the organisation for a period of 18 months. The land required for the project was acquired and placed at the disposal of Railways by September, 1969. According to the provisions of Jammu & Kashmir State Land Acquisition Act, 1890, the Railways were liable to pay interest on the principal amount of compensation and Jabirana (compulsory acquisition levy) at the rate of 4 per cent per annum from the date of taking over possession of the land till the compensation was paid or deposited with the State Government. The Land Acquisition Organisation had started functioning since September, 1968 and seven awards had been finalised by November, 1969. Necessary action to determine the procedure for payment of the compensation was, however, initiated only in February, 1970 when the first approved awards were received by the Railway Administration. The State Government authorities decided in February, 1970 that the Railway should deposit the money with them in advance for disbursement of compensation by the Assistant Commissioner, Land Acquisition (Railways) and audit certificate would be issued by the Accountant General on the basis of the detailed accounts of disbursement rendered to him. Although this procedure, being at variance from the normal rules for settlement of transactions between the State Governments and the Railway, was not acceptable to the Railway Administration, two cheques amounting to Rs. 5.86 lakhs were sent to the State Government in March, 1970. The cheques were, however returned by the State Government in March, 1970 itself. Further discussions to evolve an acceptable procedure did not fructify till December, 1970 when at a high level meeting in which Chief Engineer (Construction) of the Railway, Accountant General, Jammu & Kashmir and the Finance Secretary of the State Government participated, the issue was settled. It was decided that the Assistant Commissioner, Land Acquisition (Railways) would be authorised by the Railways as their Drawing and Disbursing Officer and he would be provided with necessary cheque books and funds to make payments on behalf of the Railways. The disbursement of compensation in respect of awards finalised between July, 1969 and September, 1970, could commence only on 23rd January, 1971,

nearly 15 months after the possession of the land by the Railway. If the action to finalise the procedure had been initiated immediately after the setting up of the organisation in September, 1968, and finalised at least by February, 1970, and compensation payments arranged in each case within a reasonable period, an amount of Rs. 1.13 lakhs paid to land owners towards interest on the principal amounts of compensation could have been avoided.

In the case of land owned by the State Government, though awards amounting to Rs. 22.56 lakhs had been finalised in June, 1970, they were announced by the Assistant Commissioner, Land Acquisition (Railways) in February, 1971 and payment arranged thereafter in the same manner as in the case of private land owners. If this liability to the State Government had been discharged in June, 1970 itself, following the normal procedure of settlement of transactions with the State Governments, payment of interest amounting to Rs. 52,640 could have been avoided.

The Land Acquisition Organisation is still (December, 1972) continuing and the total expenditure incurred thereon amounted to Rs. 2.83 lakhs at the end of July, 1972 against the provision of Rs. 1.21 lakhs. Out of the awards amounting to Rs. 74.64 lakhs already finalised and declared by September, 1971 payment of the claims upto March, 1972 amounted to only Rs. 51.47 lakhs.

The Railway Administration stated (October, 1972) that the delay in declaring awards was due to the necessity of referring to old Revenue records pertaining to the year 1936, and that in spite of all efforts, an agreement about the procedure for disbursement could be reached only in December, 1970. As regards payment of interest in respect of land owned by the State Government, it was stated that efforts would be made to obtain refund from the State Government.

29. Eastern, North Eastern, Northeast Frontier, South Central and South Eastern Railways—Outstanding dues against Government Departments and outsiders due to delay in revision and recovery of rent for Railway buildings and water charges.

The Railway Board issued directives in August, 1966 that for computing the element of interest required to be included in the rent recoverable for railway buildings, including residential quarters let out to other Government Departments and outsiders, the rate should be 5 1/2 per cent on investments

made upto 31st March, 1964, and 6 per cent on investments thereafter. These orders were required to be implemented immediately. The revision of rent of such buildings was, however, done by the Eastern and North Eastern Railways as late as February, 1970 and February, 1971 respectively, giving retrospective effect from 1st April, 1966. The undue delay in revision of rent resulted in accumulation of outstanding dues to the extent of Rs. 30.04 lakhs in these two Railways, against which a sum of Rs. 14.26 lakhs is outstanding as mentioned in the Annexure III. On the Northeast Frontier Railway, the revision of rent has not so far (November, 1972) been completed. However, the position of recovery of rent was not satisfactory as a sum of Rs. 7.61 lakhs was outstanding on 31st March, 1971, which has been brought down to Rs. 3.87 lakhs by the end of August, 1972, but the amount due is likely to be more if the Board's orders were implemented and revised rates of rent enforced from 1st April, 1966.

Water charges are also recoverable from the users of Railway buildings at the rates fixed by Railway Administration from time to time. A review of the position revealed that a sum of Rs. 2.79 lakhs was due for recovery, as mentioned in Annexure III mainly on account of delays in revision of rates and preferring bills against the users.

EARNINGS AND COMPENSATION CLAIMS

30. Western Railway—Loss due to incorrect recovery of freight charges in respect of plantains booked in wagon loads by coaching trains.

Lump sum wagon load rates, calculated at quarter parcel rates, were notified by Western Railway Administration with effect from 1st April, 1965, for the carriage of plantains booked in 4 wheeled wagons or vehicle loads by passenger or parcel trains from any B.G. Station to any B.G., M.G., or N.G. station, for hauls over 320 kms. in local bookings. These rates were withdrawn with effect from 1st May, 1969 and simultaneously, from the same date, certain station to station rates based on quarter parcel rates were quoted for the movement of plantains traffic from Bardoli, Surat and Utran Stations to Mathura. As a result, traffic in plantains carried from or to any other stations became chargeable at the normal tariff applicable to fresh fruits *i.e.*, at half parcel rates (Scale 4 rates with effect from 1st April, 1970). It was, however, noticed that freight charges, in respect of plantains booked in wagon loads by coaching trains from Chalthan and Gangadhra to Mathura, from Gangadhra to Ahmedabad (In this case lump sum wagon load rates were not admissible even earlier due to distance being less than 320 kms.)

and from Surat to Bharatpur and Kota Stations, during varying periods between August, 1969 and November, 1969 and August, 1970 and October, 1970, had been recovered at lump sum wagon load rates which had been withdrawn, instead of at normal rates. This resulted in under collection of freight charges to the extent of Rs. 2.43 lakhs.

The Railway Administration stated (October, 1972) that though there had been failure of staff both at the booking stations and in the Traffic Accounts Office, recovery of freight charges at the normal tariff rate would have resulted in an anomalous situation in as much as different stations in the same plantain producing area would be charging different rates. They stated further that the distances from Bardoli to Chalthan and Gangadhra being 16 Kms. and 6 Kms. respectively, the Trade would have preferred to move traffic from Bardoli at the concessional rate, rather than pay normal tariff rate for the traffic originating from Chalthan and Gangadhra; similarly, the traffic booked ex-Surat to Kota and Bharatpur would also have been consigned to Mathura in order to avail of the concessional rate, as carriage at the normal tariff rate to Kota and Bharatpur would have proved uneconomical to the Trade. It is, however, stated that the Railway Administration reduced the scope of concessional rates with effect from 1st May, 1969 after conducting a review of traffic in 1968. Failure to collect freight charges in accordance with the tariff current on the dates of booking of traffic at Chalthan, Gangadhra and Surat resulted in the under collection of revenue to the extent mentioned above.

31. Southern and South Central Railways—Non—collection of travelling expenses of railway staff accompanying wagons loaded with over dimensional consignments.

Travelling expenses at the rate of 50 paise per km. are chargeable with effect from 1st July, 1970, in addition to railway freight, in respect of Railway staff accompanying the wagons loaded with consignments exceeding the maximum moving dimensions notified for conveyance.

It was pointed out in March, 1971 that realisation by Southern Railway of such prescribed charges towards travelling expenses of the Railway staff was not being watched. The Railway Administration issued instructions on 30th July, 1971, that the booking stations should include such charges towards the travelling expenses at the prescribed rate in the Invoices and the Railway Receipts prepared for the booking of over dimensional consignments. They also reviewed the position in respect of four stations from which such consignments had been booked during the period from July, 1970 to September, 1971 and raised debits against the station staff for a sum of Rs. 58,545

for recovery from the consignors, consignees or railway staff. A further review conducted in December, 1971, revealed undercharges to the extent of Rs. 72,390 in respect of such consignments booked from two other stations during the same period. The Administration, however, revised on 18th July, 1972, the procedure prescribed in July, 1971, and directed the booking stations to send telegraphic advices to the destination stations about the railway staff accompanying the oversized consignments so that the charges towards travelling expenses could be collected at the destinations. The Railway Administration also decided (September, 1972) to withdraw the debits raised earlier against four stations on the plea that the responsibility for collecting the charges was that of destination stations, without ensuring that the charges had actually been collected. Thus, till now (December, 1972) recoveries of these charges amounting to Rs. 1.31 lakhs have not been confirmed and a detailed review of transactions from 1st July, 1970 is yet to be completed by the Divisions.

Similar undercharges amounting to Rs. 29 thousand had been noticed on South Central Railway, as a result of test check.

32. South Eastern Railway — Underloading of B.G. wagons carrying manganese ore.

Manganese ore booked from four stations on the N.G. Section of Nagpur Division of South Eastern Railway is transhipped from Narrow Gauge to Broad Gauge wagons at Itwari station. The transhipment was being done either by placing Narrow Gauge hopper wagons on a chute line and then discharging the ore into B.G. wagons placed underneath or through manual labour. Under the former chute arrangement, the contents of only one N.G. hopper wagon could be transhipped into one B.G. wagon. The average carrying capacity of a B.G. wagon being 22 tonnes as against 16.5 tonnes of N.G. Hopper wagon, this resulted in under loading of B.G. wagons to the extent of 5.5 tonnes per wagon. In case of transhipment by manual labour, it is generally possible to tranship the contents of 3 N. G. wagons into 2 B.G. wagons. Thus, the use of the chute line for transhipment resulted in under utilisation of B. G. wagons, apart from lack of flexibility and detention to N. G. wagons as only B. G. open wagons could be used for such transhipment, unlike manual system where other types of B. G. wagons could also be used. Still the chute arrangement was utilised mostly till December, 1969, and from January, 1970, the bulk of transhipment of manganese ore is being done by manual labour.

Though the Ministry of Railways (Railway Board) stated in January, 1971, that mix up of consignments at the transhipment point is not permissible, it

was, however, found that clubbing of consignments was possible in cases where 3 and more N. G. wagons had been booked under the same invoice from the same originating station to the same destination station. Assessed on this basis, the contents of 1879 N. G. wagons handled on chute line during the year 1969 could have been transhipped into 1473 B.G. wagons instead of 1879 actually used. Thus 406 B.G. wagons were found to have been used in excess of requirements. The cost of haulage of these B.G. wagons works out to Rs. 1.87 lakhs. After allowing for the elements of additional expenditure involved in manual handling and excess detention to wagons involved in this process, the extra haulage cost to the railway is estimated at Rs. 1.68 lakhs for the year 1969.

33. Southern Railway — Dues outstanding against Madras Port Trust on account of hire charges of wagons.

According to the working agreement between the Southern Railway and the Madras Port Trust Railway, free time of 21 day light hours (11 hours for unloading and 10 hours for reloading) was allowed in respect of loaded wagons received and back loaded by the Port Trust. For wagons detained beyond the free time, the Port Trust was liable to pay hire charges. In August, 1963, the Southern Railway Administration advised the Port Trust Authorities that the released wagons could be detained by the latter for an extra time of 12 hours, to meet their loading requirements of the following day. The Southern Railway Administration withdrew this additional facility in October, 1965, but did not ensure that the advice in this regard was received and duly acknowledged by the Madras Port Trust Authorities. As a result, wagons continued to be detained by the Madras Port Trust Authorities beyond the normal free time of 21 day light hours, without, however, any payments on account of hire charges for the excess detention of 12 hours permitted in August, 1963 but notified for withdrawal in October, 1965. The withdrawal of extra time was finally given effect from 1st June, 1967. This resulted in short recovery of hire charges over the period from November, 1965 to May, 1967, which, as assessed on the basis of the bills originally preferred by the Railway Administration against the Madras Port Trust and withdrawn subsequently, works out to Rs. 90 thousand for the year 1966-67.

According to Southern Railway Administration the extra time had been granted in August, 1963 in the interest of operational convenience, as it enabled them to meet the heavy demands of Madras Port Trust for wagons, and also avoided working of empties through Royapuram Terminal which had

limited yard facilities. However, a review of the traffic handled at Royapuram and Madras Port Trust showed that heavier traffic had been handled at these places before and/or after the grant of extra time. The grant of extra time during the period from August, 1963 to October, 1965 was also, therefore, not justified.

Besides, an amount of Rs. 1.73 lakhs towards balance of hire charges for the year 1966-67, calculated even after giving an allowance for the extra time of 12 hours, is also outstanding (December, 1972) against the Madras Port Trust.

34. South Central Railway — Payment of compensation for alleged non-delivery of wagon load consignments of steel.

Twelve M. G. wagon loads of mild steel billets weighing 251 tonnes were booked from Bhadravati Station on Southern Railway to Aurangabad on South Central Railway under nine different invoices issued in December, 1967. The consignments were carried by a longer route involving two transshipments as carriage by the shorter route which was an all M. G. route, was not considered feasible by the Administration due to operational considerations. The consignments were received at the destination station, loaded in nineteen M.G. wagons, as against twelve M.G. wagons when booked, due to transshipments enroute. The deliveries of all these consignments were said to have been effected between 30th December, 1967 and 10th January, 1968. Acknowledgement of the consignee was obtained in the delivery book against six out of the nine invoices.

In February, 1968, the consignee preferred a claim for compensation for non-delivery of consignments weighing 82.43 tonnes booked against three invoices and in support of his claim produced three railway receipts then in his possession. The claim was rejected by the Railway Administration stating that the consignments in question had already been delivered to the consignee, though the railway receipts had been left to be collected.

The consignee, thereupon, filed a suit against the Railway Administration in the Court of Civil Judge, Aurangabad. The suit was decreed in September, 1970 for Rs. 65 thousand. The Railway Administration filed an appeal in the High Court of Bombay along with petitions for stay of execution of the decree and for leave to adduce additional evidence after remand. On the stay petition, the High Court passed orders to deposit the entire decretal amount in the lower court and accordingly, the amount was deposited by the Railway Administration in March, 1971. The appeal is still (December, 1972) pending.

The Railway Administration stated (October, 1972) that since some of the wagons had arrived at Aurangabad without pocket labels and the consignments had been clubbed at the time of transshipment, the station staff delivered all the nine consignments mistaking them to pertain to the six Railway Receipts which had been collected by them. Action against the station staff for having failed to collect all Railway Receipts and to obtain consignee's signature in the Delivery Book for all consignments is stated to be in progress.

35. South Central Railway — Avoidable payment of compensation claim.

A wagon load of steel rounds was booked on 8th January, 1969, from Durgapur Station on Eastern Railway to Hadapsar on South Central Railway. The wagon did not reach the destination station and the consignee preferred a claim for Rs. 53 thousand as compensation on 4th March, 1969.

The rules provide that immediately a Railway receives intimation of a compensation claim in connection with a through consignment, it shall send a notice to all Railways on the booked route, requiring them to prove delivery of the consignment. The notice to other Railways in this case was, however, given as late as 19th/27th September, 1969. Investigations initiated thereafter revealed that while in transit, the wagon was misdespatched and reached Hasanpur Road on North Eastern Railway on 16th March, 1969. The consignment was unloaded there and remained unconnected till 10th July, 1969, when it was transferred to Lost Property Office at Gorakhpur where it was finally sold by auction on 26th September, 1969 for Rs. 12 thousand. Thus even before commencement of detailed investigations, the consignment had been misdespatched and sold as unconnected consignment at almost one-fourth of the real value. The report of the disposal became available on 25th November, 1970, and the consignee was paid a compensation of Rs. 48 thousand in March, 1971, resulting in a net loss of Rs. 36 thousand to the Railway. The loss in terms of freight on account of movement of the wagon from Durgapur to Gorakhpur is assessed at Rs. four thousand.

The Railway Administration stated (October, 1972) that the long delay in completion of investigation was due to misdespatch of the wagon as enquiries were initially confined to the normal route only.

EXPENDITURE ON STAFF

36. North Eastern, Northeast Frontier and Western Railways—Avoidable expenditure due to non-compliance with the provisions of the Industrial Disputes Act, 1947.

According to the provisions of the Industrial Disputes Act, 1947, no workman employed in an industry, being in continuous service for not less

than one year, should be retrenched until (a) he has been given one month's notice in writing indicating the reasons for retrenchment and the period of notice has expired, or he has been paid in lieu of such notice wages for the period of the notice; and (b) he has been paid, at the time of retrenchment, compensation as prescribed in the Act.

The North Eastern, Northeast Frontier and Western Railway Administrations had to incur avoidable expenditure of Rs. 4.82 lakhs due to non-compliance with these provisions of the Act, as indicated below, while terminating the services of some of their workmen.

North Eastern Railway

The services of 13 Mechanical Signal Maintainers who had been in continuous employment for about 6 to 7 years were terminated with effect from 15th August, 1966 and 15th February, 1967 due to reduction in the volume of work. Notices of termination served on them did not contain the reasons for retrenchment nor was any retrenchment compensation paid to them. The retrenched staff filed writ petitions/special appeals in the Lucknow Bench of Allahabad High Court. The High Court, in their judgments of 14th January, 1970 and 14th 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. The Railway Administration had, therefore, to pay a sum of Rs. 92 thousand as arrears of pay and allowances and retrenchment compensation to these employees, in satisfaction of the Court judgment.

The Railway Administration stated (October, 1972) that the fact regarding applicability of the Industrial Disputes Act to Railway staff became known to them only after the Court delivered its judgement on 14th January, 1970. It is, however, pointed out that a new sub-para to Rule 149 of the Indian Railway Establishment Code, introduced on 6th August, 1962, enjoined that if the Railway servant or Apprentice was one to whom the provisions of the Act applied, he should be entitled to notice or wage in lieu thereof in accordance with the provisions of the Act. The Railway Administration could have examined the applicability of the Act to these staff and followed the correct procedure for retrenchment.

Northeast Frontier Railway

On completion of the construction work at New Jalpaiguri, the casual labour staff posted there, who had been in continuous service for more than one year and had by then acquired the status of temporary railway servants in accordance with the extant rules, were retrenched in January-February,

1968. Of the temporary staff so retrenched, 73 filed writ petitions in the High Court at Patna on the grounds that the Administration in retrenching them, had not complied with the provisions of Industrial Disputes Act, 1947; had not paid compensation as per rules; and had not observed the principle of 'last in first go'. The High Court, in its judgement of May, 1969, declared the orders of retrenchment as illegal and invalid and ordered that the petitioners should be reinstated in service and should be paid the arrears of their wages and other allowances. The retrenched labourers were therefore, reinstated and retrenched properly with effect from 26th August, 1969, entailing avoidable payment of Rs. 2.22 lakhs towards wages for the intervening period.

The Railway Board stated (December, 1971) that the recruitment of casual labour was made by the Permanent Way Inspectors and the decision to discharge them at the time of completion of the work was taken by the Assistant or District Officers who were not fully conversant with the intricacies of Labour Legislation and they did not have the benefit of advice of any Personnel officer conversant with Labour Legislation. It may be pointed out that the Railway Board had issued comprehensive instructions in December, 1959, clarifying various points connected with the retrenchment benefits to casual labour on Railways under the provisions of the Industrial Disputes Act, 1947.

Western Railway

The services of 56 employees, to whom the provisions of the Industrial Disputes Act, 1947 were applicable, had been terminated on different dates between August, 1965 and ~~March, 1966~~ ^{April, 1968} due to reduction in the construction activities. Some of them were subsequently reabsorbed with a gap in service. The payment of retrenchment compensation to these employees could not, however, be arranged by the Railway Administration before the expiry of the second working day from the day on which the employment was terminated. The Assistant Labour Commissioner, to whom the matter was represented by some of the workmen, directed the Railway Administration to treat their services as continuous and make payment of wages for the period of break in service. The Ministry of Law, who were consulted, also advised that since the retrenchment would be illegal and invalid, the workers would be entitled to be treated as in service and their wages had to be paid. A sum of Rs. 1.68 lakhs representing pay and allowances for the intervening period upto the date of payment of compensation or reabsorption was accordingly paid to the retrenched employees. There are still some more

cases which are being examined by the Railway Administration to see if they also attract the relevant provisions of the Industrial Disputes Act, 1947.

The Railway Administration stated (October, 1972) that the period for completion of works varied from a few months to years. This coupled with the scattered nature of the work over the Railway and deployment of staff in varying strength by moving them from one work to another, depending on the need, virtually made it impossible to resort to termination of services of workmen, not required at one place, by following the Statutory provisions.

37. Central Railway—Avoidable expenditure due to mishandling of a Court case.

A Senior Loco Inspector who had been involved in a criminal case was placed under suspension in April, 1961 but was reinstated in July, 1962 after his acquittal. Departmental Enquiry was instituted against him in 1964, for not carrying out transfer orders issued on 16th September, 1963, absence from duty from the same date and non-vacating of Railway quarters. He was found guilty and his services were terminated on 7th May, 1965. He filed a suit in July, 1968 in the Court of the Additional Civil Judge, Agra for setting aside the orders of his termination from service and for payment of the arrears of salary on the grounds that the officers and colleagues were prejudiced against him; he could not carry out the transfer orders because his wife was ailing; the Enquiry was illegal and the Enquiry Officer, despite request, did not give copies of certain letters which were necessary for his defence; he was not given opportunity for being represented or to cross examine the witnesses or to give his defence and the enquiry was conducted in a manner which was against the natural justice. Two summonses issued by the Court for hearing on 7th December, 1968 and 29th April, 1969 were received in General Manager's Office on 19th October, 1968 and 10th March, 1969 respectively, but were passed on to the office of the Chief Commercial Superintendent (Claims) without verifying whether they belonged to the Personnel Branch or not. As no representative of Railway Administration attended the Court, an *ex parte* order declaring the termination of the employee as illegal and void and treating him as continuing in service was passed by the Additional Civil Judge on 27th May, 1969.

The Railway Administration came to know of this decision only on 17th September, 1969 on receipt of a copy of the Judgement sent by the employee. The period of limitation for filing the restoration appeal had,

however, expired on 26th August, 1969. Thereupon, the Railway Administration filed an appeal in the High Court, Allahabad as late as 6th November, 1969. Simultaneously, an application for setting aside the *ex parte* order was also filed in the Civil Court, Agra. The High Court, Allahabad, declaring that there was no reason to allow the application for condonation of delay where the applicant had been very negligent, dismissed the appeal on 12th October, 1970. The Civil Judge, Agra also rejected the application for setting aside the *ex parte* order, on 2nd February, 1971.

The Railway Administration filed a revision petition in the High Court, Allahabad against the Judgement, dated 2nd February, 1971 of the Civil Judge. The High Court dismissed it also on 2nd December, 1971, observing *inter alia*, that there was no satisfactory explanation at all for the delay between 17th September and 5th November, 1969 and that the Court below was perfectly justified in rejecting the application. Subsequently, the Railway Administration contemplated appealing to the Supreme Court but decided not to do so on the advice given by the Ministry of Law, Bombay. The employee was reinstated with effect from 23rd June, 1972 and pay, allowances and contributions to his Provident Fund for the period after 7th May, 1965, the date of termination of his services, amounting to Rs. 94,707 were allowed to him.

The Railway Administration stated (December, 1972) that a system of receiving the summons directly and registering each summons had been introduced from March, 1971 in the Court Registry Section of the Railway.

FRAUDS, LOSSES AND SHORTAGES OF CASH AND STORES

38. Eastern Railway—Misappropriation of cash in Budge Budge Goods Office.

On 5th April, 1971, Budge Budge Goods Office, when opened in the morning, was found strewn all over with some of the Goods Office records. On an inventory being taken, it was found that certain important records were missing. The theft aroused suspicion and the Railway Administration deputed on 13th/21st April, 1971 a joint team of Commercial and Accounts Inspectors to investigate and assess the extent of financial irregularities involved, if any. A scrutiny of (i) the available station records, (ii) the accounts of goods cash reconstructed on the basis of the railway receipts which were not missing and the particulars in other records which were still available in the Accounts Section of the Goods Office and (iii) the particulars of payment of railway dues by the siding holders as obtained

from them, revealed that a sum of Rs. 1.78 lakhs had been misappropriated during the period from November, 1969 to March, 1971. The *modus operandi* of the fraud was that the inward freight charges paid in cash by the siding holders were shown as outstanding in railway records and/or these transactions were not accounted for at all by keeping such freight charges out of station accounts, although the siding holders had been granted money receipts for the charges realised from them. The Goods Clerk suspected as responsible for the misappropriation had been suspended with effect from 30th October, 1971. The Chief Goods Clerk, who was held responsible for failure to detect the irregularities committed by the Goods Clerk, had also been suspended with effect from 13th November, 1971. However, finalisation of departmental proceedings against these officials is stated to have been held up because some original records had been taken over by the Special Police Establishment who are also investigating into the case on their own information. The extent of responsibility of the Accounts and Commercial Inspectors for their failure to detect the irregularities during their periodical visits to the station and of the Accounts staff for their lapses in internal check conducted at the Headquarters is also yet to be assessed.

The fact finding enquiry by the joint team of Commercial and Accounts Inspectors is still (December, 1972) in progress, particularly with reference to transactions prior to November, 1969, with a view to find out whether any more misappropriations are involved. The investigation of the case has, however, not been conducted so far (November, 1972) at the level of Gazetted Officers.

The Ministry of Railways (Railway Board) stated (December, 1972) that instructions had been issued to the Railway Administration in October, 1972 to have an enquiry conducted by Divisional Officers.

39. Chittaranjan Locomotive Works and South Eastern Railway—Loss of cash.

(i) Chittaranjan Locomotive Works

On 7th January, 1971 at about 11.30 A.M., the sub-cashier of Chittaranjan Locomotive Works, presented two cheques, drawn by Chittaranjan Locomotive Works, for a total sum of Rs. 18,51,900 .45 and 7 cheques for a total sum of Rs. 36,604.97, drawn by Chittaranjan Locomotive Works Co-operative Credit Society Ltd., at the State Bank of India, Chittaranjan, for encashment. The subcashier also carried with him remittance vouchers for a sum of Rs. 2,145.02 for deposit in the accounts of Chittaranjan Locomotive Works and for Rs. 2,241.14 for deposit in the account of Chittaranjan Locomotive Works Co-operative Credit Society Ltd., The cheques were passed by the Bank at about 12.40 hrs. At about the same hour, the payment

cashier of the Bank collected the token from the Sub-cashier of the Chittaranjan Locomotive Works. After the required cash was brought to the payment counter from the strong room, the Sub-cashier of the Chittaranjan Locomotive Works, who was inside the Cash Department enclosure with his boxes, was asked to count the cash and take delivery. Accordingly, the Sub-Cashier of the Chittaranjan Locomotive Works, packed Rs. 13,04,000 in one box, Rs. 3,60,000 in the second box and locked them as and when the boxing was over. When he had placed Rs. 2,07,000 in the third box and was in the process of counting the balance money, five or six youngmen suddenly appeared in the Bank armed with rifles and revolvers and exploded 10/12 bombs inside the Bank and Cash Department enclosure, causing severe injuries to a Railway Police guard. They removed all the loaded cash boxes of the Railways and decamped with the money.

When the State Bank of India, Chittaranjan Locomotive Works, was requested to make available further cash, they informed that the Bank was prepared to give further cash on presentation of a fresh cheque. To facilitate disbursement of wages to the workmen on 8th January, 1971, the Chittaranjan Locomotive Works Administration had to present a fresh cheque for Rs. 18,85,000.

The question whether the loss involved in the dacoity would be that of Chittaranjan Locomotive Works Administration or the State Bank of India has not yet (December, 1972) been settled. The Ministry of Railways in consultation with the Ministry of Law advised (July, 1972) the General Manager, Chittaranjan Locomotive Works to discuss the matter personally with the Managing Director, State Bank of India, Bombay so that the question of settling the dispute by negotiation or arbitration could be considered.

(ii) South Eastern Railway

On 10th November, 1971 between 00.40 and 00.50 hours, when a cashier of South Eastern Railway was travelling by passenger train between Pundag and Kotshila stations of Adra Division with cash in his cash box for payment of regular salary bills, five unknown miscreants attacked him and decamped with a sum of Rs. 2,92,850.72. They also took away two rifles and 40 rounds of ammunition from the Railway Protection Force Rakshaks escorting the cashier. The cashier, arrested by the police, was released on bail under the orders of the Court dated 1st March, 1972. The case is still under investigation by the Police.

S/17 CAG/72—5.

40. Central, Eastern, Northern, North Eastern, Northeast Frontier, South Central and South Eastern Railways—Deliveries of consignments on forged Railway receipts.

In paragraph 52 of Audit Report, Railways, 1968, a number of cases of fraudulent deliveries on forged railway receipts had been mentioned. The Public Accounts Committee (4th Lok Sabha), while considering this para in their Sixtieth Report (1968-69), observed, *inter-alia*, that exemplary action should be taken to prevent instances of negligence or connivance on the part of the railwaymen involved and that action in regard to fixing of staff responsibility should be taken expeditiously.

The *modus operandi* generally adopted in such cases is to divert consignments to stations other than those to which these have been booked and then take delivery at these stations on the basis of forged railway receipts. In a number of cases even at the original destination stations deliveries were obtained on forged railway receipts by persons other than the rightful consignees. To guard against such fraudulent deliveries the extant instructions provide that the railway receipt presented at the destination station should be compared with the invoice copy received from the forwarding station and in cases where the invoice copy has not been received, particulars of booking should be obtained from the forwarding station, if necessary, telegraphically; or alternatively, delivery may be made after proper identification of the party seeking delivery.

A review of the position conducted over the period from April, 1970 to September, 1971 showed that a number of cases of deliveries on forged railway receipts (Goods and Parcels) continued to occur on the Railways, mainly because of failure to observe these instructions. The compensation claims which have been preferred on Railways by the rightful owners amounted to Rs. 13.59 lakhs. The details of the cases noticed are given in Annexure IV.

41. Central Railway—Loss due to shortage of coal in Loco Shed at Bhopal.

Heavy shortages of coal were noticed in the loco shed at Bhopal during a departmental survey conducted in February, 1970. Subsequently, a joint coal survey conducted during March, 1970, associating an accounts representative also, revealed a net shortage of 1844.320 tonnes of coal, after excluding short receipts (511 tonnes) and handling losses (375 tonnes) for the period from 10th October, 1969 to 13th March, 1970.

The Departmental Enquiry Committee which investigated the shortages, submitted its report in March, 1971. The report brought out that (i) stack

measurements had not been recorded in the stack register as the stacks had not been formed as per the rules, (ii) the difference between the book and the ground balances had not been worked out and recorded separately, (iii) documents regarding coal wagons placed in the loco shed and wagon exchange had not been properly maintained, (iv) documentation of wagons received and unloaded in shed was not proper, (v) class IV staff, without proper training, had been detailed to work as coal checkers, (vi) prescribed monthly surveys of coal by the Assistant Loco Foreman-in-charge of the shed and half yearly surveys by the Assistant Mechanical Engineer had not been conducted in the absence of proper accountal and documentation of coal transactions in the shed and (vii) the Stock verification conducted by the staff of the Accounts Department, in December, 1969 was not a physical verification but merely a voucher check.

Railway Protection Force staff had been posted at the loco shed round the clock, yet there had been a shortage of 1925.720 tonnes of coal (including 81.2 tonnes detected as a result of further checks for the period from 1st February, 1969 to 9th October, 1969), valued at Rs. 1.34 lakhs.

The Departmental Enquiry Committee held that the coal clerk and the Assistant Loco Foreman-in-charge of the shed, during the period, were mainly responsible for the lapses. The Railway Administration stated (September, 1972) that the lapses pointed out by Enquiry Committee were to be examined and the explanations of staff held responsible considered by the competent authority. They also stated that departmental action against the Assistant Loco Foreman-in-charge was in progress.

It may be pointed out that the clerk held responsible for the lapses had already been removed from service in connection with another case.

OTHER TOPICS OF INTEREST

42. Installation of Computers on the Indian Railways.

Indian Railways had been using punched card data processing machines for several decades for statistical compilation. In August, 1963 the Railway Board concluded a contract with firm 'A' for the supply and installation of Unit Record Equipment and Accounting Machines. These machines were imported and installed on the Railways between July, 1964 and May, 1965, on monthly rental basis. The Railways were liable for payment of initial charges termed as actual importation charges, which amounted to

Rs. 20.07 lakhs. Besides, the monthly rent paid was of the order of Rs. 1.54 lakhs before devaluation (June, 1966) and Rs. 2.41 lakhs after devaluation.

In January, 1963 the Chittaranjan Locomotive Works proposed to the Railway Board the installation of a computer for applications like pay roll and Provident Fund accounting, inventory control, job costing, production control etc., and assessed that outright purchase of the computer would be more economical than hiring on the basis of a service life of ten years. However, in view of the considerable outlay and the need to gain experience in the use of new equipment they proposed to the Railway Board that the computer might be taken on hire for two years with an option clause for outright purchase. In June, 1964, the Chittaranjan Locomotive Works re-examined the relative economics of outright purchase *vis-a-vis* rental plan and recommended rental taking into account the financial and administrative factors and the economic life of computer as not exceeding five years. The Railway Board thereafter sanctioned (February, 1965) the installation of computer by firm 'A' at the Chittaranjan Locomotive Works on rental basis and it was commissioned in August, 1966. Subsequently, 13 more computers were installed, all on rental basis, by the same firm between November, 1966 and January, 1970, on the Zonal Railways, Integral Coach Factory, Diesel Locomotive Works, Railway Board and Mughal-Sarai Yard.

The agreement with the firm provided for payment of one time charges (installation charges) plus monthly rental for each of the equipment; in addition, Railways had to pay all casing and packing cost, actual cost of transportation, rigging and drayage of the machines within India and also actual cost of importation for imported machines which included freight, insurance, and actual customs duties. The monthly rental was based on the use of the Central Processing Unit for 176 hours per month beyond which additional time was billed at 30 per cent of the hourly rate derived from the monthly rental. The annual minimum rent of the equipment amounted to Rs. 101.18 lakhs. The actual hire charges paid for 1971-72 was Rs. 107.31 lakhs, out of which the Railways earned Rs. 8.34 lakhs by selling computer time. The cost of civil engineering, electrical and other works and the initial installation and importation charges incurred so far (October, 1972) on all the 14 installations amounted to approximately Rs. 69.20 lakhs. The rental basis was adopted in all cases and none of the agreements provided for an option for purchase.

The Ministry of Railways (Railway Board) stated (November, 1972) that the rental system was financially justified at least for ten years and it

had the advantage of guaranteed maintenance facilities and other assistance available from the firm. Also in view of the recognised necessity to switch over to more versatile and powerful computers in the near future, the rental system involved less financial burden.

The punches, verifiers and sorters needed for the punched card data processing machines had been purchased as well as hired before 1964. Such equipments obtained in 1964 from firm 'A', along with the Unit Record Equipment and Accounting Machines, on rental basis, were retained as ancillary equipments to the computers and continue to be on hire (November, 1972). The total rent paid for such equipments till June, 1972 worked out to approximately Rs. 50.17 lakhs as against the purchase price of Rs. 12.90 lakhs, which would have involved payment of maintenance charges amounting to Rs. 25.54 lakhs for the same period if purchased *ab initio*. The c.i.f. cost of these equipments was declared as Rs. 6.14 lakhs by firm 'A' while claiming actual importation charges in August, 1964.

The Ministry of Railways (Railway Board) explained that the ruling prices for the different items were as per the Company's catalogue prices and these were charged to all customers. There is no means for relating the c.i.f. value of any particular item to such sale price. Incidentally, but for the devaluation in June, 1966, the total rental would have been worked out to Rs. 34.60 lakhs only. The Railways have paid the same rates of rental on these items as other users in India in the public and private sector. The Ministry of Railways further explained that, as in the case of the main computer, the advantages of technological advances in the quality of punches, verifiers and sorters, which could be availed of by changing over to a subsequent model under the rental system, would not be available where these were purchased outright.

Some features relating to the usage of these computers are mentioned below :—

(i) Utilisation of computers

The computers installed on the Railway system are capable of processing programmes so as to achieve a level of utilisation of about 400 meter hours per month of the Central Processor. A review of the working of these computers showed (June'72) that utilisation ranged between 92 and 400 meter hours and there was no uniformity on the applications taken over on computers by different Railways, even though the Railway Board

had laid down a procedure for development by each Railway of specified programmes and their adoption on other Railways to ensure fuller utilisation of computers.

The Ministry of Railways (Railway Board) stated (December '72) that according to a study referred to in the report of the Automation Committee on the usage of about 70 computer installations in India, the All India average usage for computer of this series was 237.6 meter hours per month; judged by this standard, computers in Indian Railways (with 284.4 meter hours excluding Northeast Frontier Railway and Mughalsarai, which are operating under special conditions) had a very high degree of usage. They also explained that variations in the efficiency and extent of usage of computers were due to factors like different dates of installation of computers and consequential variations in the period of familiarity and experience gained after their installation, volume of coding work, time taken to persuade staff, particularly in certain areas, to see the advantages of computerisation, differences in procedures and other accidental factors.

(ii) Provision of computer in the office of the Railway Board :

In June, 1967, the Railway Board approved a proposal to instal a computer to enable the Board to oversee, co-ordinate and direct Railway operations effectively by obtaining more details of the operating position in their office (*viz.*, particulars of daily interchange of wagons for each pair of Railways and the wagon balance on each Railway, typewise) and to dispense with the labour intensive collection of similar information by the Indian Railway Conference Association at New Delhi. Broad Gauge wagons were to be covered in the first phase and the M.G. wagons in the second phase. Although the computer started functioning in Rail Bhavan from September, 1968, only the first phase of the work could be covered. The second phase of the scheme relating to M.G. has not so far (October, 1972) been taken over.

The Ministry of Railways (Railway Board) stated that the second phase of the work could not be taken over for want of computer capacity in the existing system and that a proposal to re-number all the existing wagons to facilitate computer wagon chasing was under consideration (December, 1972).

(iii) Retention of old Accounting Machines

At the time of installation of computers each of the seven major Railways were allowed to retain alongwith the computers, one Accounting Machine also (at a monthly rental of Rs. 4627 per machine) to process the

comparatively smaller applications like operating statistics. During the change over, these machines were retained for varying periods (on one Railway upto 26 months) from the dates of installation of computer.

The Ministry of Railways (Railway Board) stated that the accounting machines had to be retained as stand-by in the initial stages in view of the time bound applications, like preparation of Outward abstracts, based on which, stations had to compile their Balance-sheets by a specified date each month. There were other applications like operating statistics and commodity statistics which, with appropriate preparatory work (including writing of programmes) varying in detail with the local procedure, could have been taken over on the computers, as was done subsequently. This change-over naturally took some time during which period the accounting machines had to be retained.

(iv) Special printer for the computer unit at the Integral Coach Factory.

The computer at the Integral Coach Factory was initially equipped with a printer of the same model as in other Railways/Production Units to take in continuous stationery. In August, 1968, a special printer was added for printing of production documents like route cards, etc., with an increase in rental Rs. 8438 per month, as it was stated that the continuous stationery previously used could not produce documents which could withstand rough handling at shop floor. In October, 1971, Integral Coach Factory located cards of adequate thickness and sought to replace the special printer with the original printer to reduce the rental and the replacement was made in April, 1972 (as per agreement it was expected to be surrendered in October, 1972). The extra expenditure by way of rent, installation charges etc., incurred on account of this special printer was Rs. 4.08 lakhs.

The Ministry of Railways (Railway Board) stated that the printing of the type of production documents was a part of systems analysis developed exclusively by I.C.F. and since continuous card stationery was not available at the time the work was computerised, the change-over to [this special printer became inevitable in August, 1968; it was surrendered as soon as continuous stationery of required quality and thickness became available.

43. Procurement of Disc Packs for Computers at high rates

Disc Packs required for the computers installed at the three Production Units, viz., Chittaranjan Locomotive Works, Integral Coach Factory and Diesel Locomotive Works and also at Railway Board were imported since

1965 through a firm at their catalogue price *i.e.* \$ 490 each. In accordance with the standard conditions of contract agreement, the Railways had to pay, besides the catalogue price, the actual importation charges incurred by the firm as customs duty.

The first purchase of 39 Nos. Disc Packs was made by the Chittaranjan Locomotive Works Administration under an agreement executed in April, 1965, which provided that the prices quoted therein were those currently in effect and if the firm's established price for a machine at the time of delivery would be lower than the catalogue price of \$ 490 (Rs. 3,712) each, the purchaser would have the benefit of lower price; if the established price at the time of delivery were higher than the catalogue price, the purchaser would terminate the agreement as a whole in respect of the machine/machines for which price had been increased without further obligation or liability to either party.

The payment for 39 disc packs was made by Chittaranjan Locomotive Works in November, 1966 at the rate of Rs. 3,712 each. Subsequently, on receipt of claim for re-imbursement of the importation charges, the connected shipping documents produced by the firm were checked and it was then noticed that the prices of these disc packs shown by the firm in the Bills of Entry ranged between 265 DM and 275 DM (Rs 498 and Rs.517) as against the price of Rs. 3,712 charged to the Chittaranjan Locomotive Works Administration. The difference between the prices shown in the Customs documents and those claimed from the Railway Administration amounted to Rs. 1.25 lakhs. When the discrepancy was brought to the notice of the firm in May, 1969 for a possible refund, the firm informed that the amounts shown in the Bill of Entry, being inter-company prices between the branches of the firm, had no bearing on the Sale Price, which was in conformity with agreement, as certified by their External Auditors and their 'Sales Manual'.

Besides, 151 similar Disc Packs were purchased by Integral Coach Factory, Diesel Locomotive Works and Railway Board from the same firm at a price of \$ 490 (Rs. 3,717) each between November, 1968 and July, 1970 and the importation charges were admitted only on the basis of certificates of actual expenses given by the firm's statutory Auditors. The difference between the amounts actually paid by the two Production Units and the Railway Board for these Disc Packs and the amounts as per prices shown in the Bills of entry relating to the purchase by Chittaranjan Locomotive Works was Rs. 4.83 lakhs.

The Railway Administration stated that there had been neither any over payment nor any failure of internal check and the legal opinion obtained

by the Railway Board from the Ministry of Law was that it might be difficult to resist the claims of the firm as the price mentioned in the contract was the established delivery price.

In June, 1972, the Railway Board decided to procure such Disc Packs from alternate sources. A free sample of Disc Pack offered by another firm was obtained (November, 1972) for trial. Its c.i.f. value was declared as Rs. 1,920 for issue of import licence.

44. Northern Railway—Manufacture of Containers and Flats at exorbitant cost in Amritsar Workshop.

In April, 1964, the Ministry of Railways (Railway Board) placed two orders on Northern Railway Workshop at Amritsar for the manufacture of 100 containers and 14 flat wagons required for introduction of container service between Bombay and Ahmedabad and Bombay and Delhi. The Railway Board also directed that cost of manufacture of containers should be Rs. 3,000 each and that of flat wagons Rs. 13,000 each. Out of these, 38 containers and 9 flats had been manufactured by August, 1965 at a cost of Rs. 5.33 lakhs involving an excess of Rs. 2.77 lakhs over the estimated cost and an excess of Rs. 3.02 lakhs over the costs fixed by the Railway Board.

The Railway Administration explained that the high cost of fabrication was due to (i) material worth Rs. 19,546 obtained from the Central Railway being found unfit and treated as scrap; (ii) processing of 20 to 25 tons of materials in excess which were later declared as scrap; (iii) heavy expenditure on labour; and (iv) ineffectiveness of the Production Control Organisation of the workshop.

The Ministry of Railways (Railway Board) however, observed in May, 1967 that the cost incurred was out of all proportions and excessive and asked for the details of the expenditure. The analysis of the cost forwarded by the Railway Administration was not acceptable to the Railway Board and in September, 1968 they ordered joint investigation by the Financial Adviser & Chief Accounts Officer and the Chief Mechanical Engineer. After such investigation, the Railway Board, at the request of the Railway Administration, decided in July, 1971 to accept the costs incurred by Northern Railway as justified.

Similar containers and flats had been manufactured by Jhansi and Matunga-Workshops and the costs worked out to Rs. 3,811 per container and Rs. 19,759 per flat wagon. The estimated costs fixed by the Railway Board were, therefore, reasonable and attainable.

45. Eastern Railway—Loss due to heavy leakage of Gear Case Oil from Electric Locomotives.

Forty-five W.A.G. 2 electric locomotives imported from Japan were commissioned in the years 1964, 1965 and 1966. For the purpose of maintenance, these locomotives were based at Asansol Loco Shed till January, 1970 when they were transferred to Mughalsarai Loco Shed. The monthly consumption of gear case oil varied from 4585 litres to 13818 litres during the period from June, 1968 to December, 1969 and the average consumption worked out to 186 litres per loco per month. During the period from January, 1970 to September, 1971, the monthly consumption varied from 9816 litres to 27740 litres giving an average of 455 litres per loco per month. The average monthly consumption of gear case oil per loco had neither been specified by the manufacturers nor had been fixed by the Railway Administration; but as compared to the consumption during the period from June, 1968 to December, 1969 there was an excess consumption of 5649 litres per loco during the period from January, 1970 to September, 1971 (*i.e.*, 269 litres per month) entailing extra expenditure of Rs. 4.91 lakhs.

The excess consumption of gear case oil was attributed to several factors and/or combination of factors such as the topping up of gear cases at slightly higher level to prevent failure of the main cog-wheel bearings, leakage of oil from the gear cases owing to deterioration of oil seals, gaskets and other sealing joints, progressive increase in the period of running after intermediate overhaul of locomotives during 1968 and 1969 and the non-availability of crane facility for lifting the locos for attending to leakages promptly.

The Railway Administration stated (October, 1972) that the oil seals were under indigenous development since October, 1970 to save foreign exchange and that the interim requirement of oil seals would be met by import. The Ministry of Railways (Railway Board) further stated (November, 1972) that the figures of oil consumption for the period from January, 1972 to September, 1972 showed a downward trend as seals and gaskets were being renewed on programmed basis and that the excess consumption was compensated by indirect saving by way of reduction of bearing failures and by not withdrawing locos from traffic for oil seal changing.

46. South Eastern Railway—Extra expenditure due to failure of I-Section Steady Arms.

For the 25 KV AC Electrification, imported Steady arm tubes made of Duaralumin type alloy were used from 1958. By 1965 an indigenous firm had developed and supplied such tubes for Sealdah North Section of the

Railway Electrification Project. Though these tubes successfully passed the specified tests, it was found that while end fittings were being attached to the tubes by rivetting, a few tubes developed minor hair line cracks. On a reference to the firm, they advised in 1965 that due to the manufacturing process adopted by them, the possibility of the seams giving way in the process of punching or rivetting could not be eliminated altogether. The firm, therefore, recommended the adoption of an extruded aluminium alloy I-Section instead of the tube (of size $15 \times 31 \times 3$ mm) Steady arms. Thirty such prototypes of I-Section Steady arms supplied by the firm, were installed in stages from August, 1965 and reports on their behaviour obtained periodically. After such service trials for a period of 6 months, they were considered acceptable for general use. No load test was, however, carried out on them before final acceptance. These new type of Steady arms were also used on the electrification of Kanpur-Tundla and Rourkela-Durg Sections of Railway Electrification Project.

In May, 1969 due to a heavy storm and cyclone, 33 Steady arms of this indigenous design installed in Kanpur-Tundla Section got bent. Preliminary investigations carried out by Research, Designs and Standards Organisation showed in July, 1969, that these I-Section Steady arms were designed to withstand a wind pressure of 100 Kgs. per sq. m. only and this standard was maintained all over India irrespective of wind pressure specified for a particular area. After discussions and further studies, the firm was advised to manufacture on a crash programme, twenty prototype samples of I-Section Aluminium Steady arms with 32 mm flange width instead of 15 mm but retaining all other dimensions as before. These samples, which were ready on 18th August, 1969 were subjected to load test and they withstood destruction load test up to 300 Kgs. before failure. In order to eliminate the errors due to fixtures and the particular method of application of load, results were compared with destruction load tests on the tubular section Steady arms previously used as well as I-Section Steady arms of 15 mm flange width currently in use. The tubular section Steady arms failed beyond 320 Kgs., compared to which the 15mm flange width I-Section Steady arms failed even beyond 100 Kgs. Thus the strength of Steady arms with 15 mm flange width was considerably less than that of the tubular section steady arms previously in use.

On the basis of these trials, the performance of the new prototype I-Section steady arms with 32 mm flange width was found to be satisfactory and equivalent to the tubular section Steady arms and declared fit for adoption. Accordingly, in November, 1969 the Railway Board ordered that where contracts for overhead electrification work had not been closed, arrangement

should be made to replace older design of I-Section Steady arms on a programmed basis without adversely affecting the progress of electrification work. Since the erection of bracket assembly and other works in all the sections of the Project had progressed very far by November, 1969, the South Eastern Railway Administration decided (November, 1969) to proceed ahead with the work with existing I-Section Steady arms and replace them at a later date.

In March, 1970 an assessment of the approximate cost of replacement of the I-Section Steady arms in the Rourkela-Durg section was made and replacement cost of 14200 numbers Steady arms was estimated as Rs. 4.85 lakhs without taking into account the value of the released material. Though requisitions for procurement of 8 items of stores for replacement were placed in April, 1970, orders for only 7 items could be placed by May, 1971 and for the most important aluminium alloy I-Section Steady arms, orders could be placed only in June, 1972 on single tender basis for supply by October-November, 1972, as the response to the tenders opened for this item in July, 1970 and May, 1971 was not satisfactory. After allowing for the value of the released material, the extra expenditure on account of replacement is now (November, 1972) assessed as Rs. 4.59 lakhs.

The Administration stated (November, 1972) that no load tests were specified or suggested by the Technical Collaborators to the Railway Electrification Project, while accepting the indigenously developed aluminium tube in 1965 or the I-Section Steady arms with 15 mm flange width in August, 1965; that in order to save foreign exchange certain calculated risk had to be taken by limiting the period of service trials to 6 months only as this trial period was expected to show up any defects in design. This was also the first time the design of I-Section Steady arms had to be reviewed and modified and no facilities were available with the Railway Electrification Project for proper investigation and indigenous development and these facilities were developed later in the Research, Designs and Standards Organisation.

It may be pointed out that the load tests carried out in August, 1969 with the I-Section Steady arms with 15 mm flange width showed that they did not have the strength of the tubular section steady arms originally in use. If such load tests had been carried out *ab initio*, while accepting the offer of the firm in 1965, the expenditure on procurement and installation of these defective I-Section Steady arms and their subsequent replacement by the 32 mm improved design could have been avoided.

47. South Central Railway—Investment in a M.G. Yard.

As the facilities available at Secunderabad to handle M.G. wagons as well as break of gauge transshipment were considered inadequate in view of the anticipated increase in the volume of both B.G. and M.G. traffic by the end of the Third Five Year Plan, it was decided to develop a separate M.G. yard and transshipment shed at Maula Ali about 5 Kms. away from Secunderabad and the work was included in the Works Programme for the year 1962-63. The Yard was commissioned in September, 1966 with an outlay of Rs. 1.61 crores.

The traffic forecast for this work contemplated (i) an increase from 150 wagons dealt with every day in Secunderabad during 1960-61, to 815 wagons including M.G. wagons required for 170 B.G. wagons anticipated to be transhipped. This forecast was reduced in August, 1964 to 755 wagons as only 130 B.G. wagons were expected to be transhipped due to reduction in coal traffic; and (ii) running of 6 trains with 210 wagons in the Purna-Maula Ali Section and of 10 trains with 350 wagons in the Dronachalam-Maula Ali Section.

The financial justification for the work was based mainly, on reduction of average detention time of 150 wagons dealt with daily at Secunderabad from 25 hours to 14 hours; limiting detention time of 410 additional wagons expected to be dealt with by Maula Ali Yard also to 14 hours each; in all a saving of 1170 wagon hours daily, computed to yield a saving of Rs. 5.11 lakhs per annum.

The performance of the yard during 1970 and 1971 *i.e.*, nearly four years after the completion of the Third Five Year Plan and commissioning of the yard, did not reach the anticipated levels as described below :—

- (i) As against 755 wagons expected to be handled daily, the daily average during the period from April, 1970 to July, 1971 did not exceed 263; thereafter till November, 1971 the highest average was only 387 wagons, partly because of treating the movement of wagons from Marshalling yard area to the transshipment shed and the return movement as two different transactions instead of only as one and also counting the number of wagons in terms of four wheelers instead of units as had been done in the statistics compiled prior to August, 1971. Also the average daily transshipment of B.G. wagon loads to M.G. during the period from April, 1970 to November, 1971 did not exceed 68.4 wagons as against 130 wagons forecast in August, 1964.

- (ii) During the period from April, 1970 to October, 1971, the maximum number of trains moved in the Purna-Maula Ali Section was 6 but the number of wagons cleared ranged only between 106 and 186 as against 210 planned for; in the Dronachalam-Maula Ali Section, the maximum number of trains did not exceed 6 as against the forecast of 10 and the average number of wagons cleared ranged only between 96 and 158 *i.e.* less than half the number of 350 anticipated.

Compared to the targetted detention of 14 hours for 560 wagons planned to be dealt with in the yard, the actual detention, even with the reduced traffic in M.G. wagons, averaged 28.7 hours for the period from April, 1971 to July, 1971. Even after the change in the pattern of accountal of wagons in August, 1971, the average detention worked out to 20.5 hours for the period from August, 1971 to November, 1971 as against 14 hours planned under the earlier system of compilation of statistics.

The Railway Administration stated that the traffic did not develop to the extent anticipated either in terms of wagons or trains handled at the yard but it was a fact that the increased traffic which actually arose could not have been handled by Secunderabad station but for the establishment of this yard at Maula Ali.

The fact, however, remains that the objectives of substantial increase in the wagons to be dealt with and transhipped or reduction of average detention of wagons to 14 hours only have not been achieved.

48. Arbitration Awards

In paragraph 30 of their Thirty Second Report (Third Lok Sabha) the Public Accounts Committee had advised the Ministry of Railways (Railway Board) to examine the reasons for a large number of cases having been decided against the Railways and to consider the feasibility of improving the procedure of reference of cases to arbitration. Again, in paragraph 3.39 of their Fifty Third Report (Third Lok Sabha), the Committee desired the Railway Board to undertake a proper examination of the reasons why a majority of cases referred to arbitration went against the Railways and to take suitable remedial measures.

The Ministry of Railways (Railway Board) informed the Committee in November, 1965 that suitable instructions had been issued to the Railways to evolve a procedure to ensure that cases were not taken to courts or to arbitration without the desirability of such a course having been accepted by

an Administrative grade officer and also to plug procedural loopholes, of which advantage was likely to be taken by unscrupulous contractors. They further stated in January, 1967, that detailed study of the problem had been entrusted to the Efficiency Bureau of the Railway Board.

The Efficiency Bureau submitted its Report to the Railway Board in May, 1967. In pursuance of the recommendations of the Efficiency Bureau, the Railway Board amended certain clauses of the General Conditions of Contract relating to Works, in order to minimise the cases leading to disputes between the parties to the contract.

A review of arbitration cases, however, revealed that out of 583 cases involving total claims of contractors amounting to Rs. 802.10 lakhs, referred to arbitration during the period from 1968-69 to 1970-71, the Railway Administrations had admitted the claims to the extent of only Rs. 8.20 lakhs; but they had ultimately to pay a total sum of Rs.201.54 lakhs in satisfaction of the awards given by the Arbitrators. The amounts paid by the South Eastern, Western, Central and South Central Railways were Rs.72.92 lakhs, Rs.47.73 lakhs, Rs.25.87 lakhs, and Rs.22.50 lakhs, respectively. The details showing number of cases referred to arbitration, amounts claimed by the contractors, amounts admitted by the Railways and amounts awarded by Arbitrators and paid by the Railways are mentioned in Annexure V.

A test check of certain cases referred to arbitration by the Central and Northern Railways at the instance of the contractors and decided against these railways indicated that some of the items of disputes related to "Excepted Matters" which should have been finally decided upon by the respective Railway Administrations and hence not subjected to arbitration under clause 64 of General Conditions of Contract for Works.

Under the Indian Arbitration Act (No.X. of 1940) it is not obligatory for an Arbitrator to give reasons or break-up of the amount awarded against various claims heard by him and, therefore, it is not possible to ascertain the reasons or the extent to which the defence of the Railway Administrations has not been accepted by the Arbitrators.

49. Supply of inferior quality of coal to the Railways

In paragraph 41 of the Audit Report, Railways, 1964, a mention was made that the Railways had been complaining in some cases that the coal actually received from collieries contained about 15 per cent to 70 per cent of slack and dust and about 5 per cent shale, in spite of the setting up of a Railway Inspection Organisation in the coal fields since 1961 under the Chief Mining

Adviser to the Railway Board, and the stipulation in the contracts that only steamcoal with no shales and with slack and dust not exceeding 8 per cent would be acceptable. The Ministry of Railways (Railway Board) informed the Public Accounts Committee in November, 1965 that steps had been taken by the Chief Mining Adviser (Railway Board) to tighten up inspection in the collieries loading coal below specification and it was anticipated that within next few months the posts of Senior Technical subordinates in the Inspection Organisation would be suitably manned.

Complaints about the supply of inferior grades of coal containing shale, slack and dust beyond the permissible limits, however, continued to be made by the Railways. In some cases slack and dust were reported to be as high as 75 percent to 100 percent and shales between 40 percent to 45 percent of the total contents of wagons tested by the consignee Railways. Joint Inspections conducted by the representatives of the Railway Inspection Organisation and the consignee Railways indicated that complaints were genuine to the extent mentioned below:—

	1968-69	1969-70	1970-71
(a) No. of wagons jointly inspected on complaints of the Loco sheds.	678	548	419
(b) No. of wagons contents of which were found below specification.	157	168	218
(c) Percentage of (b) to (a).	23	30	50

Results of sample grade tests conducted by the Zonal Railways (which normally cover 2 per cent of the coal wagons received) are indicated in Annexure VI. The estimated loss due to supply of coal below specification in wagons tested by Railways (excepting Western Railway) during the years 1969-70, 1970-71 and 1971-72 worked out to Rs.20.57 lakhs.

Although there had been progressive rise in the supply of inferior quality of coal to the Railways, neither the percentage prescribed for visual inspection of the coal wagons nor of the samples to be drawn from the wagons by the staff of the Railway Inspection Organisation was increased. Even

the posts sanctioned for the organisation were not filled up (November, 1972) as indicated below:—

	Sanctioned strength	Actual strength
Chief Inspecting Officer	1	Vacant
Senior Inspecting Officers	4	4
Junior Inspecting Officers	10	6
Zonal Inspectors	6	4
Sampling Supervisors	92	32
Loading Supervisors	100	59
Sampling Khalasis	184	36

The Ministry of Railways (Railway Board) stated (November, 1972) that during the years 1971 and 1972 the complaints of inferior quality of coal markedly increased due to law and order situation particularly in Bengal-Bihar area; that during the period from 1968 to 1971, penalties aggregating Rs.9.56 lakhs were imposed on the basis of visual inspection by the Inspection Organisation and Rs. 3.72 lakhs based on grade check by drawing samples. It may, however, be mentioned that only 63 to 68 per cent of the coal wagons loaded during the period were covered by the visual inspection. As regards grade check, the samples drawn had not been upto the prescribed limit of 16 per cent as it is stated that the Central Fuel Research Institute had agreed to analyse only 250 samples per month free of cost.

50. Central and Southern Railways—Unnecessary printing of Forms.

Machine system of accounting of Traffic receipts (Goods) was introduced on the Central Railway in stages between September, 1964 and March, 1967 and the manual preparation of Outward and Inward Abstracts and Summaries of invoices by stations in conventional form was given up. Consequently, eleven forms then in use became obsolete for mechanised portion of goods accounts. The rules provide that the Superintendent of Printing and Stationery should be advised annually or half-yearly of the requirements of the standard and local forms and printed registers and such indents should be carefully scrutinised by the Heads of Offices with relation to the statistics of work in each office and unnecessary items or quantities deleted before submission. It was only in November,

1970 that the Commercial Department finally instructed the Superintendent of Printing and Stationery to discontinue the printing and the supply of these forms to stations, who in turn advised accordingly the Railway Printing Presses in March, 1971. In the meantime, the obsolete forms were continued to be printed and supplied to the stations till March, 1971 resulting in an expenditure of Rs. 2 lakhs.

On the Southern Railway also the printing of conventional forms continued after the introduction of machine system of accountal with effect from September, 1964, resulting in printing of forms costing Rs. 95 thousand.

The Railway Administrations stated (January, 1973) that the forms could still be used though on reduced scale for transactions with Non-Government Railways, out-agencies etc., which were not affected by mechanisation.

51. Eastern Railway—Dues outstanding against a firm.

Running contracts for fabrication and supply of 1700 sets of B.G. steel crossing sleepers, weighing 12,127.50 tonnes were placed by Director General, Supplies & Disposals on a firm between 1960 and 1963. According to the conditions of the contract, steel sleeper bars were to be supplied by Eastern Railway free of cost to the firm after it had furnished indemnity bonds to the Director General, Supplies & Disposals with an all risk insurance cover for 100 sets. The sleeper bars were to be procured by Eastern Railway from indigenous sources and paid for by the Railway but despatched to the fabricating firm direct, after obtaining intimation from the Director General, Supplies & Disposals that the firm had furnished indemnity bonds. The payment to the fabricating firm was to be made to the extent of 90 per cent of the contracted rate on the proof of despatch and the balance after acceptance of the processed sleeper sets by the consignee Railways.

The contract for fabrication did not provide for any obligation on the firm to furnish an account of the finished products to the Eastern Railway Administration against sleeper bars issued by them. Even a copy of the contract was not endorsed to the Eastern Railway.

The Railway Administration commenced issue of sleeper bars to the firm on the authority of advices obtained from Director General, Supplies & Disposals about quantities to be issued and by August, 1966 completed the supply of entire quantity without ascertaining the actual supplies of finished products to the consignee Railways. The consignee Railways were also advising only the Director General, Supplies & Disposals about the receipts of finished products and not the Eastern Railway. The Eastern Railway in whose books the debits for the amounts initially paid to the suppliers of sleeper bars had been lying, transferred them to the consignee Railways in accordance with Railway Board's instructions issued in February, 1964. Thus the Eastern Railway had no machinery to centrally watch the supply of fabricated steel crossing sleepers against the bars issued by them.

In July, 1967, the firm intimated that it was closing down its factory due to financial stringency. Thereupon, in September, 1967 the Eastern Railway Administration made enquiries from Director General, Supplies & Disposals whether the firm had completed their contracts and called for details of outstanding supplies to be made by the firm for which raw materials had already been supplied. There was also a report in October, 1967 that the firm had closed their factory and had been removing the raw materials including the sleeper bars lying with them on Railway account. The matter was reported to the police by Director General, Supplies & Disposals on 20th November, 1967 for investigation.

In February, 1969 the Director General, Supplies & Disposals made an assessment of the sleeper bars issued by the Eastern Railway against which the firm had not supplied finished sets of crossing sleepers and found (in March, 1969) that for 39 sets, the firm had drawn 307 tonnes of steel bars valued at Rs. 2.59 lakhs but failed to deliver the finished products. In addition, there was an excess supply of 14.04 tonnes valued at Rs. 11,858, since the indigenous sources were not in a position to supply bars in specific lengths required for the manufacture of crossing sleeper sets by the firm. In February, 1971 the Eastern Railway Administration submitted a claim for Rs. 2.86 lakhs to the Director General, Supplies & Disposals towards the cost of sleeper bars and other liabilities of the firm due to the Railways.

In the meantime, in April, 1970, the Director General, Supplies & Disposals decided to refer the Railways' claim to arbitration and informed Eastern

Railway in August, 1971 the acceptance of an amount of Rs. 2.75 lakhs for inclusion in the claims preferred against the firm. It is not known whether any Arbitrator has been appointed by the Director General, Supplies & Disposals (April, 1972).

The Railway Administration stated (September, 1972) that they had only the full account of raw materials despatched to the firm for fabrication in accordance with the instructions of Railway Board/Director General, Supplies & Disposals that the firm had submitted indemnity bonds to the Director General, Supplies & Disposals with an all risk insurance cover before receipt of materials according to the contract conditions and it was the responsibility of the Director General, Supplies & Disposals to ensure that the firm fulfilled the contractual liability by supplying the finished products within the scheduled time. They further stated that in terms of Railway Board's instructions of February, 1964, costs of steel crossing sleeper bars were adjusted against the beneficiary Railways immediately upon incurrence of the charges, without waiting for actual supply of sleepers to them and that the Eastern Railway was not required to watch the utilisation of raw materials by the firm.

52. Central Railway—Avoidable expenditure on training and carrying out Periodical Overhaul of Diesel Electric Locos.

In January, 1967, the Railway Administration proposed for the creation of additional facilities for periodical overhaul of Diesel Electric Locos at Parel Workshop, but the Railway Board did not accept this proposal, as additional facilities to take up the work had been developed at Kharagpur Workshop on South Eastern Railway. The Railway Board advised the Railway Administration in March, 1967 that they should send their locos to Kharagpur for POH during 1967-68 itself so that the capacity at Kharagpur could be utilised in full. In June, 1967 the Railway Administration again submitted a project Report for the creation of the facilities for periodical overhaul of such locos at Parel which too was not accepted by the Railway Board. In the meantime, the Railway Administration decided in March, 1967, that the staff of Parel Workshop should be given training in the maintenance and overhaul of Diesel Electric Locomotives and in November, 1967 deputed 22 employees for six months training at New Katni, Kharagpur and Varanasi between November, 1967 and May, 1968. The amount of pay and allowances (excluding Travelling Allowance) paid to such staff during the period of training was Rs. 47,547. Since the

proposal regarding development of POH facilities at Parel Workshop did not materialise, the Railway Administration in July, 1969 endeavoured to obtain the willingness of the trained employees to be posted at New Katni and Itarsi, where such locos were located. The employees could, however, not be posted at these stations as they were reluctant to go to these stations. Consequently the employees trained at the cost of Rs.47,547 for attending to the POH of Diesel Electric Locomotives, continue at Parel where such work is not undertaken (November, 1972).

During 1967-68 Central Railway sent 27 Diesel Locomotives to Kharagpur Workshop for overhaul. No locomotives were sent during 1968-69 as none were due for POH in terms of the prescribed yardsticks.

In February, 1969, the Railway Administration submitted another scheme to the Railway Board for developing the facilities of POH of such Locomotives at the Diesel shed, New Katni. The Board did not accept the proposal for the same reason that Kharagpur Workshop had adequate facilities. Nevertheless, the Railway Administration undertook POH of Diesel Locomotives at New Katni by sanctioning and operating 73 posts from July, 1969. This continued even after the Railway Board informed in February, 1970 that under the rationalised programme, Kharagpur Workshop would continue to undertake POH of Diesel Locomotives of Central Railway till the end of Sixth Five Year Plan. Only in May, 1971 Central Railway discontinued this work at New Katni, after completing the POH of 27 locomotives. An avoidable expenditure of Rs. 4.29 lakhs on staff had been incurred till then, for undertaking this work at New Katni without availing of the established facilities at Kharagpur.

The Railway Administration stated (December, 1972) that the staff trained in POH of Diesel Electric Locomotives could be utilised for repair of Diesel shunters and auxiliary equipment of Diesel Electric Locomotives and that owing to extension of the period for first POH of diesel locomotives from six years to ten years, second three yearly schedule of overhaul was necessitated, which had to be taken up at New Katni as the Kharagpur workshop had not planned to undertake this work.

53. Recoveries at the instance of Audit.

During the year 1971-72 an amount of Rs. 76.72 lakhs was recovered or noted for recovery at the instance of Audit. As a result of further review

made by the Railways of these and similar cases, a further amount of Rs. 27.84 lakhs was noted for recovery. In addition, a sum of Rs. 41.71 lakhs was noted for recovery by Central Railway Administration, as refund from Government of Maharashtra of Sales Tax which was included in the rates for supply of electric energy to the Railways. Out of this, an amount of Rs. 1.26 lakhs has been recovered in March, 1971.



(R. K. KHANNA),

Director of Railway Audit.

NEW DELHI:

Dated the 16th February, 1973.

27th Magha, 1894.

Countersigned.



(A. BAKSI),

Comptroller and Auditor General of India.

NEW DELHI:

Dated the 16th February, 1973.

27th Magha, 1894.

ANNEXURE I

[See para 11]

Statistics relating to engine failures on North Eastern Railway

Year	Total Engines on line	No. of overaged Engines out of col. 2.	Engine failures			Percentage of col. 4 to col. 6	Percentage of failures due to bad workmanship in shops and sheds and mismanagement by crews	Engine Kms. per engine failure (Figures in thousand)
			Passenger	Goods	Total			
1	2	3	4	5	6	7	8	9
1966-67	843	105	84	36	120	70.0	73.3	236
1967-68	873	101	81	93	174	46.5	93.1	159
1968-69	870	85	114	68	182	62.6	87.4	157
1969-70	856	74	94	62	156	60.2	88.5	191
1970-71	828	50	105	59	164	64.0	90.3	183

ANNEXURE II

[See para 13]

Statement of Outstandings as on 31st March, 1972 in respect of Railways which have closed down (I)

Name of Railway	Upto one year old	Over one year and upto three years old	Over three years old	Total
	Rs.	Rs.	Rs.	Rs.
Shahdara-Saharanpur Light Railway	3,05,233	24,13,367	53,344	27,71,944
Howrah-Amta Light Railway	1,30,005	5,96,502	1,84,074	9,10,581
Howrah-Sheakhala Light Railway	11,872	56,716	—437	68,151
TOTAL :	4,47,110	30,66,585	2,36,981	37,50,676

Statement of Outstandings as on 31st March, 1972 in respect of Railways which are still working (II)

Arrah-Sasaram Light Railway	83,037	1,12,343	37,360	2,32,740
Futwah-Islampur Light Railway	79,482	1,67,141	8,86,517	11,33,140
Dehri-Rohtas Light Railway	—1,09,265	27	—8,719	—1,17,957
TOTAL :	53,254	2,79,511	9,15,158	12,47,923
STATEMENT-I	4,47,110	30,66,585	2,36,981	37,50,676
STATEMENT-II	53,254	2,79,511	9,15,158	12,47,923
TOTAL :	5,00,364 OR 5.01 lakhs	33,46,096 OR 33.46 lakhs	11,52,139 OR 11.52 lakhs	49,98,599 OR 49.99 lakhs

Northeast Frontier	12	—	—	1,50,898	—	6	6	4	4	The cases noticed related to the years 1968 and 1969 but still not finalised.
South Central	14	—	—	3,50,000	—	—	14	—	—	The cases noticed related to the year 1969.
South Eastern	13	—	—	1,66,814	—	11	2	5	—	Out of 13 cases nine related to the year 1969. In 11 cases the delivery was taken by two parties, by one party in nine cases and by another party in two cases.
TOTAL :	116	35	11	13,58,881	47,567	42	74	39	13	
				<i>OR</i> Rs. 13.59 lakhs						

ANNEXURE V
(See para 48)

Railway	No. of cases referred to arbitration				Amounts claimed by the contractors in respect of cases mentioned in col. 2			
	1968-69	1969-70	1970-71	Total	1968-69	1969-70	1970-71	Total
I	2(a)	2(b)	2(c)	2	3(a)	3(b)	3(c)	3
Central	15	17	21	53	17.70	12.77	36.92	67.39
Eastern	11	13	21	45	9.55	13.33	18.14	41.02
Northern	22	30	25	77	14.81	25.19	40.41	80.41
North Eastern	15	10	24	49	6.10	2.77	4.03	12.90
Northeast Frontier	—	1	2	3	—	47.69	2.36	50.05
Southern	4	2	3	9	5.80	1.22	9.63	16.65
South Central	11	10	9	30	42.64	48.08	35.31	126.03
South Eastern	34	61	56	151	54.61	71.54	76.31	202.46
Western	36	73	50	159@@	33.26	99.77	68.59	201.62@@
Railway Production Units	2	4	1	7	0.95	2.22	0.40	3.57
TOTAL :	150	221	212	583@@	185.42	324.58	292.10	802.10@@

@ Out of this the award of an amount of Rs. 0.975 (lakhs) has not been paid and

* Out of this the award of an amount of Rs. 1.07 (lakhs) has not been paid and has is pending.

† Rs. 72.92 (lakhs) is the amount awarded in 149 cases out of 151. In the out of the a mount awarded has not yet been paid as either the awards are under

@@ Out of these, in respect of 25 claims totalling Rs. 37.71 (lakhs), the awards

** Ou. of this an amount of Rs. 0.24 (lakh) has not yet been paid.

(Amounts in lakhs of Rupees).

Amounts admitted by the Railway Administration				Amounts awarded by the Arbitrators and paid by the Railway Administration			
1968-69	1969-70	1970-71	Total	1968-69	1969-70	1970-71	Total
4(a)	4(b)	4(c)	4	5(a)	5(b)	5(c)	5
—	0.05	0.14	0.19	6.61	4.93	14.33	25.87@
0.65	0.22	0.02	0.89	3.65	1.70	2.57	7.92
0.29	0.98	0.06	1.33	1.53	5.75	6.04	13.32
—	—	—	—	1.29	1.45	0.98	3.72**
—	—	0.70	0.70	—	—	1.29*	1.29*
—	—	—	—	1.49	0.59	3.24	5.32
1.05	0.21	—	1.26	5.46	13.20	3.84	22.50
0.89	1.57	1.37	3.83	24.50	20.76	27.66	72.92†
—	—	—	—	11.24	22.37	14.12	47.73
—	—	—	—	0.24	0.59	0.12	0.95
2.88	3.03	2.29	8.20	56.01	71.34	74.19	201.54@*†**

is being contested.

been challenged by the Railway Administration in Court, before whom the case

remaining 2 cases arbitration is in progress. An amount of Rs. 12.92 (lakhs) scrutiny of the amounts are awaiting payment.

have not yet been declared.

ANNEXURE VI

[See para 49]

Railway	No. of wagons (Samples) analysed			Percentage of samples conforming to specified grade and above			Percentage of wagons found sub-grade			Estimated loss based on col. 4 (in lakhs of Rs.)	Percentage of shale slack and dust
	69-70	70-71	71-72	69-70	70-71	71-72	69-70	70-71	71-72		
1	2	3	4	5	6	7	8	9	10	11	12
Central	2117	2253	2247	58.7	62.7	59.2	41.3	37.3	40.8	3.48	100% of the wagons received contained more than 10% slack and dust. 27% to 73% had more than 10% of shale.
Eastern	455	556	615	Nil	Nil	Nil	100	100	100	4.21	Not available.
Northern	1338	1506	1974	60.2	50	43.3	39.8	50	56.7	5.11	100% of the wagons received contained more than 15% of slack and dust. 5.9% to 12.2% contained shale and stone also.
North Eastern	516	541	359	53.7	56.2	51.2	46.3	43.8	48.8	1.69	48.9% to 76% of the wagons contained more than 15% of slack and dust. 6.6% to 14.5% had more than 5% of shale.

Northeast Frontier	50	46	33	Nil	Nil	Nil	100	100	100	0.14	100% of wagons contained slack and dust in the range of 10% to over 50% and shale exceeding 2%.
Southern	1087	1422	1420	69	67.2	68.5	31	32.8	31.5	1.35	The screening tests revealed that 13.3% to 38.6% of wagons had more than 15% of slack and dust. 5.8% to 9.9% of the wagons subjected to hand picking had more than 2% of shale.
South Central	1387	1736	1857	73.2	78.7	64.2	26.8	21.3	35.8	0.65*	6% to 18% of wagons had more than 15% of slack and dust, and 7.7% to 10.7% of wagons had more than 5% of shale.
South Eastern	1495	1418	1657	66.15	69.68	64.63	33.85	30.32	35.37	3.94	16.4% to 22.2% of wagons had more than 15% of slack and dust. 23% to 27% of wagons had more than 2% of shale.
Western	346	434	702	56.65	47.24	35.61	43.35	52.76	64.39	not yet assessed by Administration	Most of the wagons contained more than 15% of shale, slack and dust.
TOTAL										20.57	

*Excludes the loss in respect of grade II and ungraded coal found inferior in quality.

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