



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

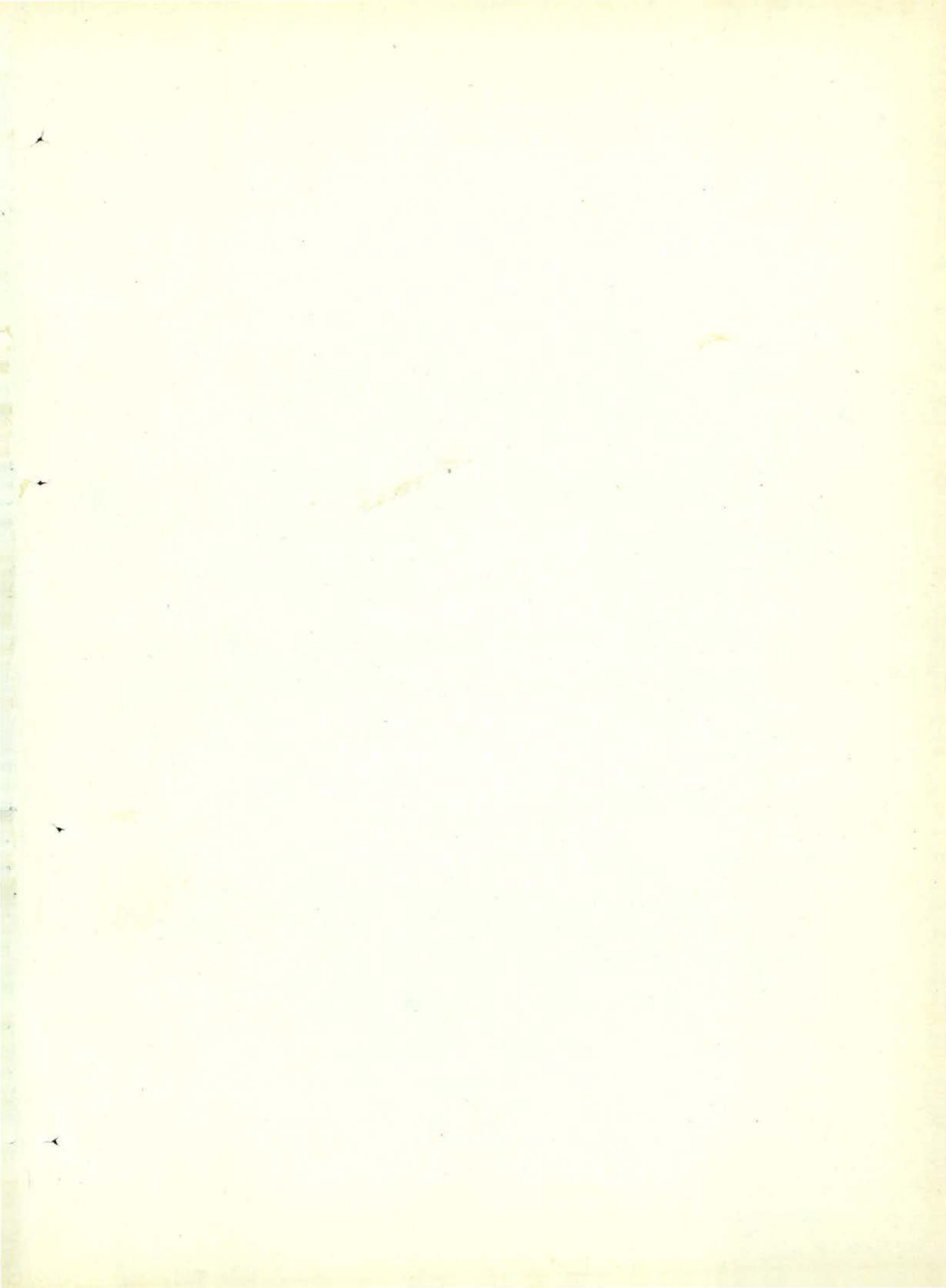
**FOR**

**THE YEAR 1985-86**

..... को लोक सभा में प्रस्तुत  
Laid in Lok ..... - 8 MAY 1986

..... को राज्य सभा में प्रस्तुत  
Laid in Rajya Sabha on ..... - 8 MAY 1986

**UNION GOVERNMENT (RAILWAYS)**



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COMPTROLLER AND AUDITOR GENERAL  
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## PREFATORY REMARKS

This Report has been prepared for submission to the President under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts of Indian Railways for 1985-86 together with other points arising from audit of the financial transactions of the Railways.

The cases mentioned in this Report are among those which came to notice in the course of test audit during the year 1985-86 as well as those which had come to notice in earlier years but could not be

dealt with in previous Reports; matters relating to the period subsequent to 1985-86 have also been included, wherever considered necessary. The Report includes, among others, reviews on Wheel and Axle Plant at Yelahanka (Bangalore), Performance of North Eastern and Northeast Frontier Railways, Construction of a new line between Manickgarh and Chandur, Apta-Roha Rail Project, Setting up of a diesel locomotive shed at Krishnarajapuram, Construction of a railway siding and peripheral yard by a private party and comments on execution of works, purchases and stores, earnings, etc.





## CHAPTER I

### RAILWAY FINANCES AND COMMENTS ON APPROPRIATION ACCOUNTS 1985-86 AND OTHER CONNECTED DOCUMENTS

#### 1. Financial Results

1.1 The table below compares the revenue receipts, expenditure and surplus as a result of Rail-

way operations together with the budget anticipations for 1985-86 and the actuals for the previous year :

(Rs. in crores)

(1)	Actuals 1984-85	Budget 1985-86	Revised Estimates 1985-86	Actuals	Variation with reference to Budget
	(2)	(3)	(4)	(5)	(6)
1. Revenue Receipts	5469.09	6287.41	6486.62	6590.67*	+ 303.26
2. Revenue Expenditure	5198.99	5701.41	5881.62	5904.80	+203.39
3. Net Revenue (1-2)	270.10	586.00	605.00	685.87	+99.87
4. Dividend to General Revenues	465.69	512.00	520.00	507.04	-4.96
5. Revenue Surplus (+)/Deficit (-)	-195.59	74.00	85.00	+173.83	+104.83
6. Appropriation to Development Fund	..	63.53	66.69	62.11	-1.42
7. Repayment of Deferred Dividend liability					
(i) For period prior to 1978-79	..	10.47	18.30	40.71	+30.24
(ii) For the year 1978-79 onwards	..	..		76.01	76.01

\*Includes subsidy (Rs. 128.14 crores) on account of commercial (Rs. 119.83 crores) and strategic (Rs. 8.31 crores) lines (details in Annexure-I)

A summary of the salient indicators of financial and operating performance of the Railway for each of the years from 1981-82 is given in Annexure-II.

#### Overall performance with reference to Budget

1.2 The Ministry of Transport, Department of Railways (Railways Board) had budgeted for transportation of 250 million tonnes of originating revenue earning goods and 3395 million passenger traffic. Keeping in view the traffic that materialised during April to December 1985 the Ministry of Transport, Department of Railways reassessed the quantum of originating goods traffic at 252 million tonnes and 3442 million passengers at the Revised Estimate stage. The actual materialisation of goods traffic was to the extent of 258.55 million tonnes and 3443 million passengers. There was an upward adjustment of freight rates by way of revision of classification levels and also passenger fares including rates of monthly season tickets were raised during 1985-86. As a result, the actual revenue receipts exceeded the Budget estimates and the actuals of the previous years by Rs. 303.26 crores and Rs. 1121.58

crores respectively. The actual revenue receipts exceeded the Revised estimate also by Rs. 104.05 crores.

1.3 The Budget estimate of revenue expenditure was Rs. 5701.41 crores and the Revised estimate was Rs. 5881.62 crores. Increased provision of Rs. 180.21 crores (representing 3.16 per cent of Budget estimate) was made at the Revised estimate stage mainly on account of sanction of second Interim Relief to staff, increase in the eligibility limit of Productivity Linked Bonus from Rs. 1600 to Rs. 2500, more contractual payments, increase in the price of coal, diesel oil and electricity, increased maintenance activities, additional traffic, etc., but the actual revenue expenditure exceeded by Rs. 23.18 crores. The excess was mainly due to increased expenditure under repairs and maintenance of permanent way and works (Rs. 5.45 crores), motive power (Rs. 21.84 crores), carriage and wagon, plant and equipment (Rs. 16.02 crores), and under operating expenses, traffic and fuel (Rs. 12.80 crores) offset by aggregate of savings and excess under other sub-heads (Rs. 32.93 crores). The net



revenue (Rs. 685.87 crores) exceeded both the Budget and the Revised estimates by Rs. 99.87 crores and Rs. 80.87 crores respectively, which is indicative of the fact that the estimation of traffic and revenue receipts had not been done realistically even at the Revised estimate stage.

1.4 Due to improved net revenue position the Railways discharged not only their full dividend liability of Rs. 507.04 crores for 1985-86 calculated in accordance with the recommendations of the Railway Convention Committee but also paid Rs. 116.72 crores towards Deferred Dividend liability. Besides, a sum of Rs. 62.11 crores was appropriated to Development Fund. The Railways have still to discharge Deferred Dividend liability amounting to Rs. 428.44 crores accumulated over the years from 1978-79 to 1984-85.

1.5 The Railways did not discharge the dividend liability of Rs. 58.48 crores due at the end of 1985-86 on the expiry of the moratorium period of five years after the opening of certain new lines as income from these lines was insufficient. Besides, the accrued dividend liability on the lines which had not completed the moratorium period at the end of 1985-86 worked out to Rs. 98.10 crores. Thus, deferred dividend amounting to Rs. 156.58 crores is due to Union Government as contingent liability.

1.6 Mention was made in para 1.6 of Report of the Comptroller and Auditor General of India for the year 1984-85—Union Government (Railways)

that assessment of the final quantum of dividend relief on unremunerative branch lines was pending from 1969-70 onwards on many of the Railways despite instructions of the Railway Board prescribing the method of calculation of the relief in March 1983. During 1985-86, apart from Northeast Frontier and South Eastern Railways who had assessed it earlier, Central, Eastern and North Eastern Railways finalised the assessment of the final quantum of dividend relief. As a result, these five Railways could claim additional relief (including arrears) amounting to Rs. 13.51 crores on capital investment of Rs. 222.94 crores upto 1984-85. Northern, Southern, South Central and Western Railways are yet to finalise the assessment of dividend relief on their unremunerative branch lines.

1.7 Due to liquidation of Deferred Dividend liability to the extent of Rs. 116.72 crores referred to in para 1.4, the indebtedness of the Railways to the Union Government decreased from Rs. 545.15 crores at the end of 1984-85 to Rs. 428.44 crores at the end of 1985-86. The total amount due to Government on account of Deferred Dividend including dividend on new lines completing moratorium and loans to meet expenditure for Development Fund stood at Rs. 823.28 crores at the end of March 1986.

## 2. Railway Funds

2.1 The table below indicates the position of the various funds at the end of 1985-86 :

	Opening balance	Credits during the year				(Rs. in crores)	
		by transfer from Revenue	by transfer from capital	by transfers without financial adjustment	Interest on balance	Withdrawals	Closing balance
Revenue Reserve Fund (RRF)	0.49	..	..	..	0.12	..	0.61
Development Fund (D.F.)	4.38	62.11	..	..	0.16	66.49	0.16
Depreciation Reserve fund (D.R.F.)	188.83	920.00	6.38	..	10.48	981.48	144.21
Pension Fund	456.81*	265.00	5.00	9.89	27.70	352.58	411.82
Accident Compensation, Safety and Passenger Amenities Fund (A.C.S.P.F.)	13.31	27.44	..	..	0.81	29.12	12.44

\*Closing balance of 1984-85 was Rs. 432.26 crores. After taking into account Rs. 24.55 crores representing transfers without financial adjustment the correct closing balance works out to Rs. 456.81 crores at the end of 1984-85.

### 2.2 Development Fund

The Ministry of Railways (Railway Board) had been taking loan from General Revenues for meeting outlay on works chargeable to the Fund as the revenue surpluses as and when appropriated to the fund were inadequate. At the end of 1984-85 the total loan amounted to Rs. 336.36 crores on which interest amounting to Rs. 24.38 crores was paid during 1985-86 at the average borrowing rate.

### 2.3 Depreciation Reserve Fund

The fund started with an opening balance of Rs. 188.83 crores as on 1st April 1985. The appropriation from Revenue to Depreciation Reserve Fund (DRF) for the year 1985-86 (approved by Railway Convention Committee (1980—1985)) was Rs. 920 crores which along with transfer from Capital Account and interest on fund balances accounted for a total of Rs. 936.86 crores. The total withdrawal from the



fund during the year was Rs. 981.48 crores resulting in net depletion of the fund by Rs. 44.62 crores. The fund closed with a lower balance of Rs. 144.21 crores. The balance in the fund represented only 1.2 per cent of the value of Block Assets of Rs. 11937.35 crores.

#### 2.4 Pension Fund

Constituted in 1964, to provide for pensionary liabilities of Railway employees, this fund was to be financed on the basis of actuarial calculations. However, after 1974 there has been no actuarial calculation and the annual contribution from Revenue and Capital Account to the fund continued to be with reference to the trend of actual withdrawals from the fund. Mention was made in para 2.3 of the Report of the Comptroller & Auditor General of India for the year 1984-85—Union Government (Railways) that the withdrawal from the fund was more by Rs. 13.26 crores than the appropriation resulting in depletion of the balance at the end of 1984-85. During 1985-86 also while the credit to fund was Rs. 307.59 crores the withdrawals amounted to Rs. 352.58 crores resulting in a net depletion of Rs. 44.99 crores. In its third Report the Railway Convention Committee (1985) had also emphasised that actuarial estimation should be finalised early and arrangements made to fund sufficient amounts to meet the future pensionary liabilities. Necessary action in the matter is still to be taken.

#### 2.5 Accident Compensation, Safety and Passenger Amenities Fund

This fund was set up on 1st April 1974 to meet the payment necessitated by accident compensation and expenditure on work of passenger amenities and operational improvements connected with safety of

travel. Due to heavy withdrawals from this fund in the previous three years mainly on safety works, the balance in the fund was Rs. 13.31 crores as on 31 March 1985 as against Rs. 45.90 crores on 31 March 1982. In order to meet the growing requirement of expenditure to be met out of this fund, the rates of surcharge on passenger fares were increased by about 300 per cent with effect from 1 April 1985 as under :

Class	Rates	
	Existing prior to 1-4-1985	Revised
	Rs.	Rs.
Air-Conditioned (AC)	1.00	3.00
2 tier AC sleeper	..	2.00
First	0.50	1.50
AC Chair Car	0.10	0.25
Monthly season tickets		
First	1.50	4.00
Second	0.25	0.75

Credits to the Fund amounted to Rs. 28.25 crores during 1985-86 against Rs. 10.39 crores in previous year. Withdrawals from the fund during the year were Rs. 29.12 crores as compared to Rs. 25.03 crores during 1984-85; the increased withdrawals were mainly due to more payment of compensation during 1985-86 (Rs. 2.18 crores against Rs. 1.60 crores in 1984-85) and increased expenditure on safety works (Rs. 26.94 crores in 1985-86 against Rs. 23.43 crores in 1984-85). The fund closed with a balance of Rs. 12.44 crores at the end of 1985-86 as against Rs. 13.31 crores at the end of previous year.

### 3. Revenue Receipts

3.1 The table below compares the revenue receipts with the budget anticipations for the year 1985-86 and actuals for the previous year.

(Rs. in crores)

Actuals 1984-85	Particulars	Budget 1985-86	Actuals 1985-86	Variations with reference to budget
	Passenger earnings			
165.07	Upper Class	184.35	205.98	+21.63
1293.75	Lower Class	1459.65	1513.70	+54.05
1458.82	Total	1644.00	1719.68	+75.68
179.75	Other coaching earnings	180.00	210.46	+30.46
3602.42	Goods earnings	4222.00	4376.38	+154.38
124.65	Sundry other earnings	130.00	132.89	+2.89
(-) 6.87	Suspense	(-)25.00	(-)11.31	+13.69
5358.77	Gross traffic receipts	6151.00	6428.10	+277.10
9.89	Miscellaneous receipts	27.66	34.43	+6.77
100.43	Subsidy from General Revenues on account of dividend concessions	108.75	128.14	+19.39
5469.09	Total Revenue	6287.41	6590.67	+303.26



## Passenger Traffic

3.2 The budget for 1985-86 anticipated an increase of 3.1 per cent in the number of passengers carried and 2.4 per cent in terms of passenger kilometres

after taking into account the upward adjustment of about 12.5 per cent in the fares of all classes proposed in the Budget, fetching additional earnings of Rs. 184 crores. However, the actuals exceeded the budget estimates as shown below :

	Revised Estimate	Actuals	Budget Estimate	Actuals	Percentage variation with reference to budget
	1984-85	1984-85	1985-86	1985-86	1985-86
1. Number of passengers (millions)	3292	3333	3395	3443	+1.4
2. Passenger Kilometres (millions)	220861	226582	226145	240614	+6.4
3. Earnings (Rs. in Crores)	1460	1459	1644	1720	+4.6

There was a marginal increase of 3.3 per cent in the number of passengers in 1985-86 as compared with the number of passengers in 1984-85, but with reference to the number of passengers who travelled in the peak year of 1981-82, the passenger traffic that materialised in 1985-86 was less by 7.1 per cent.

Details of passenger traffic (originating) railway-wise are given below :

Railways	(In million passengers)			
	1981-82	1984-85	1985-86	Percentage fall in traffic during 1985-86 with reference to 1981-82
1	2	3	4	5
Central	856	812	840	(-1.9)
Eastern	519	445	455	(-12.3)
Northern	378	336	370	(-2.1)
North Eastern	163	148	158	(-3.1)
Northeast Frontier	59	30	30	(-49.2)
Southern	346	279	300	(-13.3)
South Central	161	145	146	(-9.3)
South Eastern	174	160	164	(-5.7)
Western	1049	979	979	(-6.7)
Total—Traffic (All Railways)	3705	3333	3443	(-7.1)

The average distance travelled per passenger has been increasing as shown below :

Year	Km.
1980-81	57.7
1981-82	59.6
1982-83	62.0
1983-84	67.0
1984-85	68.0
1985-86	70.1

The maximum fall in passenger traffic (49.2 per cent) was noticed on Northeast Frontier Railway. The fall in passenger traffic was attributed by that Railway mainly to steep rise in the fares for short distance traffic from 1982-83. But the fall in passenger traffic was also due to increasing incidence of ticketless travelling, drop in window sales of tickets, absence of regular ticket checking for want of adequate ticket checking staff, etc.

## 3.3 Goods earnings

3.3.1 Goods earnings exceeded the Budget anticipations by Rs. 154.38 crores during 1985-86. A commodity-wise break up of the originating revenue earning goods traffic is detailed below :—

(In million tonnes)					
Actuals 1984-85	Commodity	Budget Estimate 1985-86	Actuals 1985-86	Variation with reference to Budget	
91.58	Coal	105.0	101.64	(-3.36)	
22.59	Raw materials to steel plants	25.0	22.98	(-2.02)	
20.78	Food grains	22.0	24.12	(+2.12)	
16.89	Cement	17.5	17.95	(+0.45)	
8.22	Pig iron and finished steel from steel plants	9.0	8.85	(-0.15)	
11.06	Iron ore for export	11.0	12.54	(+1.54)	
12.21	Fertilizers	10.5	13.62	(+3.12)	
18.17	POL (Mineral oils)	18.0	18.63	(+0.63)	
201.50	Total (1) Bulk	218.0	220.33	(+2.33)	
34.95	Total (2) Other goods	32.00	38.22	(+6.22)	
236.45	Total Revenue earning traffic	250.00	258.55	(+8.55)	



There was a short fall of 3.36 million tonnes under coal and 2.02 million tonnes under raw materials to Steel plants in the originating traffic with reference to Budgeted levels and the overall increase of 8.55 million tonnes in the originating goods traffic was registered mainly under fertilisers (3.12 million tonnes) and other goods (6.22 million tonnes).

The traffic of 38.22 million tonnes under other goods, though higher than in 1984-85 was still well below the level 43.26 million tonnes loaded in 1981-82.

3.3.2 Following are the details of loading performance of individual Railways during 1985-86 as compared with 1980-81.

Railway	(In thousand tonnes)	
	1980-81	1985-86
Central	16555	24359
Eastern	40125	54835
Northern	18390	23419
North Eastern	4061	3755
Northeast Frontier	2501	4559
Southern	10892	13904
South Central	16993	26058
South Eastern	64310	84810
Western	22108	22849
<b>Total</b>	<b>195935</b>	<b>258548</b>

The loading performance of all the Railways except North Eastern Railway had improved. The North Eastern Railway could not so far reach the level of loading attained in 1980-81 despite investments in two major gauge conversion projects viz. Lucknow-Gorakhpur-Samastipur (Cost Rs. 131.0 crores) and Barauni-Katihar (Cost Rs. 51.50 crores) which were fully commissioned during 1981-82 and 1984-85 respectively. Full benefits from these conversion projects are yet to be realised; the converted B.G. sections, specially from Barauni to Katihar, could not be put to full use till 1985-86 owing to inadequate section capacity in the adjacent sections

of Northeast Frontier Railway. The delay in planning and execution of line capacity works on the Northeast Frontier Railway to facilitate greater use of the section capacity in the converted B.G. section of North Eastern Railway are dealt with in greater detail in paragraph 10 of this Report.

3.4 Outstanding under Traffic Suspense (Unrealised earnings).

3.4.1 The year under review witnessed a further increase of Rs. 11.31 crores over the previous years' figures as detailed below :—

	(Rs. in crores)	
	As on 31st March 1985	1986
1. Admitted debits	3.83	4.01
2. Objected debits	19.05	18.00
3. Freight on consignments on hand	47.61	47.78
4. Freight on consignments not on hand	90.48	85.03
5. Wharfage and Demurrage	37.98	44.70
6. Outstanding in Accounts office Balance Sheet	5.29	18.90
7. Miscellaneous and other items	7.24	4.37
8. Total	211.48	222.79
9. Increase over previous year		+11.31

3.4.2 The increase was mainly under the category of accrued earnings to be realised by the Accounts office from other Government Departments. The substantial increase in the outstandings under this category was due to non-payment of haulage charges on postal vans (Rs. 13.20 crores) by the Post and Telegraphs Department at the revised rates effective from 1 April 1981 which were notified by the Railway Board only in October 1985.

3.4.3 Under other categories 'objected debit', freight outstandings 'on hand' and 'not on hand', the outstandings over one year old are still substantial on the Central, Eastern, Northern and Western Railways as compared with the position in 1984-85 as detailed below :—

Railway	Outstanding over one year as on 31-3-85			Traffic Suspense as on 31-3-86		
	Freight On hand	Outstandings Not on hand	Objected Debits	Freight On hand	Outstandings Not on hand	Objected Debits
Central	0.17	5.16	0.72	0.19	3.70	0.76
Eastern	0.19	5.63	0.33	0.14	6.89	0.43
Northern	14.74	4.37	0.56	3.41	2.37	0.58
North Eastern	0.07	0.47	0.28	0.04	0.34	0.31
Northeast Frontier	0.02	0.90	0.34	0.02	1.03	0.12
Southern	0.02	2.69	0.17	0.03	1.31	0.05
South Central	0.01	0.34	0.07	0.01	0.27	0.06
South Eastern	0.70	1.18	0.22	0.88	1.26	0.21
Western	0.12	0.84	0.21	0.83	0.07	0.35
<b>Total</b>	<b>16.04</b>	<b>21.58</b>	<b>2.90</b>	<b>5.55</b>	<b>17.24</b>	<b>2.87</b>



The freight outstandings, specially those not on hand related to diversion of coal wagons to stations other than those originally mentioned in the invoices and incorrect punching of the station code in the machine prepared abstracts. The objected debits represent debits raised against station staff due to errors in distance, rate, weights, classification on account of train load instead of wagon load rates etc. disputed by station staff.

3.4.4 During 1985-86 the total amount of the demurrage/wharfage accrued including the outstand-

ings at the beginning of 1985-86 were Rs. 224.13 crores. Of this Rs. 72.94 crores were waived and Rs. 106.49 crores recovered leaving an outstanding demurrage/wharfage of Rs. 44.70 crores at the end of 1985-86 as brought out against item 5 of the table below paragraph 3.4.1.

#### 4. Revenue expenditure

4.1 The table below compares the Revenue expenditure with the Budget anticipations for the year 1985-86 and the actual for the previous year :

	(Rs. in crores)				
	Actuals 1984-85	Budget 1985-86	Actuals 1985-86	Variation From Budget	From previous year
1. Ordinary working expenses . . . . .	4071.17	4435.00	4643.14	208.14	571.97
2. Appropriation to					
(i) Depreciation Reserve Fund . . . . .	850.00	920.00	920.00	..	70.00
(ii) Pension Fund . . . . .	225.00	265.00	265.00	..	40.00
(iii) Accident compensation, safety and passenger amenities fund	9.09	27.00	27.44	0.44	18.35
3. Miscellaneous . . . . .	32.32	39.41	35.66	(-)3.75	3.34
4. Open Line works (Revenue) . . . . .	11.41	15.00	13.56	(-)1.44	2.15
<b>Total—Revenue Expenditure . . . . .</b>	<b>5198.99</b>	<b>5701.41</b>	<b>5904.80</b>	<b>203.39</b>	<b>705.81</b>

4.2 The increase in Revenue Expenditure over that of previous year (Rs. 705.81 crores) was mainly due to increased appropriation to Railway Funds viz. Depreciation Reserve Fund (Rs. 70 crores), Pension Fund (Rs. 40 crores) and Accident Compensation Safety and Passenger Amenities Fund (Rs. 18.35

crores) vide item 2(i) to (iii) of above table and more expenditure (Rs. 571.97 crores) on repairs and maintenance of assets under Permanent way, Rolling stock and Plant and equipment and more operating expenses traffic and fuel, etc. as mentioned in the table below :—

	1983-84	1984-85	Percentage increase over 1983-84	1985-86	Percentage increase over 1984-85
1. Administration . . . . .	207.29	232.61	12.2	257.71	10.8
2. Repairs and Maintenance (Permanent Way, Rolling stock, Plant and Equipment) . . . . .	1427.36	1611.80	12.9	1879.40	15.6
3. Operating expenses :					
(i) Other than fuel . . . . .	797.53	890.63	11.7	991.05	11.3
(ii) Fuel . . . . .	854.45	959.52	12.3	1065.81	11.1
4. Miscellaneous items including staff welfare and others . . . . .	350.00 (342.33)*	398.74 (376.61)*	12.8 (9.9)	458.98 (449.17)*	15.11 (19.3)
5. Suspense . . . . .	(-)7.67	(-)22.13		(-)9.81	
<b>6. Total working expenses . . . . .</b>	<b>3628.29</b>	<b>4071.17</b>	<b>12.2</b>	<b>4643.14</b>	<b>14.05</b>

\*After excluding suspense.



### 4.3 Operating Ratio

The operating ratio—percentage of working expenses to earnings (or the amount spent to earn a rupee)—of the Railways during 1985-86 compared with previous years (1982-83 to 1984-85) is shown below :

	1982-83	1983-84	1984-85	1985-86
All Railways				
(i) Percentage (all gauges)	88.3	93.5	96.3	90.6
(ii) Amount spent to earn a rupee (in paise)	0.88	0.94	0.96	0.90

4.4 The operating ratio of individual Zonal Railways which make up the above index of operating performance during 1982-83 to 1985-86 are indicated below :

Railways	1982-83	1983-84	1984-85	1985-86
Central	71.9	76.3	79.6	76.1
Eastern	109.9	114.3	119.0	101.1
Northern	83.0	89.0	92.9	86.6
North Eastern	148.7	174.4	187.4	166.9
Northeast Frontier	161.8	184.4	209.1	195.8
Southern	118.6	123.2	124.4	119.6
South Central	82.4	89.9	85.9	82.1
South Eastern	73.5	77.0	76.8	72.9
Western	77.2	78.5	82.7	79.6

4.5 There was improvement in the operating ratio during 1985-86 as compared with previous year.

As mentioned in paragraph 1.2, the revenue receipts exceeded the budget estimates and even the Revised estimates as materialisation of traffic, both goods and passenger, was more than the anticipations. The revenue receipts increased by 20.5 per cent in 1985-86 as compared with the previous year mainly due to higher materialisation of traffic and upward revision of fares and freight as against an increase of 13.6 per cent in the revenue expenditure.

### 5. Plan Expenditure

5.1 The year under review (1985-86) was the first year of the Seventh Five Year Plan (1985—90). The thrust of the Seventh Plan of the Railways is proposed

to be on improvement of the productivity of assets including manpower and on reduction in working expenses. Towards this end all overaged/obsolete/un-economic assets will be replaced by modern assets. The Ministry of Railways (Railway Board) has assessed that an outlay of Rs. 18,500 crores will be required to develop capacity for handling 350 million tonnes of originating traffic (including non-revenue traffic) with an average lead of 680 km. The Government, however, allocated Rs. 12,334 crores to the Railways to meet an estimated traffic level of 340 million tonnes including 152 million tonnes of coal traffic anticipated in the terminal year (1989-90) of the Seventh Plan.

5.2 The Plan lays down the following physical targets :—

- procurement of 96,000 wagons and 6,970 coaches, 950 EMUs, 1,235 diesel/electric locomotives.
- renewal of approximately 20,000 km. of track with priority being accorded to high density corridors.
- electrification of 3,400 route km. with priority being accorded to high density routes.

5.3 For the first year of the Seventh Plan, an amount of Rs. 2050 crores was allocated to the Railways, of which a sum of Rs. 989.15 crores was borrowed capital from Central Government and the balance (Rs. 1060.85 crores) was to be from internal resources. The actual Plan expenditure was only Rs. 1,942 crores as detailed below :—

	(Rs. in crores) 1985-86	
	Budget estimate	Actual expenditure
1. Resources provided by Central Government—Capital	989.15	877.50
2. Internal Resources		
(i) DRF	974.19	981.48
(ii) DF	43.34	42.10
(iii) ACSPPF	28.32	26.93
(iv) Railway Revenue	15.00	13.57
Total	1060.85	1064.08
3. Grand Total	2050.00	1941.58



5.4 Following are the details of the Plan provision distributed under the important Plan Heads, the expenditure budgeted in 1985-86 and the actuals there-against :—

Plan head	(Rs. in crores)					
	Provision in the plan (1985-90)	Plan As Budgeted	As further revised	Actual expenditure	Shortfall (Col. 4- Col. 5)	Percentage of col. 6 over Col. 4
1	2	3	4	5	6	7
1. Rolling Stock	4290	668	674	562	112	17
2. Workshops and Sheds	1200	115	115	91	24	21
3. Machinery & Plant	55	55	50	5	5	9
4. Track Renewals	2500	595	592	519	73	12
5. Bridge work	284	35	34	30	4	12
6. Line capacity works						
(i) Gauge conversion	1300	190	184	175	9	5
(ii) Doubling						
(iii) Traffic facility						
7. Signalling & Safety	400	61	62	56	6	10
8. Freight operation information system	400	..	..	..	..	..
9. Electrification	830	220	212	167	45	21
10. Other Electrical works	80	10	10	8	2	20
11. New Lines	350	65	71	78	+7	10
12. Inventories	100	15	15	72	+57	380
13. Other Plan Heads	200	37	42	49	+7	17
14. M.T.P.	400	91	91	85	(-)-6	7
Credit/recoveries	(-)-107	(-)-107				
Total Plan Expenditure	12334	2050	2050	1942	108	5

5.5 There was a short-fall in the plan expenditure under important Plan heads such as Rolling Stock (17 per cent), track renewals (12 per cent), Workshop and sheds and plant and machinery (17 per cent) and Railway Electrification (21 per cent).

Railway Electrification has a target to complete energisation of 3400 km. with a provision of Rs. 830 crores during the Seventh Plan. The funds utilised during 1985-86 were only to the extent of Rs. 167.18 crores against the allotment of Rs. 220 crores. Correspondingly, against the physical target of 803 km. of energisation in 1985-86, the achievement was only 461 kms.

In the case of Track Renewals, the carry forward arrears (BG and MG) was 20,306 km. Apart from this, the annual arisings during Seventh Plan was assessed at 2295 kms. The Railway Reforms Committee recommended that the arrears should be wiped out in 10 years and that every year about 4,800 kms. of track renewals should be undertaken. But the target set for 1985-86 was only 3000 kms. (2100 kms. primary and 900 kms. secondary). The Railways, however, carried out renewals to the extent of 3578 kms. during 1985-86 (2644 kms. primary and 934 kms. secondary).

Under New lines, the actuals were in excess of allotment; Rs. 78 crores were spent against Rs. 65 crores allotted during 1985-86. Similarly under in-

ventories, the actuals were Rs. 72 crores against the budgeted amount of Rs. 15 crores owing to more procurement of stores.

## 6. Budgetary Control

6.1 While the Revenue and Plan expenditure figures mentioned in paragraphs 4 and 5 are net of deduction and recoveries, the Grants and Appropriations approved by Parliament are for gross expenditure. The position of voted Grants and Charged Appropriations for 1985-86 together with supplementary Grants/Appropriations obtained and the expenditure incurred is indicated below :

Particulars	1984-85		1985-86	
	Voted	Charged	Voted	Charged
1. Original Grants/ Appropriations	9672.27	38.86	10680.20	19.80
2. Supplementary Grants/Appropriations	205.19	0.67	719.65	0.88
3. Total Grants/ Appropriations	9877.46	39.53	11399.85	20.68
4. Total Disbursements	9598.92	19.55	11485.62	10.16
5. Saving(-)				
Excess (+)	-278.54	-19.98	(+)85.77	10.52
6. Percentage of excess/savings to total Grants/ Appropriations	2.82	50.54	0.75	50.87



As in the previous year the number of demands voted during the year was 16. The number of supplementary demands voted was 15 against 11 in the previous year.

#### A. Voted Grants

6.2 The aggregate excess of Rs. 85.77 crores in the voted grants was the net result of excess of Rs. 138.78 crores under eleven grants and saving of

##### (a) Grant No. 4

Repairs and Maintenance of Permanent way and works (Original grant Rs. 532.69 crores and Supplementary Rs. 30.21 crores)

A supplementary grant of Rs. 39.21 crores was obtained on account of increase in contractual payments (Rs. 24.79 crores), increase in eligibility limit of Productivity Linked Bonus (Rs. 5.46 crores) and Additional Dearness Allowance including second Interim relief to staff (Rs. 4.06 crores); partly off set by less payments for materials (Rs. 2.60 crores) and other staff costs and miscellaneous causes (Rs. 1.50 crores). The supplementary grant proved to be inadequate to the extent of Rs. 5.33 crores.

The excess occurred mainly under Maintenance of Permanent Way (Rs. 4.26 crores) and other repairs

##### Grant No. 5

Repairs and Maintenance of Motive Power (Original Rs. 412.24 crores and Supplementary Rs. 18.83 crores)

A supplementary grant of Rs. 30.21 crores was obtained in March 1986 on account of Additional Dearness Allowance including second Interim relief to staff (Rs. 5.14 crores), enhancement of eligibility limit of Productivity Linked Bonus (Rs. 2.70 crores), increased maintenance activities (Rs. 11.04 crores), contractual payments (Rs. 0.98 crore), cost of materials and contingencies, etc. (Rs. 1.31 crores) offset by less payments under other staff costs (Rs. 1.26 crores), less provision under stock adjustment account (Rs. 0.87 crore) and other miscellaneous causes (Rs. 0.21 crores). The supplementary grant proved inadequate to the extent of Rs. 21.11 crores.

The excess of Rs. 21.11 crores was mainly due to increased expenditure on repairs and maintenance of diesel locomotives (Rs. 20.61 crores) and steam

##### Grant No. 6

Repairs and Maintenance of carriages and wagons (Original grant Rs. 593.37 crores and supplementary Rs. 3.23 crores).

Rs. 53.01 crores under five grants (c.f. Annexures III, IV and V). The reasons for excess and savings are analysed in the succeeding paragraphs.

#### 6.3 Excess over Grants—Revenue Section

6.3.1 Excess aggregating Rs. 138.78 crores under grants detailed in the succeeding sub-paragraphs require regularisation under Article 115 of the Constitution of India.

(Amount in Rs.)

Final Grant	Actual expenditure	Excess	Percentage
562,89,55,000	568,23,44,830	5,33,89,830	0.95

and maintenance, such as of ferries, station machinery watering arrangements etc. (Rs. 1.55 crores); off set by net savings under other sub-heads (Rs. 0.48 crore). Of the total excess, maximum excess was on Central Railway (Rs. 2.82 crores) followed by Western (Rs. 1.68 crores) and Northeast Frontier (Rs. 1.50 crores) Railways. These Railways did not realistically assess the requirement of additional funds on account of wages and dearness allowance due to filling up of vacancies, regularisation of casual labour by granting them temporary status for maintenance of track and more engagement of casual labour for special repair works etc.

(Amount in Rs.)

Final Grant	Actual expenditure	Excess	Percentage
431,06,92,000	452,18,38,914	21,11,46,914	4.90

locomotives (Rs. 3.15 crores); offset by aggregate of savings and excesses (Rs. 2.65 crores) under other three sub-heads of this grant viz. Electric Locomotives, Establishment in offices and Rail Cars, Ferry steamers, etc.

Of the excess expenditure of Rs. 20.61 crores on repairs and maintenance of diesel locomotives, the highest excess of Rs. 5.14 crores occurred on the Central Railway followed by Southern (Rs. 4.08 crores), Northeast Frontier (Rs. 2.52 crores), South Central (Rs. 2.20 crores), Northern (Rs. 2.09 crores), Western (Rs. 2.04 crores) and North Eastern (Rs. 1.64 crores) Railways mainly because these Railways did not assess precisely the debits to be adjusted in respect of wages and cost of materials on special repairs, periodical overhauls, etc.

(Amount in Rs.)

Final grant	Actual expenditure	Excess	Percentage
596,59,60,000	600,33,66,000	3,74,06,00,000	0.63



6.3.3 A supplementary grant amounting to Rs. 3.23 crores was obtained in March 1986 on account of Additional Dearness Allowance including sanction of second Interim Relief to staff (Rs. 4.50 crores), increase in eligibility limit of Productivity Linked Bonus (Rs. 2.44 crores), increased maintenance activities and other staff costs (Rs. 7.66 crores); partly offset by less provision in cost of materials than originally budgeted (Rs. 10.59 crores) and other miscellaneous causes (Rs. 0.78 crore). The supplementary grant proved inadequate to the extent of Rs. 3.75 crores.

The excess was mainly under repairs and maintenance of carriages (Rs. 3.20 crores) and wagons (Rs. 3.03 crores) offset by aggregate of savings and excess under other sub-heads including surrenders within the grant (Rs. 2.48 crores). The excess was mainly due to unplanned transfers and adjustment of inter Railways debits for periodical overhaul, special

repair works and cost of material for work undertaken by one Railway on behalf of the other.

The North Eastern, South Central, South Eastern and Western Railways injudiciously surrendered funds to the extent of Rs. 9.46 crores under carriages and wagons without checking up their liability for which debits were to be received from other Railways and adjusted by them during the financial year. This factor also contributed to the excesses on these Railways.

The Ministry of Railways (Railway Board) also injudiciously surrendered funds to the extent of Rs. 1.81 crores in the Grant as a whole despite the excess of Rs. 3.75 crores as they could not fully utilise the surrender of funds to the extent of Rs. 9.46 crores made by these four Railways under the above two sub-heads.

Grant No. 7	Final Grant	Actual expenditure	(Amount in Rs.)	
			Excess	Percentage
Repairs and maintenance of Plant and Equipment (Original Grant Rs. 294.03 crores : Supplementary Rs. 26.82 crores).	320,84,94,000	322,03,66,388	118,72,388	0.37

6.3.4 A supplementary grant of Rs. 26.82 crores was obtained in March 1986 on account of Additional Dearness Allowance including sanction of second Interim relief (Rs. 6.42 crores), increase in eligibility limit of Productivity Linked Bonus to staff (Rs. 3.18 crores) arrear payment of P&T rental and payment of charges for shifting of over head line wires (Rs. 19.60 crores); off set by aggregate of increase/decrease in expenditure under other items (Rs. 2.38 crores). This supplementary grant proved inadequate resulting in an excess expenditure Rs. 1.19 crores. The excess was

mainly under Rental to P&T department for S&T circuit (Rs. 5.60 crores) off set by aggregate of savings and excesses (Rs. 4.41 crores) spread over seven other sub-heads of this Grant.

Of the excess of Rs. 5.60 crores on account of rental to P&T Department, South Eastern Railway Administration alone was responsible for an excess expenditure of Rs. 4.32 crores as it did not make adequate provision for payment of arrears of rental charges of line wires and other telecommunication services to Post and Telegraphs Department.

Grant No. 8	Final Grant	Actual expenditure	(Amount in Rupees)	
			Excess	Percentage
Operating expenses—Rolling stock and Equipment. (Original Rs. 470.19 crores—Supplementary Rs. 3.68 crores)	473,87,14,000	474,88,48,924	101,34,924	0.21

6.3.5 A supplementary grant amounting to Rs. 3.68 crores was obtained in March 1986 on account of increase in electricity tariff and more consumption of electric energy for other than traction purposes (Rs. 7.90 crores), increase in eligibility limit of Productivity Linked Bonus (Rs. 4.61 crores) Additional Dearness Allowance including sanction of second Interim relief to staff and other Miscellaneous reasons (Rs. 0.58 crore), partly offset by less provision due to more credits (Rs. 2.68 crores) and less payment in other staff costs, miscellaneous contingencies and cost of materials (Rs. 6.73 crores). But it proved to be inadequate to the extent of Rs. 1.01 crores.

The excess occurred mainly under Operating Expenses—Diesel Locomotives (Rs. 0.82 crore), Traction (other than rolling stock) and general electric services (Rs. 0.49 crore), Operating Expenses—Electric Locomotives (Rs. 0.27 crore) and Ferries and rail cars (Rs. 0.10 crore) offset by aggregate of savings (Rs. 0.67 crore) under other sub-heads. The highest excess occurred on Central Railway (Rs. 0.78 crore) owing to inadequate provision of funds to cover the incidence of upward revision of power tariff under sub head Traction (other than rolling stock) and general electric services.



(Amount in Rs.)

Grant No. 9	Final Grant	Actual Expenditure	Excess	Percentage
Operating Expenses-Traffic (Original Rs. 526.43 crores & Supplementary Rs. 15.98 crores)	542,40,95,000	545,58,03,652	3,17,08,652	0.59

6.3.6 A supplementary grant amounting to Rs. 15.98 crores was obtained in March 1986 on account of increase in the eligibility limit of Productivity Linked Bonus (Rs. 8.90 crores), Additional Dearness Allowance including sanction of second Interim relief to staff (Rs. 2.55 crores), Conference hire and penalty charges (Rs. 5.30 crores), inter railway financial adjustments (Rs. 1 crore) contractual payments (Rs. 0.82 crore), cost of material and contin-

gencies (Rs. 0.80 crore), offset by less payments on other staff costs (Rs. 2.25 crores) and other miscellaneous causes (Rs. 1.14 crores); but it proved to be inadequate to the extent of Rs. 3.17 crores. The excess occurred mainly under sub-heads Station Operations (Rs. 2.78 crores). Central Railway accounted for maximum excess on salaries and wages, dearness allowances, etc.

(Amount in Rs.)

Grant No. 10	Final Grant	Actual Expenditure	Excess	Percentage
Operating Expenses—Fuel (Original Rs. 1028.28 crores and Supplementary Rs. 58.16 crores.)	1086,43,77,000	1087,24,10,268	80,33,268	0.07

6.3.7 A supplementary grant of Rs. 58.16 crores was obtained in March 1986 on account of Additional Dearness Allowance including sanction of second interim relief to staff (Rs. 0.40 crore), increase in eligibility limit of Productivity Linked Bonus (Rs. 0.06 crore), increase in expenditure on Diesel Oil (Rs. 55.24 crores) and Electricity (Rs. 19.18 crores) partly offset by savings due to decrease in traffic under steam traction (Rs. 16.41 crores), other staff costs (Rs. 0.06 crore) and other miscellaneous causes (Rs. 0.25 crore). The supplementary grant proved inadequate to the extent of Rs. 0.80 crore.

head 'Electric traction' offset by savings under sub-heads Diesel (Rs. 2.35 crores) and steam (Rs. 1.61 crores) traction.

Northern and South Eastern Railways mainly contributed to the excess of Rs. 4.76 crores as they could not assess realistically the payments to be made for the supply of electric energy.

The savings of Rs. 2.35 crores under 'Diesel Traction' was mainly due to non-adjustment of the cost of fuel (Rs. 3.25 crores) issued to Locomotives by Northeast Frontier Railway which remained misclassified under 'Stores Suspense' Grant No. 16. The real excess under this grant would have been higher than Rs. 0.80 crore but for the above misclassification.

(Amount in Rs.)

Grant No. 11	Final Grant	Actual expenditure	Excess	Percentage
Staff Welfare and Amenities (Original Rs. 179.96 crores & Supplementary Rs. 8.33 crores)	188,08,61,000	189,28,98,933	120,37,933	0.64

6.3.8A supplementary grant amounting to Rs. 8.33 crores was obtained in March 1986 on account of increase in Additional Dearness Allowance including sanction of second Interim relief to staff (Rs. 2.25 crores), increase in the eligibility limit of Productivity Linked Bonus (Rs. 2.08 crores), contractual payments on account of special repairs for residential and welfare buildings (Rs. 5.42 crores), partly offset by less payments in other staff costs (Rs. 0.21 crore) and other miscellaneous causes (Rs. 1.22 crores). The S/28 C&AG/87—3

supplementary grant proved inadequate to the extent of Rs. 1.20 crores.

The excess occurred mainly under 'Medical Services' (Rs. 0.95 crore) and 'Residential and Welfare Buildings' (Rs. 0.85 crore), offset by aggregate of saving and minor excesses under other sub-heads (Rs. 0.60 crore). Main contributors to the excess were Western (Rs. 0.64 crore) and Central (Rs. 0.46 crore) Railways.



(Amount in Rs.)

Grant No. 12	Final Grant	Actual Expenditure	Excess	Percentage
Miscellaneous working expenses (Original Rs. 264.48 crores and Supplementary Rs. 26.59 crores)	291,06,85,000	296,82,15,930	5,75,30,930	1.98

6.3.9 A supplementary grant of Rs. 26.59 crores was obtained in March 1986 on account of increase in additional Dearness Allowance including sanction of second Interim Relief to staff (Rs. 5.04 crores), increase in the eligibility limit of Productivity Linked Bonus (Rs. 1.96 crores), compensation for goods lost or damaged (Rs. 14.63 crores), deployment of more Order police (Rs. 6.26 crores), compensation for unlinked missing coal wagons (Rs. 5.30 crores), cost of materials including catering stores (Rs. 1.24 crores), contractual payments, contingencies and other staff costs (Rs. 1.45 crores) partly offset by savings due to less provisions under suspense head (Rs. 9.29 crores). The supplementary grant proved inadequate to the extent of Rs. 5.75 crores.

The excess under this grant occurred mainly under 'Suspense' (Rs. 10.03 crores), offset by savings under other subheads of this grant viz., security (Rs. 0.90 crore), compensation claims (Rs. 1.12 crore) catering

(Rs. 1.22 crores), training of staff (Rs. 0.70 crore), workmen's compensation, hospital and entertainment expenses etc., aggregating Rs. 0.34 crore.

The excess expenditure under 'Suspense' was due mainly to discharging less liability under 'Demands payable' than what was anticipated and provided for in the budget (Rs. 4.62 crores); more expenditure placed under 'Miscellaneous Advance (Rs. 5.41 crores) for want of proper and correct allocation. The Central Railway accounted for the maximum excess (Rs. 3.03 crores) followed by Western Railway (Rs. 1.41 crores) under Demands Payable; under Miscellaneous Advances maximum excess (Rs. 4.22 crores) occurred on Eastern Railway owing to inclusion of 'Conference hire' and penalty charges on interchanged rolling stock pertaining to Northern Railway received at the fag end of the year as per instructions of the Ministry of Railways (Railway Board).

(Amount in Rs.)

Grant No. 1	Final Grant	Actuals expenditure	Excess	percentage
Provident Fund, pension and other Retirement Benefits (Original Rs. 280.67 crores and Supplementary Rs. 68.58 crores)	349,24,64,000	360,94,27,805	11,69,63,805	3.35

6.3.10 A Supplementary grant of Rs. 68.58 crores was obtained in March 1986 for more payment of Superannuation and Retiring pension (Rs. 25.83 crores), Commuted value of pension (Rs. 17.02 crores), Family pension (Rs. 6.81 crores), Death-cum-retirement gratuity (Rs. 19.51 crores) and for other causes (Rs. 0.37 crore) due to more people retiring on Pension than anticipated and also on account of Additional Dearness relief sanctioned to pensioners during the course of the year; partly offset by less provision (Rs. 0.96 crore) required under other heads such as exgratia pension, special contribution to Provident Fund. The supplementary grant proved to be inadequate to the extent of Rs. 11.69 crores.

The excess of Rs. 11.69 crores occurred mainly under Superannuation and Retiring pension (Rs. 10.80 crores) and Commuted pension (Rs. 3.11 crores) offset by aggregate of savings and minor excess under other sub-heads (Rs. 2.22 crores). The excess is attributed to settlement of more number of pension cases and more adjustment of debits received from Accountants General during fag end of the year than anticipated.

Northern Railway accounted for the maximum excess (Rs. 6.02 crores) followed by Eastern Railway (Rs. 3.51 crores).

Although debits amounting to Rs. 5.56 crores were lying under Remittance head of Account viz., Account with States and awaiting adjustment to final heads at the end of 1985-86, there was a saving of Rs. 0.35 crore on North Eastern Railway in this grant.

A sum of Rs. 14.56 crores was lying outstanding at the beginning of the year 1985-86 under the above suspense head on account of debits of pension disbursements passed on to North Eastern Railway by the State Accountants General but that Railway adjusted a sum of Rs. 8.71 crores only and held over the balance of Rs. 5.56 crores for adjustment in the next year. If this amount had also been adjusted during 1985-86, which should have been done, the excess under this grant would have been to the tune of Rs. 17.25 crores.



Grant No. 15	(Amount in Rs.)			
	Final Grant	Actual Expenditure	Excess	Percentage
Dividend to General Revenues—Repayment of Loans taken from General Revenues and amortisation of over capitalisation (Original Rs. 546.85 crores and supplementary Rs. 17.52 crores)	564,37,23,000	648,13,90,933	83,76,67,933	14.84

6.3.11 The original grant of Rs. 546.85 crores was fixed on the basis of net revenue of Rs. 586.00 crores assessed at the time of Budget. At the Revised Estimate stage, anticipating higher net revenue at Rs. 605 crores, the Ministry of Railways (Railway Board) took a supplementary grant for Rs. 17.52 crores in March 1986 to meet the increased dividend to General Revenues (Rs. 8.00 crores), Deferred Dividend Liability prior to 1978-79 (Rs. 7.84 crores) and payment of more interest on outstanding loans ob-

tained from General Revenues for Development Fund (DF) works (Rs. 1.68 crores).

The actual net revenue turned out to be Rs. 648.14 crores due to materialisation of more traffic than anticipated at the Revised Estimate stage in February 1986.

The provision made in the Revised Estimate for Dividend to General Revenues etc. and actual payments made are indicated in the table below :

Sl. No.	Particulars	(Amount in crores)			
		Budget Estimate 1985-86	Revised Estimate 1985-86	Actual payments	excess(+) saving(-)
1.	Dividend to General Revenues	512	520	507.03	(-)-12.97
2.	Deferred Dividend Liability				
	(a) prior to 1978-79	10.47	18.30	40.71	(+)-22.41
	(b) 1978-79 onwards	..	..	76.01	(+)-76.01
3.	Repayment of loans and interest thereon taken temporarily from General Revenues to finance works chargeable to Development Fund	24.39	26.07	24.39	(-)-1.68
Total		546.85	564.37	648.14	83.77

The excess of Rs. 83.77 crores was mainly on account of payment of deferred dividend liability amounting to Rs. 116.72 crores (against the provision of Rs. 18.30 crores) off set by savings on account of less payment under Dividend to General Revenues (Rs. 12.97 crores) and less repayment of loan (Rs. 1.68 crores) taken to finance works chargeable to Development Fund.

It is, however, to be mentioned that in a memorandum submitted to the Railway Convention Committee in November 1982, the Ministry of Railways (Railway Board) proposed, with the approval of Ministry of Finance, that the surplus available after meeting the expenditure on works chargeable to Development Fund etc. might be apportioned in the ratio of 50 : 50 for liquidation of loan taken from General Revenues in respect of which the Railways are liable to pay interest at the average borrowing rate of interest. If the appropriation of the surplus of Rs. 98.42 crores available after discharging the liabilities as voted by Parliament were appropriated as per the above proposal of the Ministry of Railways (Railway Board), the Railways could have saved interest liability of Rs. 1.78 crores for the year 1985-86.

The Ministry of Railways (Railway Board) stated that a memorandum was submitted to the Lok Sabha Secretariat in April 1983 for consideration of the Railway Convention Committee and so far no further report of the Committee has been received in this regard.

6.3.12 The Budget grant and actuals under Grant No. 16 Assets, Acquisition, Construction and Replacement under Revenue, Capital and Railway Funds were as under:—

	(Rs. in crores)			
	Budget	Final Grant including Supplementary Grant	Actuals	Excess/Saving(-)
Revenue (Open Line Works—Revenue)	14.99	14.99	13.58	-1.41
Capital	2934.12	3244.27	3134.91	-90.56
Railway Funds (DRF, DF & ACSPF)	1028.18	1151.03	1202.35	51.32
TOTAL	3977.29	4410.29	4369.84	-40.45



The Ministry of Railways (Railway Board) has no powers of re-appropriation between Capital, Railway Funds and Revenue. Though there was a saving of Rs. 40.45 crores under the grant as a whole, there was an excess of Rs. 51.32 crores under Railway Funds as dealt with in sub-paragraphs 6.4.3 to 6.4.8. The excess of Rs. 51,32,35,883 under the Railway Funds also requires regularisation.

## B. Charged Appropriations

### 6.3.13 Appropriation No. 2—

#### Miscellaneous Expenditure (General)

(Amount in Rs.)			
Final Appropriation	Actual Expenditure	Excess	Percentage
Nil	33965	33965	100

The excess occurred in RDSO due to non-provision of funds for Court decretal payments.

### 6.3.14 Appropriation No. 7

#### Working Expenses-Repairs and Maintenance of Plant and Equipment

2,80,000	316648	36648	13.09
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The excess occurred on the Western Railway due to the court decretal amount being more than anticipated.

(Amount in Rs.)				
	Final Appropriation	Actual Expenditure	Excess	Percentage
Appropriation No. 8—Operating Expenses—Rolling Stock and Equipment	1020000	1210303	190303	18.66

The excess occurred on Northeast Frontier Railway as the amounts of court decrees were more than that provided in the charged Appropriation.

## 6.4 Savings in Grants

### A. Voted

(Rs. in crores)				
	Final Grant	Actual Expenditure	Saving	Percentage
Grant No. 2 Miscellaneous Expenditure (General)	34.52	30.80	3.72	10.78

6.4.1 The savings were mainly under (a) Miscellaneous Establishment (Rs. 1.04 crores) due mainly to less expenditure incurred by Railway Service Commission on contingencies, payment of fees and honoraria due to less examinations conducted; (b)

'surveys' (Rs. 0.73 crore) due to less survey works and net savings under other heads (Rs. 1.95 crores).

(Amount in Rs.)

	Final Grant	Actual Expenditure	Saving	Percentage
Grant No. 14 Appropriation to Funds	1279.19	1274.55	4.64	0.3

6.4.2 A supplementary grant for Rs. 3.00 crores was obtained in March 1986 mainly to appropriate more surplus to Development Fund (Rs. 3.16 crores) to meet the expenditure chargeable to this fund and interest payable to General Revenues on outstanding loans. The Railways did not utilise the Supplementary Grant resulting in a saving of Rs. 4.64 crores.

Grant No. 16—Assets—Acquisition, Construction and Replacement (Saving Rs. 40.45 crores).

6.4.3 This Grant covers the entire Plan expenditure under 26 sub-heads met out of (a) Capital provided by General Revenues for acquisition of assets on additional account construction of new lines, conversion of lines, electrification, etc. (b) Railway Funds viz., DRF DF and ACSPF and (c) Railway revenues viz., Open Line Works—Revenue. Ministry of Railways (Railway Board) has no power of re-appropriation of funds between Capital, Railway Funds and Revenues. The works expenditure met out of Capital and Railway Funds are clubbed under "Other Expenditure" and detailed explanations for variations between Budget provision and actual expenditure under each source of financing viz., Capital, DF, DRF and ACSPF under each plan head are not furnished by the Ministry.

6.4.4 Two supplementary grants amounting to Rs. 433 crores in December 1985 and Rs. 7000 in March 1986 were obtained under Capital (Rs. 310.15 crores) DRF (Rs. 116.19 crores) DF (Rs. 3.34 crores) and ACSPF (Rs. 3.32 crores) primarily to expedite execution of ongoing works/schemes under the plan heads Rolling Stock (Rs. 171.50 crores) line capacity works (Rs. 24.58 crores), Track Renewals (Rs. 100.00 crores), Electrification Projects (Rs. 68.00 crores), Signalling and Telecommunications (Rs. 20.00 crores), Workshops (Rs. 30.00 crores), Inventories (Rs. 21.00 crores), etc. and for recoupment of amounts withdrawn from the Contingency fund for certain new works undertaken out of turn (Rs. 3.99 crores). The Supplementary Grant also included a provision of Rs. 1.93 crores for new works proposed to be undertaken during the current year and regarded as New Service/New instrument of service requiring approval of Parliament.



6.4.5 The actual expenditure against the Final Grant is shown in the table below :—

	(Rs. in crores)			
	Final Grant	Actual Expenditure	Saving (—) Excess(+)	Percentage
Grant No. 16				
Assets—Acquisition Construction and Replacement				
(i) Revenue Expenditure—Open Line Works Revenue				
Original Grant	14.99	13.58	(—)1.41	9.4
Rs. 14.99 crores Supplementary : Nil.				
(ii) Other Expenditure :				
(a) Capital				
Original Grant	3244.27	3153.91	(—)90.36	2.79
Rs. 2934.12 crores—Supplementary Grant Rs. 310.15 crores.				
(b) Railway Funds				
1. DRF				
Original Grant	1076.34	1133.02	(+)56.67	5.27
Rs. 962.92 crores—Supplementary Grant Rs. 116.19 crores Reappropriation (—) Rs. 2.77 crores.				
2. D.F.				
Original Grant	46.10	42.16	(—)3.94	8.55
Rs. 39.99 crores—Supplementary Grant Rs. 3.34 crores Reappropriation (+) Rs. 2.77 crores.				
3. ACS PF				
Original Grant	28.59	27.18	(—)1.41	4.93
Rs. 25.27 crores Supplementary Grant Rs. 3.32 crores.				
Total Railway Funds	1151.03	1202.36	(+)51.33	4.46
Total Other Expenditure	4395.30	4356.27	(—)39.03	0.89

6.4.6 While there was a saving of Rs. 90.36 crores with reference to the Final Grant under Capital, there was a net excess of Rs. 51.33 crores under Railway Funds mainly on account of excess expenditure of Rs. 56.68 crores under DRF, partly offset by saving under D.F. (Rs. 3.94 crores) and ACS PF (Rs. 1.41 crores). The net excess of Rs. 51,32,35,883 under Railway Funds would require regularisation as mentioned in sub-para 6.3.12.

6.4.7. The Supplementary Grants totalling Rs. 433.00 crores specifically obtained for the following plan heads proved either inadequate or unnecessary as shown below :—

	(Rs. in crores)				
Plan Head	Original Grant	Final Grant (including Supplementary Grant and Reappropriation)	Actual Expenditure	Saving (—) Excess (+)	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
Excess :					
(1) Track Renewal	494.47	597.69	611.63	(+)13.94	2.3
(2) Manufacturing Suspense (i.e., Inventories)	892.59	942.93	953.82	(+)19.90	2.2
Saving :					
(1) Rolling Stock	496.88	631.30	607.93	(—)23.37	3.7
(2) Traffic Facilities (i.e., Line Capacity Works)	66.10	69.23	66.73	(—)2.50	3.6
(3) Railway Electrification	160.07	171.80	167.67	(—)4.13	2.5
(4) Machinery and Plant	53.50	61.42	50.63	(—)10.79	17.6
(5) Workshops including Production Units	77.49	99.54	92.47	(—)7.07	7.1
(6) Signalling and Telecommunication Works	38.47	54.70	50.47	(—)4.23	7.7
(7) Stores Suspense (i.e. Inventories)	1177.41	1258.93	1249.43	(—)9.50	0.8

6.4.8 Excess (Rs. 13.94 crores) under Track Renewals occurred mainly due to more procurement of track materials and accelerated progress of track renewal works; main contributors to the excess were Eastern Railway (Rs. 7.29 crores) and South Eastern Railway (Rs. 5.03 crores).

The excess under Manufacturing Suspense (Rs. 19.90 crores) was due to more drawal of stores from stock, direct purchases of stores for more outturn and less issues within the Demand. Eastern Railway



recorded the maximum excess of Rs. 8.99 crores despite additional provision of Rs. 6.76 crores to accommodate payment of Additional Dearness Allowance, Interim Relief and reclassification of artisan staff, etc. at the Revised estimate stage. This additional provision proved inadequate to the extent of Rs. 8.99 crores.

#### 6.4.9 Savings

**Rolling Stock (Rs. 23.37 crores) :** Provision under this plan head is mainly for Bulk order items (i.e., purchase of Rolling stock and components) placed by Railway Board centrally and the debits therefor are adjusted by the individual Railways as per the allotment orders issued by the Board. The supplementary Grant (Rs. 171.50 crores) became unnecessary to the extent of Rs. 23.37 crores under this Plan head due to less utilisation of funds for purchase of Rolling stock components by the Railway Board under contracts concluded by them.

**Traffic Facilities (Rs. 2.50 crores) :** The saving was mainly due to slow progress of works consequent on non-receipt of materials. Maximum saving was on South Eastern Railway (Rs. 1.75 crores).

**Railway Electrification (Rs. 4.13 crores) :** The supplementary grant of Rs. 60.00 crores obtained in December 1985 proved unnecessary to the extent of Rs. 52.41 crores owing to slow progress of works; Rs. 48.28 crores out of this Supplementary Grant (Rs. 60.00 crores) was diverted for other Plan heads and Rs. 4.13 crores surrendered.

**Machinery and Plant (Rs. 10.79 crores) :** The saving was mainly due to less procurement of machinery and plant items and non-receipt of full debits for purchase of machinery and plant under Workshop Modernisation scheme contrary to expectations. The largest saving occurred on Northern Railway (Rs. 2.61 crores) followed by South Eastern Railway (Rs. 2.07 crores).

**Workshops including Production Units (Rs. 7.07 crores) :** The saving occurred mainly due to less payment to contractors for structural engineering works, etc. in Railway Workshops and less debits for material in connection with execution of the Workshop Modernisation scheme and other works which could not be foreseen at the Final modification stage. South Central (Rs. 1.97 crores) and South Eastern (Rs. 1.63 crores) Railways contributed to the savings on account of the above factors.

**Signalling and Telecommunication Works (Rs. 4.23 crores) :** The savings occurred mainly on the Eastern

(Rs. 1.98 crores) and Western (Rs. 1.11 crores) Railways due to non-receipt of imported equipments and slow progress of signalling, safety and control communication works.

**Stores Suspense (Rs. 9.50 crores) :** The saving was mainly due to less purchase of stores for general purpose, less receipt of manufactured stores from workshops, etc. The largest saving under this Plan head occurred on North Eastern Railway (Rs. 7.87 crores).

#### B. Charged Appropriations

6.4.10- A total saving of Rs. 10.54 crores occurred under 10 charged appropriations. Of this, Appropriation No. 13 alone accounted for a saving of Rs. 6.96 crores against Rs. 9.02 crores obtained to meet the arrears of pension due to application of liberalised pension formula to pre-March 1979 pensioners following a Supreme Court judgement and Government orders issued there on in October 1983. However, as bulk of the debits for payments to Railway Pensioners through Public Sector Banks, Post Offices and Treasuries were not received for adjustment major portion of this appropriation (Rs. 6.96 crores) remained unutilised.

The rest of the saving occurred under Appropriation No. 12—Miscellaneous Working Expenses (Rs. 3.15 crores) and other eight appropriations (Rs. 0.43 crore). The savings specially those relating to appropriation No. 12 were mainly due to non-materialisation of decretal awards, less cases of accident compensation than anticipated during the year, etc.

The supplementary Appropriation of Rs. 0.85 crore obtained in Appropriation No. 12 proved unnecessary as the saving of Rs. 3.15 crores was far in excess of the Supplementary Appropriation.

#### 7. Discrepancies in Inventory records

The differences between the numerical balances and the balances as per the priced ledgers discovered at the time of stock verifications and the differences between the balances in the numerical ledgers maintained by the depots and the priced ledgers maintained by the Accounts Department discovered at the time of reconciliation of these two records are adjusted under Stock Adjustment Account Part I-Differences in stock. Successive stock verifications on the Railways during the last three years ended 1985-86 disclosed that the percentage of total discrepancies (both surplus and deficiencies taken together) to total stores transactions (receipts and issues during the year) went up from 1.5



percent in 1983-84 to 2.15 percent in 1984-85 and 3.2 percent in 1985-86 as shown in the table below :—

(Amount in crores)

Year	Surplus	Deficiencies	Total value of surplus and deficiencies	Total value of receipts and issues during the year	Percentage of total surplus/deficiencies to total transactions
1	2	3	4	5	6
1983-84	19.54	29.52	49.06	3261.71	1.5
1984-85	39.56	37.24	76.80	3566.15	2.15
1985-86	65.40	68.86	134.26	4192.57	3.2

Railway-wise and Unit-wise analysis of such differences noticed during 1985-86 is indicated in the table below :—

(Rupees in lakhs)

Railways/Unit	Surplus	Deficiencies	Total	Total value of receipts and issues during 1985-86	Percentage of total surplus/deficiencies to total transactions
1	2	3	4	5	6
Central	455	546	1001	56764	1.76
Eastern	172	191	363	40081	0.91
Northern	5417	5236	10653	78634	13.55
North Eastern	47	146	193	16487	1.16
Northeast Frontier	20	30	50	11031	0.45
Southern	124	82	206	35543	0.58
South Central	5	59	64	29382	0.48
South Eastern	51	118	169	35422	0.22
Western	174	393	567	51592	1.10
Chittaranjan Locomotive Works	24	17	41	19160	0.21
Diesel Locomotive Works	42	36	78	22423	0.35
Integral Coach Factory	9	32	41	18229	0.23
Wheel and Axle Plant	..	..	..	4507	..
Total	6540	6886	13426	419255	3.2

While, during 1983-84, 1984-85 and 1985-86, the surplus/deficiencies were within one percent of the total stores transactions on Eastern, Northeast Frontier, Southern, South Central and South Eastern Railways and the three Production Units viz., CLW, DLW and ICF, on the Northern Railway these were 4.1 percent in 1983-84, 8.6 percent in 1984-85 and 13.5 percent in 1985-86. During 1985-86 the surplus/deficiencies were more than one percent on the Central (1.76), North Eastern (1.16) and Western (1.10) Railways.

Northern Railway thus accounted for the bulk of the discrepancies. Detailed review of the stores control and re-conciliation systems seems to be called for. The position in the Central, North Eastern and Western Railways also needs improvement. It seems

also desirable to lay down a norm, say 0.5 percent, beyond which percentage discrepancies at any time should be regarded as unacceptable and call for drastic action.

#### 8. Avoidable payment of interest on compensation to nationalised Branch line Companies

With a view to rehabilitating the existing track and reducing the liability to Government Railways by way of payment of guaranteed interest (3.5 per cent per annum) on their capital and share of earnings every year and on the basis of recommendations of an inter-ministerial group, two branch line Companies (Chaparmukh-Silighat owned by Martin Burn Co. and Katakhal-Lalabazar owned by McLeod Russel Co. on Northeast Frontier Railway) were nationalised by



an Act (36 of August 1982) of Parliament which received the President assent on 17 August 1982. The Act stipulated payment of compensation (Rs. 10.50 lakhs to Chaparmukh-Silighat Railway and Rs. 9.00 lakhs to Katakhal-Lalabazar Railway) within three months from the date of effect of the Act failing which interest at 4 per cent was to be paid. In the case of one company (Katakhal-Lalabazar Railway) the net compensation payable by the Railway as on the date of nationalisation in August 1982 was a minus figure of Rs. 2.71 lakhs after adjustment of the interest due at 11 per cent for the period from 1st January 1973 to 16th August 1982 on debentures issued by the company for Rs. 6.50 lakhs.

No action was, however, taken by the Railway Board within the stipulated period of three months to pay or offer the compensation through the General Manager, Northeast-Frontier Railway on the plea that there was no mention of the date of effect in the Act. On 30th November, 1982 *i.e.*, after the expiry of the three months period, the companies filed petitions in the Calcutta High Court pleading for a review of the quantum of compensation. The Court decided in both the cases (January and September 1984) that the petitions of the companies were not maintainable.

Meanwhile, the Northeast Frontier Railway Administration adjusted an amount of Rs. 8.70 lakhs as subsidy on account of interest on capital and share of earnings for the period from 1982-83 to 1985-86 as if these Railways (Chaparmukh-Silighat, Katakhal-Lalabazar) had not been nationalised. These adjustments were reversed in the accounts for 1985-86.

In July 1986, the Northeast Frontier Railway Administration paid a sum of Rs. 9,10,289 as compensation including interest amounting to Rs. 1,23,923 for delayed payment for the period from August 17, 1982 to July 7, 1986 to the owners of the Chaparmukh-Silighat Railway company. No action has been taken in respect of the other Railway company (Katakhal-Lalabazar) from which an amount of Rs. 4.10 lakhs was due to the Railways as at the end of July 1986.

It may be mentioned that in the absence of any specific reference to the date of effect in the Act, the Act became law when it received the assent of the President. Therefore, if action had been initiated to pay or offer compensation within the stipulated period of three months from the date the President gave assent to the Act of Nationalisation, the payment of interest charges amounting to Rs. 1.24 lakhs would have been avoided.



## CHAPTER II

### WHEEL AND AXLE PLANT

#### 9. Wheel and Axle Plant, Yelahanka

##### 9.1 Introduction

The Railway's requirement of wheels and axles are generally met by the Durgapur Steel Plant (DSP) and the Tata Iron and Steel Company (TISCO). Indigenous production being inadequate to meet the requirement, Railways had been importing 40 to 50 per cent of wheels, axles and tyres for over 2 decades. In 1972, the Railways proposed to set up a Wheel and Axle Plant to supplement the capacity of the above two indigenous sources of supply. A collaboration agreement was entered into with a US firm in April 1974 for technical know how and setting up the Wheel Shop. The work on the project was commenced on an urgency certificate in August 1974 and an abstract estimate for Rs. 38.6 crores was prepared in June 1975 after consultation with the US firm for wheels and a Czech firm for axles. The project was under consideration for several years as the Planning Commission and the Ministries of Finance and Steel had reservations on the need for setting up a separate Wheel and Axle Plant under the Ministry of Railways. They were considering whether the capacity of Durgapur Steel Plant would not be adequate for meeting the Railways requirements. The project was finally cleared by the Planning Commission in 1978 and the financing arrangements for the Project from International Development Authority (IDA) credit were finalised in November 1978. A revised estimate of the Project for Rs. 129.65 crores was sanctioned by the Railway Board in February 1981. According to the Project Report production was to start from December 1978. The target date was subsequently revised to June 1982. The various shops in the Plant were actually commissioned in stages between December 1983 and March 1984 and regular production started from September 1984. The estimate was again revised to Rs. 146 crores in July 1985.

##### 9.2 Planning

9.2.1 The scheme envisaged the introduction of modern technological processing for the manufacture of wheels and axles by "pressure pouring (Griffin process)" and "precision long forging" process respectively duly avoiding a multitude of processes involved in forged wheels. The project was justified on the grounds that apart from the heavy drain of foreign exchange, the cost of imported wheelset was

roughly three and half times the cost of indigenous wheelset and prices were rising in world markets. Besides, financing of wheel imports and delays in supplies from abroad had also adversely affected wagon production and rolling stock maintenance programmes.

9.2.2 In January 1977, the IDA mission examined in depth the Railway's proposal for setting up the wheel plant and agreed to finance the project, except civil engineering works, to the tune of \$ 38 million on soft loan basis.

9.2.3 The need for setting up the Railway's wheel and axle plant was further examined by the Ministry of Finance and a sub-committee comprising the Finance Minister, the Minister for Steel and Mines and the Deputy Chairman, Planning Commission. In May 1978, the sub-committee endorsed the proposal to set up the plant by the Railways. Even before that the Ministry of Railways (Railway Board) had sanctioned in November 1977, an abstract estimate for the project for Rs. 38.6 crores.

9.2.4 The Public Accounts Committee (1980-81) had observed in its 45th Report (Seventh Lok Sabha) that :

"the advance planning done in this case has to be considered in the light of the fact that the final clearance for the project came much later and the entire expenditure incurred could have been rendered infructuous in case the Planning Commission or the Finance Ministry had not been convinced of the inevitability of the Project. The Committee cannot but express their displeasure at the haphazard nature of planning done in this case".

9.2.5 Commenting on the revision of the cost of Project from Rs. 38.6 crores to Rs. 129.65 crores the Public Accounts Committee (1980-81) observed :

"It appears that one of the reasons for higher estimates in later years was that the estimates were not prepared realistically initially."

9.2.6 According to the Ministry of Railways (Railway Board) the increase in cost was mainly due to (i) steep escalation in costs Rs. 60.10 crores, (ii) increase in scope of work Rs. 26.64 crores and (iii) increase in general charges Rs. 3.75 crores.



9.2.7 The Railway Board's contention that a major part of increase viz., Rs. 60.10 crores was on account of escalation is not borne out by facts as mentioned below :

- (a) Under civil engineering works an increase of Rs. 14.9 crores out of Rs. 16.5 crores was due to increase in floor area of administrative buildings, shops, and inclusion of additional buildings for control room, diesel generating sheds, more number of quarters, etc. Under other items, such as Hospital, Training School, Furniture, etc., there was gross under-estimation and the provision was increased from Rs. 0.78 crore to Rs. 3.89 crores.
- (b) In respect of Plant and Equipment there was an increase of Rs. 62.9 crores. The original estimate was revised to provide for variation in number of machines to be procured, type of equipment, flexibility to suit future production requirements, improved designs, etc.
- (c) Similarly, under 'electrical works' an increase of Rs. 8.87 crores became necessary as "at the stage of framing abstract estimate, clear idea of final layout of the plant and also the number and scope of equipment to be installed was not available".

9.2.8 The Railway Board informed the Public Accounts Committee (1980-81), in December 1980, that the Wheel Shop was expected to commence production by June 1982 and the Axle Shop by June 1983. However, even in the budget for 1981-82 which was then under finalisation a provision of Rs. 39.75 crores only was made for that year. The balance of estimated cost carried over to 1982-83 and beyond was Rs. 65.77 crores, i.e., about 50 per cent of the estimated cost. Consequently, there was no likelihood of production commencing from June 1982. Adequate budgetary provision for 1982-83 was also

not made so as to expedite the completion of the project. The allotments made during each of the years from 1981-82 to 1985-86 were also not fully utilised as shown below :

Year	(Rupees in crores)		
	Budget provision	Revised estimate	Actual expenditure
1981-82	39.75	39.75	35.94
1982-83	60.00	54.40	51.18
1983-84	21.40	19.40	16.78
1984-85	11.84	11.84	9.61
1985-86	5.50	5.50	3.67

The WAP commenced production in September 1984.

9.2.9 Incidentally, it is to be mentioned that even the contracts for civil engineering works for the Wheel and the Axle Shops were awarded in January 1981 and June 1981 respectively with period of completion of 21 months.

9.2.10 Meanwhile, the Railways imported wheelsets in large numbers as shown below :

Year	Wheelsets			
	22.9 tonnes		20.3 tonnes	
	Nos.	Value (Rs. in crores)	Nos.	Value (Rs. in crores)
1982-83	11,700	19.89	10,400	17.68
1983-84	10,312	17.36	1,394	2.37
1984-85	13,276	22.57	..	..

9.2.11 Though the Planning Commission had given an indication that the output of Durgapur Steel Plant was showing a rising trend, during 1983-84 and 1984-85 its production was much lower than in earlier years. The rated capacity of Durgapur Steel Plant was 66,000 tonnes of wheels and 27,000 tonnes of axles constituting 75,000 wheelsets (60,000 BG and 15,000 MG sets) per year. The actual production during the years 1979-80 to 1985-86 was as under :

Year	20.3t	Wheelsets		Total assembled wheelsets for Rlys.	Total assembled wheelsets including supplies to other units	Loose wheels	Loose axles
		16.3t	12t				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1979-80	9128	989	3030	13147	13446	6760	1146
1980-81	9220	89	3173	12482	12482	6768	1439
1981-82	8122	289	1622	10033	10099	9631	2973
1982-83	6922	168	941	8031	8081	6941	2320
1983-84	7143	..	287	7340	7438	7438	2698
1984-85	2850	18	83	2951	2969	6091	2138
1985-86	3235	..	251	3486	3575	19588	5551



9.2.12 Thus there was lack of coordination between the Railways and the Durgapur Steel Plant with the result that Durgapur Steel Plant's capacity was utilised to the extent of 14.2 per cent and 30.9 per cent only during 1984-85 and 1985-86 respectively while at the same time the Railways imported wheelsets which could have been made at Durgapur.

9.2.13 It is significant to mention that in 1978, the Government had cleared the Wheel and Axle Plant project with the stipulation that the Railways would fully consume the product-mix of the Wheel and Axle Unit of DSP, which at the production level of 50,000 sets was expected to be 35,000 roller bearing 20.3/16.3 tonne sets, 5,000 plain bearing 16.3 tonne sets and 10,000 plain bearing 10/12 tonne sets.

9.2.14 As there has been substantial change in the nature of Railways requirement of wheelsets, it is not clear how the capacity of DSP would be utilised.

### 9.3 Execution

9.3.1. The contracts for civil engineering construction of the wheel unit were awarded in January 1981 to M/s. National Projects Construction Corporation (NPCC) and axle unit in June 1981 to M/s National Buildings Construction Corporation (NBCC). The scheduled date for completion of the wheel unit was October 1982; it was actually completed in May 1984. The axle unit scheduled to be completed by March 1983 was completed in June 1984 only. These delays resulted in cost escalation and claims from contractors for additional payments. They submitted supplementary claims for Rs. 394 lakhs (NPCC) and Rs. 283 lakhs (NBCC) for work done during the extended period (beyond the original scheduled date of completion). The admissibility of claims was examined by a Committee of Senior Officers of the WAP Administration. It was held that "the delay was by and large due to departmental reasons" such as delay in issue of drawings, decisions, etc., and payments amounting to Rs. 63.15 lakhs to NPCC and Rs. 24.54 lakhs to NBCC as compensation was recommended by it in October 1985. An amount of Rs. 78.70 lakhs was paid to the contractors in June 1986.

#### 9.3.2 Construction of overhead tank

During 1979, the Wheel and Axle Plant Administration awarded a contract to firm 'A' for civil engineering works which inter alia included construction of two overhead tanks of 4.50 lakh litre capacity each on 20 metre staging and 2 RCC ground reservoirs, one of 28 lakh litre capacity and the other of 2 lakh litre capacity. During negotiations preceding the acceptance of tender, the contractor laid down a condition that for concreting works at higher level

they be permitted to make use of the already completed and sufficiently mature concrete members for supporting the centering for all concrete works by cantilever method. The method of construction proposed by the contractor was different from that recommended by the consultants, viz., that the work of construction of overhead tank should precede that of underground storage tank and the centering should be supported by props from the ground. The method proposed by the contractor was accepted by the Administration.

The contractor started work on the underground water tank in April 1979 and the work of construction of overhead water tank was commenced much later. While the work was in progress, the Administration objected in April 1980 to the method adopted by the contractor. The contractor firm defended its action stating that the cantilever portion of the container of the tank would be supported from the main shaft. The matter was once again referred to the consultants who stuck to their original stand. The Administration thereafter directed the contractor to submit details for staging from the ground which was approved in November 1980. The contractor claimed extra payment at the rate of Rs. 1.25 lakhs per overhead tank in view of the additional work involved.

With a view to examining the admissibility of extra rates, the Administration constituted a high level committee in February 1983 consisting of the Financial Advisor & Chief Accounts Officer, the Chief Engineer and the Additional General Manager. The committee noted that the method of construction proposed by the contractor had been referred to the consultants for advice but the suggestions made by the latter had not been advised to the contractor. Instead the Administration took a decision to go in for conventional method of construction which necessitated execution of extra items of work like propping arrangements for which an avoidable payment of Rs. 1.74 lakhs had to be made.

#### 9.3.3 Avoidable expenditure in the construction of quarters

(i) An estimate for Rs. 2.36 crores for construction of 589 quarters at the Wheel and Axle Plant was sanctioned by the Railway Board in November 1977. In February 1981, a revised estimate for Rs. 3.67 crores was sanctioned. The revision was necessitated by, besides cost escalation etc., certain alterations in the proportion of different types of quarters (increase in the number of Types I and III quarters and reduction in the number of types II and V quarters) while keeping the overall number to 589.



The Member (Engineering), Railway Board during his visit to the Project site in August 1978 directed the WAP to engage the services of suitable architects for residential and service buildings as well as workshop premises.

Accordingly, the WAP Administration decided in October 1980 to go in for consultancy services for architectural lay out and design and invited limited tenders in November 1980. Only four firms submitted their tenders. The tender committee recommended in January 1981 that the architectural-cum-design consultancy services contract be distributed amongst three firms—the total value being Rs. 3.85 lakhs. The actual expenditure incurred worked out to Rs. 3.42 lakhs.

Similarly, for construction of a 30 bed hospital a contract for architectural and engineering consultancy services was entered into in October 1980 and an amount of Rs. 1.21 lakhs was paid to the consultant.

The engagement of consultants for preparing plans and designs was not justified for the following reasons :—

- (a) The Railways have been building a large number of residential buildings all over the country for a long time. Standard model types of quarters for being adopted in specified areas have been evolved by the Railway Board in consultation with the RDSO. These models have been obviously designed to ensure functional efficiency and economy in cost and also to obviate the necessity for preparing plans and drawings every time staff quarters are to be built at new locations. Further, the consultants were also expected to follow the orders of the Railway regarding plinth area of the buildings and other specifications.
- (b) The aesthetic consideration, per se, is a relative concept and in relation to buildings to be used as staff quarters it would not normally be of much significance. While constructing Government staff quarters, the emphasis should be on utility and economy rather than ostentation and extravagance.
- (c) Appointment of consultants did not result in any savings of manpower of the department because the drawings submitted by the consultants had to be scrutinised by the Administration in detail. Also, the construction work had, by and large, to be supervised by the departmental staff.

(ii) The revised sanctioned estimate included 36 Type V quarters which are intended for officers in the pay range of Rs. 1500-2000. In case of shortage of accommodation, this type of quarters could be allotted to officers of higher scale. These quarters had been built at the cost of Rs. 1.34 crores and were ready for occupation with effect from July 1984 (32 numbers) and July 1985 (4 numbers). In May 1984, the Railway Board sanctioned 14 posts in the Administrative grades (Rs. 1500-2000, Rs. 2250-2500 and Rs. 2500-2750) and 14 in the senior time scale for the plant operation phase. The total number of officers entitled to Type V quarters according to WAP Administration's own assessment would be 28. With reference to the actual number of posts approved by the Railway Board for post-commission stage, the number of officers entitled to Type V worked out to 21 (14 Administrative grade plus 7 senior scale). Thus provision of 36 Type V quarters in the estimate and their construction as against the requirement of only 21 quarters resulted in an avoidable investment of Rs. 57.55 lakhs.

(iii) In accordance with the norms laid down by the Railway Board, the plinth area of Type V quarters should not exceed 191.80 square metres. Contrary to these norms the plinth area of Type V quarters actually constructed worked out to 202.47 square metres. The provision of additional plinth area entailed an expenditure of Rs. 7.52 lakhs which was regularised by obtaining ex post facto approval of the Railway Board in December 1985.

The WAP Administration stated (July 1985) as under :—

- (a) Apart from aesthetic, economical and functional aspects, the predominant factor in favour of the decision to go in for consultancy was that the WAP did not have enough manpower in the Drawing Office to cope with the work.
- (b) The tentative projections about the strength of officers in the estimate were scaled down by the Railway Board. This resulted in quarters being excess to requirements. The position would improve with the growth of the activities of WAP. There was no loss of earnings to the Railway since the quarters had been allotted to Officers and recovery was being effected on the assessed rent basis in cases where officers were not entitled to the type of accommodation allotted to them.



It may, however, be pointed out that

- (i) the justification for seeking consultancy from private agencies for design of quarters which are standard type on railways is not clear;
- (ii) the construction of quarters could have been restricted to present needs, and
- (iii) the argument that assessed rent is being collected does not justify the investment on construction of excessive number of higher type of quarters.

#### 9.4 Production and performance

9.4.1 The Wheel and Axle Plant was expected to develop a capacity for an annual production of 70,000 loose wheels of which 23,000 would move out in the form of assembled wheelsets. The sizes of wheels to be manufactured cover a range from 725 mm to 1090 mm diameter and comprise 5 main types of wheels. With regard to axles, the plant is programmed to manufacture more than 50 types representing a major cross section of different types of axles for all gauges.

The project report also contemplated that production would commence in the fourth year from the start of construction with 15 percent of the rated capacity and gradually increasing to 100 percent viz., 70,000 wheels in the fourth year of commencement of production. In respect of axle unit, it was expected that the output would be 15 percent of the rated capacity (23,000 axles) in the first year after commissioning and 100 percent in the third year.

However, as already mentioned, the production started in September 1984. The consequence of delay in commissioning have also been mentioned in paragraphs 9.2.10 and 9.2.12 above.

The production targets and actual production were as under :

Year	(Figures in units)			
	Wheelsets		Axles	
	Target	Actual	Target	Actual (BG & MG)
1984-85	4300	1253	..	1801
1985-86	10732	10027	..	5905
1986-87 (upto December 1986)	20000	16815	..	..

It was stated by the Administration in September 1985 that the targeted production of 23,000 axles would be achievable from 1986-87.

#### 9.4.2 Power Supply

Sustained production could not be maintained due to power cuts, low voltage and inadequate supply of energy by Karnataka State Electricity Board. The location of Plant at Bangalore was based, among other factors, on assurances of uninterrupted power supply as the plant is highly power intensive. However, even from the initial days of commissioning of the arc furnaces (in September 1983) the plant was plagued with acute power crisis affecting the number of heats that could be obtained and causing problems of rejection. Consequently, only one of the two electric arc furnaces is used for production of wheels resulting in underutilisation of capacity.

Supply of power to the plant was based on maximum demand fixed by Karnataka State Electricity Board with reference to consumption prior to commencement of production. Consequently, the maximum demand was not fixed realistically and the Administration had to pay penal charges for consumption in excess of maximum demand. A sum of Rs. 5.61 lakhs was paid by the Administration towards such penalty during the year 1983-84 to 1985-86.

Incidentally, it was noticed that tax on electricity amounting Rs. 77.33 lakhs to end of March 1986, was paid by the Administration to the State Electricity Board, though sales tax is not payable by Central Government as per Article 287 of the Constitution of India. The Administration informed Audit in September 1986 that it had decided to disallow the tax element from the payments made to Karnataka State Electricity Board from May 1986 and that the matter regarding payment of tax was pending with the Government of Karnataka.

#### 9.4.3 Raw materials

The raw materials for the manufacture of wheels and axles are steel scrap and steel blooms.

It was anticipated that for production level of 23,000 wheelsets per annum (and loose axles required for maintenance) about 30,000 tonnes of blooms would be required by the Plant. An assurance was given by the Ministry of Steel in August 1983 that Alloy Steel Plant (ASP) Durgapur would be able to meet WAP's current as well as future requirements of blooms. The WAP placed orders on Alloy Steel Plant for 18,800 tonnes of blooms during the period February 1984 to July 1985. Against these orders the ASP Durgapur could supply 10,133 tonnes only upto March 1986. Meanwhile, as the production of wheelsets was affected, an import of 6,000 tonnes of blooms was cleared (October 1985) in consultation with Ministry of Steel. An order for 6,000 tonnes of blooms costing DM 51,00,000 was



placed on a firm of West Germany in January 1986.

A further review of the requirements of blooms in January 1986 showed that the WAP might require 42,000 tonnes of blooms per annum and there would be a shortfall of 4,000 tonnes in the first half of 1986-87. Accordingly, another order for 4,000 tonnes of blooms was placed on the same firm in February 1986 bringing the total imports to 10,000 tonnes at a cost of DM 84,20,000.

It is to be pointed out in this connection, that the Railway had informed the Ministry of Steel that the WAP would be requiring about 50,000 tonnes of blooms annually. However, these estimates were revised to 42,000 tonnes of blooms per year in January 1986. Though the Ministry of Steel had assured that the Plant's requirements would be met in full, the scheduled supplies during 1986-87 were only 23,600 tonnes against even the earlier requirement of 30,000 tonnes.

Because supplies from ASP were inadequate, import of 10,000 tonnes of blooms had to be arranged. Besides, the annual demand was stepped up from 30,000 to 42,000 tonnes. It is not clear, at present, whether the ASP could be able to meet the requirements of 42,000 tonnes of blooms in full.

It has been noticed that even scrap was not available in adequate quantities in the initial months of production and WAP had to import 1037 tonnes of scrap valued at Rs. 21.04 lakhs involving foreign exchange, in February/July 1985.

#### 9.4.9. Plant and Equipment

One of the reasons for the Plant's inability to increase production is stated to be the number of heats that could be obtained from the arc furnaces. For a production level of 39,700 wheels about 2,200 heats are stated to be required. However, during the period September 1984 to August 1985 the average number of heats obtained was only 80.5 per month. The plant is now (August 1986) stated to be working at a level of 150 heats per month against required level of 200 heats per month.

The firm which had supplied the arc furnaces had indicated that approximately 130 heats would become available between 2 successive side relinings and 120 heats between 2 relinings of the roof. As against this, WAP has been able to achieve only about 40 heats between successive side relinings and 50 heats between relinings of roof. Every time the furnace is relined, it is out of commission for approximately 2½ to 3 days and this factor alone is stated to be badly affecting the availability of furnace. The reasons for the poor performance vis-a-vis the manufacturer's specifications are stated to be the higher

melting temperatures, limitations due to quality of indigenous refractories, etc.

The problem of poor availability of furnaces and consequent loss in production vis-a-vis rated capacity has not so far (November 1986) been fully investigated.

#### 9.4.5. Unnecessary procurement of shearing machine

With a view to bringing down the cost of cutting scrap by expensive oxy-acetylene blow pipe method, an alligator shearing machine costing Rs. 16.84 lakhs (foreign exchange element Rs. 10.83 lakhs) was obtained and commissioned in November 1983. An outturn of cutting scrap of about 250 tonnes per day is the quantity required when the Plant goes into full production. However, the performance of the machine since its commissioning in November 1983 was only around 5 tonnes per day though the Administration had achieved a maximum outturn of 30 tonnes per day in three shifts in test trial conducted under ideal conditions. When the anticipations regarding the outturn of the shearing machine did not materialise the WAP reverted to the original method of oxy-acetylene cutting. A contract for a sum of Rs. 6.3 lakh per year was also awarded from 1985-86 onwards for operations connected with oxy-acetylene cutting. The imported machine was under-utilised.

#### 9.4.6 Quality Control

The WAP has been experiencing problem of large scale rejections since regular production commenced in September 1984. During the period September 1984 to August 1985 the number of wheels cast was 22,148 out of which only 12,967 casts were passed by the RDSO.

On this basis the rejection rate worked out to 58.5 per cent. The main causes of rejection were :

- (a) metal refractory inclusions (3 to 18 percent);
- (b) surface cracks (1.3 to 10.8 percent), and
- (c) mould inclusions (1.4 to 8.2 percent) etc.

At the instance of the World Bank, two experts of the U.S. firm were invited to investigate the causes of rejections. According to them the problem of rejection was aggravated due to (i) intermittent operation of the plant because of single furnace operation, high aluminium content of ferro silicon, sub-angular sand, shifting from fused silica to crystalline silica and back (because of non-availability of silica flour), etc. Accordingly, the WAP is stated to have initiated action to import ferro-silicon (with 0.1 per cent aluminium) from the firm which was supplying this material to the U.S. firm.



Metal refractory inclusions (causing rejections) were found to be due to poor quality of ladle refractory bricks. The WAP, therefore, decided that a ladle should be used for 8 heats only instead of 16 heats before relining. (The cost of relining is estimated at about Rs. 15 thousand). A proposal to import 20 sets bricks from the U.S. firm for trial purposes has been under the consideration of the Railway Board since March 1986.

The quality of sand used in the process of making moulds and castings is also stated to be affecting the quality of wheels. It has been held that round grain sand was not available in the country. The WAP had sent two samples of sand being used in the Plant for testing by U.S. firm in January 1986. The most suitable quality of sand was stated to be available from Cochin and Mangalore (about 400 km. from Bangalore), and is being obtained from these places.

The percentages of rejections is stated to have come down to 18 in February 1986, out of which rejections due to surface cracks were 3 percent. A permanent solution to minimise rejections and to establish quality production is yet to be determined. Instead the plant has had to resort to import of various materials required for the process of production (though on a limited scale for trial purposes). In addition, the materials specific to the process of manufacture, viz., graphite moulds, pouring tubes, etc. are necessarily required to be imported (not being indigenously available) at a cost of Rs. 6 crores per annum.

#### 9.4.7 Procurement of graphite blocks

(i) In order to build facilities for production of 1090 mm wheels contemplated in the Project Report, the WAP Administration invited global tenders in April 1980, with the approval of the Railway Board, for supply of graphite blocks of 52" size. The single offer received in time from a US firm in December 1980 was for the supply of 200 numbers at a cost of Rs. 85.59 lakhs with the stipulation that 100 blocks would be delivered in September 1981 and the balance in December 1981.

Supply of 63 numbers of graphite block was received in March 1982 and 49 numbers in May 1982. In October 1982 WAP, Administration reviewed the requirements of 52" blocks and found that no Railway needed 1090 mm wheels. An assessment in September 1983 of the requirements of 1090 mm wheels indicated that as against the original plan of 10,000 nos, hardly 200—300 nos would be sufficient for checking the capacity of moulding and cleaning room conveyers. In May 1984 the Railway Board advised that there was little likelihood of demand

arising at a future date for 1090 mm wheels and any minor requirements could be met by purchase. Thereafter, the WAP Administration cancelled the order for the balance quantity of 88 blocks in May 1984 without any financial repercussions on either side.

Of the 112 blocks already procured, 35 were converted into copes and 30 into drags for taking up trial production of 1090 mm wheels; 4 were converted into 48.5" diameter and another 4 into 43.5" diameter for being used for trial casting of 915 mm wheels. The remaining 39 blocks were proposed to be machined to 48.5" diameter blocks for BOXN 1000 mm wheels. The Board agreed to this proposal in October 1985.

As the WAP was manufacturing 1000 mm wheels only, it was compelled to use after suitable conversion the 52" blocks procured at an additional cost of Rs. 39.18 lakhs and intended for the manufacture of 1090 mm wheels.

(ii) The Administration invited global tenders in October 1984 for the purchase of 160 graphite mould blanks 48.5" required for the manufacture of broad gauge BOX and BOXN type wheels in WAP. Four offers were received. The two acceptable offers were from firm 'A' (through their Indian Agents) and firm 'B'. The rate quoted by firm 'A' was \$3507 FOB (US port) per blank and that quoted by firm 'B' was \$3857.81 FOB (US port). Both the firms were on the approved list of suppliers to the consultants. The cheaper offer of firm 'A' differed from the specifications given by WAP (obtained from the consultants) in respect of permeability value, grain size and tolerance in diameter to the following extent :—

	WAP's Specifications	Firm's offer
1. Permeability Value	60 % of the blanks in the range of 0.2 to 0.7 AFS units	Typical rating will be 1.00 AFS units or less for 60 per cent blanks
2. Grain size	1.5 mm maximum	1.7 mm maximum
3. Tolerance diameter	in +0.25", -0.0"	+0.5", -0.2"

The consultants had advised the WAP that the permeability range could be relaxed upto 1.2 AFS units or less for 75 percent of graphite blanks. Hence the firm was asked whether it could adhere to this percentage and whether it could supply the blanks with minus zero tolerance in dia. The firm agreed to both the parameters of the specifications as required by the WAP. The grain size as offered by the firm was also acceptable to the consultants.



In spite of the fact that the firm 'A' had agreed to supply to the relaxed specifications and also that such relaxations had been permitted by the consultants, the Administration did not place the order for the full quantity on this firm and distributed the quantity of 160 blanks between firms 'A' and 'B' though the rate quoted by the latter was nearly \$ 351 more than that of the former, on the consideration that firm A's offer contained deviation from the specification and only after more extensive experience would the effect of such relaxations on the life and utility of the item be known.

The placing of orders for only 50 percent of the quantity on firm 'A' lacked justification because —

- (a) such relaxations had earlier been permitted by the consultants and the Administration had accepted them;
- (b) the fact that the Administration had chosen to place an order for 80 blanks, committing themselves to a liability of \$2,80,560 (FOB value—Rs. 37 lakhs) shows that the Administration had no misgivings about the performance of blanks with relaxed specifications;
- (c) the performance of firm 'B' could not be held to be satisfactory because out of 112 graphite mould blanks 52" supplied by it against another order for 200 blanks placed in December 1980 only 16 were within the required range of permeability.

The placing of the order for 80 blanks on firm 'B' at higher rate resulted in an extra expenditure of Rs. 8.80 lakhs (in foreign exchange).

#### 9.4.8. Man-power planning

The Railway Board had approved deployment of 61 Groups A and B and 1553 Groups C and D officials for full production level. The deployment of man-power in WAP organisation on various dates from commencement of production was as under :—

Date	Groups A&B	Groups C&D
30-9-1984	75	927
31-3-1985	66	1013
31-3-1986	66	1475
30-6-1986	63	1505

While the manpower in position as on 31 March 1986 had almost reached the level prescribed by the Railway Board for full production, the actual level of production is just 40 percent.

#### 9.5 Collaboration Agreement

The collaboration agreement entered into by the Government with the US Firm on 10 April 1974 provides *inter alia* for :—

- (1) transfer of technical know how including designs, drawings, specifications, manuals and other relevant data.
- (2) Visits of representatives of the firm to assist Railways in making licensed products for which the firm should "pay the first round trip transportation costs of such visitation and other expenses incident thereto until 480 in-plant hours of visitation have occurred." Thereafter, the Plant was responsible for meeting the expenses of visits of the representatives of the firm.
- (3) Payment of royalty fees on production of licensed products at the rate of 5 per cent of net sale price of all licensed products excluding the first one thousand numbers.

The agreement would come into force from the date of its execution and would expire 7½ years after the first one thousand wheels (licensed product) had been turned out. The first one thousand wheels had been produced by 16 July 1984 and accordingly the currency of agreement would end on 15 January 1992.

It is observed that design details of 5 types of wheels originally planned for manufacture at the Wheel and Axle Plant had not been furnished by the firm. The firm's representative in a meeting held in March 1985 contended that design calculations were not covered in the agreement and that they could be made available at a reasonable cost.

According to the agreement the firm was to provide the services of their representatives for 480 man hours free of cost including the air fare for the visits. Up to March 1985, the WAP had utilised 417½ man hours. The balance available was considered to be meagre 'to train the staff so that both quality and productivity can come up to desired levels'. Accordingly, the services of two representatives of the firm for another 90 man days (720 man hours) were requisitioned by the WAP. This involved payment of \$ 13,200 for the stay of the specialists besides air fare amounting to Rs. 70,000 and payment of Rs. 1.80 lakhs at Rs. 1 thousand per day for specialist. The air fare paid for the visit of one representative which had to be borne by the firm has not been recovered so far.



### 9.6 *Payment of royalty*

As mentioned above, royalty is payable at 5 per cent of the net selling price on wheels. The agreement further defines the net sale price as "all-in-cost" of licensed products determined in Government's plant, determined in terms of Indian Railway Mechanical Code".

The term 'all-in-cost' as defined in the Mechanical Code includes proforma charges on account of pensionary charges, supervision, etc.

The question of payment of royalty to the collaborators after the completion of the first one thousand wheels had been under correspondence with the Railway Board, as the costing system had not been finalised. Meanwhile, the WAP has paid Rs. 75,86,000 (upto March 1986) representing 85 percent of the royalty payable to the collaborator on the manufacture of 21,800 wheels. For purposes of payment of royalty, the sale price has been worked out on the basis of JPC prices (Rs. 7700 per wheel) though the WAP had worked out in July 1985 that the cost of wheel would be Rs. 5700 and if price of scrap was taken at Rs. 1,500 per tonne (landed price of imported scrap) the cost would be Rs. 5150. It is, therefore, not clear how the price of wheel had been taken as Rs. 7700.

Moreover, the inclusion of 'all-in-cost' in the net sale price for purpose of payment of royalty was prima facie disadvantageous to the Railways as they become liable to pay royalty on escalations also, depending upon revision of domestic steel prices though the imported cost of wheel may be cheaper. Even in 1985-86 the cost per imported wheelset including customs duty was Rs. 15 thousand only against the production cost of Rs. 30,400 in WAP. Further the royalty is payable on licensed products turned out during the 7½ years period upto 15 January 1992. It may be relevant to point out in this connection that in other collaboration agreements entered into by the Railway Board in February 1962 and June 1968 for manufacture of electric locomotives and diesel shunters, the royalty/engineering fee was payable for a certain period or till a certain level of production was achieved, whichever event happened earlier. But in the collaboration agreement for wheels no such stipulation had been made.

### 9.7 *Cost of production and financial return*

The WAP adopted the cast steel technology based on "Griffin process". Under this process, a number of operations involved in the forging/rolling process were dispensed with. The yield percentage on the basis of finished wheel weight to molten metal was S/28 C&AG/87-5

also much higher for the cast wheel technology than for the forged wheel.

According to the Project Report the cast wheel plant would be cheaper from the point of view of initial investment as well as cost of production.

As already mentioned in para 9.1 the investment costs had to be revised from Rs. 38.6 crores to Rs. 146 crores. The Project Report indicated that the investment of Rs. 38.6 crores would yield a financial return of 40.3 per cent adopting landed costs and 27.8 per cent if CIF value only was taken into account. The Railway Board had informed the Public Accounts Committee (1980-81) in December 1980 that the return on investment of Rs. 129 crores had been calculated at 17 per cent. However, an assessment made by WAP in March 1986 shows that the economic return calculated at JPC prices on the investment of Rs. 146 crores was only 5.2 per cent at full production level and 2.5 per cent at 70 per cent production level. The return would be still less if C&F costs are taken into account as the imported wheelsets are cheaper.

The price of a wheelset manufactured by the WAP and to be used in a BOXN wagon has been fixed at Rs. 30,400 for the year 1985-86. The cost of an imported wheelset inclusive of customs duty in 1985-86 was Rs. 15 thousand which is less than half of the price of wheelset turned out by the WAP. The plant has not yet finalised its costing system and, therefore, the exact position about costs and economic viability is not known.

### 9.8 *Summing up*

(a) In 1972, the Ministry of Railways (Railway Board) proposed to set up a Wheel and Axle Plant to supplement the capacity of the Durgapur Steel Plant and the Tata Iron & Steel Company and entered into a collaboration agreement with a US firm in 1974.

The Project was finally cleared by Government in 1978 as the Planning Commission desired (1975) a re-appraisal of the project in the context of the rising trend of output at Durgapur Steel Plant. Even before that the Ministry of Railways (Railway Board) had sanctioned the Project at an estimated cost of Rs. 38.6 crores. Mainly because of under-estimation of costs and changes in the scope of work, the estimate had to be revised to Rs. 129.65 crores in February 1981; it was again revised to Rs. 146 crores in July 1985.

(b) Though the Plant was expected to commence production by June 1982, the budget allocations during 1981-82 and 1982-83 were not adequate to



expedite the completion of the Project. The delay in completion of the Project necessitated continued import of wheelsets valued at Rs. 79.87 crores upto 1984-85.

(c) There was a lack of coordination between the Railways and the Durgapur Steel Plant with the result that Durgapur Steel Plant's capacity was not fully utilised while at the same time the Railways imported wheelsets which could have been made at Durgapur.

(d) The delay in execution of the Project was mostly attributable to "departmental reasons" such as delays in finalisation of drawings, issuing decisions, etc. Consequently, the WAP Administration had to pay compensation amounting to Rs. 78.70 lakhs to the contractors.

(e) The Administration had incurred avoidable expenditure of Rs. 1.74 lakhs in one contract for construction of overhead tank.

(f) The WAP Administration provided for excessive number of quarters resulting in avoidable investment of Rs. 57.55 lakhs. Besides, non-observance of the norms prescribed by Railway Board for plinth area entailed an additional expenditure of Rs. 7.52 lakhs.

(g) Because of delay in execution of the project, production commenced in September 1984 only instead of June 1982 envisaged earlier. The targeted production of 23,000 axles was expected to be achieved in 1986-87.

(h) Though the location of the Plant at Bangalore was based, among other factors, on assurances of uninterrupted power supply, acute power crisis in the area has resulted in restricted operation of the electric arc furnace and underutilisation of capacity. The WAP Administration also incurred avoidable expendi-

ture of Rs. 5.61 lakhs on electricity charges on account of incorrect assessment of maximum demand and Rs. 77.33 lakhs on irregular payment of sales tax on electricity.

(i) Because of inadequate supplies from Alloy Steel Plant, Durgapur import of 10,000 tonnes of blooms costing DM 84.2 lakhs had to be arranged during January to June 1986.

(j) The performance of the arc furnace was below its rated capacity as per manufacturer's specification. The WAP had been able to achieve 150 heats only per month against the required 200 heats per month.

(k) The percentage of rejections which was as high as 58.5 in the initial months is stated to have come down to 18 in February 1986. A permanent solution to minimise rejections and to establish quality production is yet to be explored.

(l) Contrary to the terms of collaboration agreement, the Administration had borne the expenditure on air fare for the visit of one representative of the firm.

(m) The collaboration agreement provided for payment of royalty at 5 per cent of the cost of manufacture of wheels. According to terms of payment the Railways become liable to pay royalty on escalations also depending upon revision of domestic steel prices.

(n) The Project Report indicated that the investment would yield a financial return of 40.3 per cent adopting landed cost and 27.8 per cent on the basis of CIF value of wheels. An assessment made by WAP in March 1986, however, showed that on the basis of JPC prices the return would be 5.2 per cent only at full production level.



## CHAPTER III

### PERFORMANCE OF NORTH EASTERN AND NORTHEAST FRONTIER RAILWAYS

#### 10 North Eastern and Northeast Frontier Railways— Review of performance with reference to goods and passenger traffic

##### 10.1 Introduction

The North Eastern and Northeast Frontier Railways serve the States of Uttar Pradesh, Bihar, North Bengal, Assam, Arunachal Pradesh and other Northeast Frontier States. The main line from Lucknow Junction station of North Eastern Railway to Tinsukia serve as life line for the Northeast Frontier States. The originating goods traffic on these two Railways are mainly food grains, oil seeds, sugarcane, sugar, jute, forest and allied products, timber, bamboos, Petroleum and other lubricants (POL), Fertilisers, coal, dolomite, stone, tea etc. As major portion of the regions served by Northeast Frontier Railway is deficient in essential commodities like food grains, cement, steel, salt and other consumer goods, these are carried by these two railways from long distances. Keeping in view the above aspect and to facilitate proper development of the area, the Ministry of Railways gave 6 per cent concession in freight from 1981-82 on all goods traffic booked to Northeast Frontier destinations.

10.2 A review of the performance of these Railways with reference to the goods and passenger traffic carried during the period from 1981-82 to 1985-86 revealed that though the earnings had increased mainly due to upward revision of fares and freight, the quantum traffic carried had generally been falling down or had remained more or less at the same level. On the other hand the working expenses had been disproportionately increasing year after year resulting in continuous deterioration of the operating ratio (percentage of working expenses to earnings or amount spent to earn a rupee) as mentioned in the succeeding paragraphs :—

##### 10.3 Performance

- (1) Prior to 1980-81, these two Railways were having metre gauge (MG) excepting few patches covering a total distance of 815.31 route kms. out of 8748.94 route kms. The performance of these two Railways during the period of four years from 1977-78 to 1980-81 are indicated below :—

	1977-78	1978-79	1979-80	1980-81
<b>I. North Eastern Railway Traffic</b>				
1. (a) Originating Goods Revenue (in million tonnes)	5.0	5.0	4.3	4.0
(b) Net tonne Km. (in millions)	4011	3868	3781	3769
(c) Originating passenger (in millions)	190	187	176	162
2. Revenue Receipts*	87.64	88.88	94.57	95.14
3. Revenue Expenditure*	101.32	106.22	119.77	139.04
4. Deficit*	13.68	17.34	25.20	43.90
5. Operating ratio (percent)	115	119	126	145
<b>II. Northeast Frontier Railway Traffic</b>				
1. (a) Originating Goods Revenue (in million tonnes)	3.8	3.2	3.0	2.5
(b) Net tonne kms. (in millions)	4012	3577	3378	3106
(c) Originating Passenger (in millions)	50.4	53.4	54.7	55.2
2. Revenue Receipts*	64.75	65.72	64.44	67.50
3. Revenue Expenditure*	91.73	96.26	101.67	121.90
4. Deficit*	26.98	30.54	37.23	54.40
5. Operating ratio (percent)	142	146	158	181
(*Rupees in crores)				



(2) The main line from Lucknow junction (North Eastern Railway) to Guwahati (Northeast Frontier Railway) was converted into Broad gauge in phases between July 1981 and October 1984 as mentioned below:

Sl. No.	Section	Route Km.	Cost of conversion Rs. in crores	opened for BG traffic from
1.	From Barabanki to Samastipur	587	131.00	July 1981
2.	From Barauni junction to Katihar Junction	182	51.50	October 1984
3.	From New Bongaigaon to Guwahati	164	86.93	April 1984
4.	From Lucknow junction to Barabanki	20	3.41	January 1984
	Total	953	272.84	

(Sections between Samastipur and Barauni junction, Kumedpur (near Katihar) and New Bongaigaon were already having BG line)

(3) The main objectives expected to be achieved with the completion of these projects were :

(i) Economy in the cost of broad gauge operation;

(ii) reduction in the cost of operation at the break of gauge transshipment points at Lucknow junction, Barabanki, Manduadih, Garhara, New Jalpaiguri and New Bongaigaon;

(iii) detention of wagons at transshipment points would be minimised;

(iv) investment for increasing line capacity of metre gauge line/transshipment points to cope with anticipated traffic would be avoided;

(v) traffic would be speeded up due to higher speed of broad gauge trains; and

(vi) more traffic would be attracted as a result of elimination of transshipment.

(4) The fact that the above objectives did not, by and large, materialise upto the end of 1982-83 in Barabanki-Samastipur section (opened for traffic by July 1981) had been mentioned in paragraph 2.5 of the Report of the Comptroller and Auditor General of India for the year 1983-84—Union Government (Railways).

10.4 The results of the working of the two Railways during the years 1978-79 and 1981-82 to 1985-86 are indicated below :

	1978-79	1981-82	1982-83	1983-84	1984-85	1985-86
<b>I. North Eastern Railway</b>						
<b>1. Traffic</b>						
(a) Originating goods Revenue (in million tonnes)	5	3.4	4.2	3.7	3.2	3.76
(b) Net tonne kms. (in millions)	3868	3136	4428	4136	3650	5135
(c) Originating passenger (in millions)	187	163	140	143	148	158
2. Revenue Receipts*	88.88	105.56	141.18	148.13	154.19	193.91
3. Revenue Expenditure*	106.22	165.40	211.81	259.24	291.52	325.14
4. Deficit*	17.34	59.84	70.63	111.11	137.33	131.23
5. Operating ratio (percent)	119	156	149	174	187	167
<b>II. Northeast Frontier Railway</b>						
<b>1. Traffic</b>						
(a) Originating goods Revenue (in million tonnes)	3.2	3.5	4.1	4.0	4.0	4.56
(b) Net tonne Kms. (in millions)	3577	3740	4218	3873	3784	4597
(c) Originating passengers (in millions)	53.4	59	53.9	35	30	36.31
2. Revenue Receipts*	65.72	90.45	116.76	122.99	121.43	145.30
3. Revenue Expenditure*	96.26	160.13	188.98	226.78	253.90	284.48
4. Deficit*	30.54	69.68	72.22	103.79	132.47	139.18
5. Operating ratio (per cent)	146	177	162	184	209	196

(\*Rupees in crores)



10.5 While on Northeast Frontier Railway there was an improvement in goods traffic (originating) during the years 1982-83 to 1985-86 as compared with the year 1978-79, the originating traffic on North Eastern Railway had fallen from the level achieved in 1978-79. As regards passenger traffic there had been a steep fall on the Northeast Frontier Railway during each of the years 1983-84 and 1985-86; the North Eastern Railway, however, started picking up passenger traffic from the year 1983-84 after it steeply fell down during the years 1981-82 and 1982-83 as compared with 1978-79. The revenue receipts and expenditure had been increasing year after year but the former did not keep pace with latter resulting in net deficits which had been increasing every year.

#### 10.6 Analysis of the reasons for fall in goods traffic

##### A. NORTH EASTERN RAILWAY

The originating revenue earning traffic of North Eastern Railway was 3.2 million tonnes in 1984-85 and 3.76 million tonnes in 1985-86 as against 5 million tonnes in 1978-79. In terms of net tonne kilometres also the revenue earning traffic was 3650 millions in 1984-85 as compared with 3868 millions in 1978-79. It, however, picked up to 5135 millions in 1985-86. During the same period the originating goods traffic (revenue earning) of all Railways moved up from 199.6 million tonnes to 258.14 million tonnes as a result of adoption of certain modern operating innovations such as running of block rakes/jumbo rakes for bulk movement of commodities like coal, food grains, cement, fertilisers, POL products, etc. But the loading of some of the principal commodities declined on North Eastern Railway after the conversion of its main line to BG as could be seen from the table below :

#### 10.7 Details of originating loading, commodity-wise :

Commodities	(In thousand tonnes)		
	1980-81	1984-85	1985-86
1. Sugar Cane	817	651	903.1
2. Sugar	374	381	252
3. Foodgrains	832	702	986
4. Oil seeds	29	7	7.5
5. Firewood	129	27	31
6. Timber	249	121	123
7. (a) Jute Raw	61	19	24
(b) Jute manufactured	33	11	8.8
8. Stone	494	305	378.2
9. Fertilizers	148	115	129.7
10. Other commodities	895	833	904.9
Total (originating goods traffic)	4061	3182	3748.2

10.8 The decline in goods traffic was attributable to the following factors :—

- (i) Out of 22 MG sidings catering to the traffic of sugar and Jute Mills, Fertiliser Corporation of India and Indian Oil Corporation on the converted BG route (Chapra to Malhaur sections) only 12 sidings were converted into BG and opened for traffic on different dates during the period 1982-83 to 1984-85; the remaining 10 sidings were not converted as the parties were not willing to undertake the conversion of the sidings and bear the cost of transfer lines, etc. Consequently, part of the traffic in sugar and jute was diverted to road after 1980-81.
- (ii) In February 1982, the Railway Board notified 18 stations of North Eastern Railway for handling block rakes and jumbo rakes, but adequate length of loops and other loading/unloading facilities to handle full block/jumbo rakes were not available at six important terminals namely Gonda, Basti, Hajipur, Narayanpur Anant, Samastipur and Barauni. This resulted in heavy detention of loads. At Samastipur alone, the average detention of a rake consisting of 70 wagons was assessed at 77 hours against the anticipated detention of 24 hours. For want of adequate space at Samastipur the Railway Board approved inclusion of works costing Rs. 39.45 lakhs in the Works programme for the year 1986-87 for creating necessary facilities at the adjacent station, Pitaunja.
- (iii) After conversion of the main line from Lucknow to Barauni junction to BG the traffic originating from and/or terminating at metre gauge stations had to be carried by alternative MG route via Kasganj-Mailani-Gonda-Gorakhpur-Thawe-Chapra which apart from being longer in certain cases, had to pass through several operational constraints like stations enroute having only two lines, non-standard loops, non-interlocked stations, speed restrictions due to weak track structure, reversal of engines at certain stations. Works connected with provision of additional traffic facility, track renewal, improved signalling, etc., though included in the Works Programmes of each of the years from 1979-80 to 1982-83 are still in different stages of execution till 1986-87. The non-execution of such works simultaneously with the BG conversion works is not only indicative of lack of foresight in planning but has



also been adversely affecting the turn round of rolling stock, the financial effect of which has not so far been assessed. However, the figures mentioned in the table below is considered adequate to give indication of the deteriorating position :—

As on 31st March	Speed restrictions (track kms) due to poor condition of MG track	Turn round of MG wagons (days)	Outstanding registration (in-dents) for MG wagons (in 4-wheelers)
1983	598	15.2	610
1984	536	15.7	3409
1985	417	19.6	3969

The originating traffic under 'other goods' (high rated) had also fallen down from 2867 thousand tonnes in 1980-81 to 2281 thousand tonnes in 1984-85 and 2117 thousand tonnes in 1985-86 as would be seen from the table below :—

Commodities	(In thousand tonnes)		
	1980-81	1984-85	1985-86
1. Provisions	15	5.4	3.9
2. Jute	94	30.0	32.8
3. Leather	2	0.4	0.3
4. Vegetable and edible oil	20	19.0	4.9
5. Cotton	3	0.1	0.9
6. Sugar	374	381.0	252.0
7. Oil seeds	29	7.0	7.5
8. Tobacco	10	4.0	4.0
9. Balance of other goods	2318	1834.0	1811.0
Total	2865	2280.9	2117.3

(iv) It was anticipated that on completion of conversion of Barauni-Katihar section into BG, it would serve as part of the Northern trunk route and enable the North Eastern Railway to carry the entire traffic from the Northern and Western Railways for Northeast Frontier Railway hitherto moving via Farakka thereby resulting in saving of extra haulage cost of 200 kms besides providing an alternate cheaper BG route to the saturated Kanpur-Mughalsarai, Agra-Tundla, Barauni-Chamagram sections of Northern and Eastern Railways. As per the Survey Report of the Project, the section was to carry daily 11 passenger trains and 4 goods trains which was further expected to increase to 7.5 goods trains. Though this section was opened for traffic (BG) in October 1984, only seven passenger trains and 3 goods trains (each way) were being run against

the sectional capacity of 18-20 trains each way mainly due to shortage of BG locomotives (Diesel) with the Northeast Frontier Railway and inadequate section capacity in the adjacent section of Northeast Frontier Railway viz., Katihar-Kumedpur-New Jalpaiguri. This section was already over-saturated with 100 per cent capacity utilisation in 1982-83. Besides, the transshipment facilities provided at Katihar by Northeast Frontier Railway were limited. Consequently, part of the food grain rakes booked from Northern Railway to Northeast Frontier Railway destinations had to be transhipped at Garhara and hauled by longer MG route via Barauni, Bachhwara, Samastipur, Mansi, Saharsa, Purnea to Katihar involving an extra haulage of 135 km each way as a regular measure since October 1984 without realisation of any freight for this distance in the absence of bringing the BG-cum-MG longer route under 'rationalisation scheme'. The loss of revenue on this account has been assessed at Rs. 2.23 crores in respect of only one stream of traffic viz., food grains transhipped from 19446 BG wagons into 27348 MG wagons and carried by longer route during November 1984 to June 1986. In this connection, it is also significant to mention that the haulage of MG goods train by the above route caused detention of about 6 hours per goods train due to reversal of engines, congestion at Samastipur and Saharsa stations, etc. In order to avoid such detentions, construction of by-pass lines at Samastipur and Saharsa at an estimated cost of Rs. 1.01 crores have been included in the Works Programme of 1986-87.

Certain line capacity works in the adjacent section Kumedpur-New Jalpaiguri of Northeast Frontier Railway viz., (i) provision of tokenless block at 52 stations and second loop at 12 stations at a cost of Rs. 8.60 crores and (ii) provision of patch doubling between Kumedpur and New Jalpaiguri for a length of 78.76 km at a cost of Rs. 42.92 crores were included in the Works Programmes of 1984-85 and 1985-86. These works have progressed only to the extent of 13 and 23 per cent by 1985-86.

10.9 Anticipating the completion of the conversion of Barauni-Katihar in October 1984, the Northeast Frontier Railway could have planned the execution of line capacity works in the Katihar-Kumedpur and Kumedpur-New Jalpaiguri sections in



time to synchronise with the opening of the BG route between Barauni and Katihar during 1984-85. Had this been done the need of transshipment of food grains traffic at Garhara and its haulage by longer MG route to Northeast Frontier Railway destinations would have been avoided and economy in operation as well as advantage to the trade of cheaper freight and quicker transit would have been achieved. It is not clear whether the need of the investment of Rs. 1.01 crores on 'bypass lines' at Samastipur and Saharsa has been reviewed by the Railway Board in the context of the additional line capacity that would be available after the completion of the above works.

#### 10.10 NORTHEAST FRONTIER RAILWAY

Although there had been steady improvement in goods traffic since 1981-82, the originating traffic in high rated commodities under 'other goods' declined from 12,82 thousand tonnes in 1981-82 to 9,41 thousand tonnes in 1984-85 and even during 1985-86, the tonnage loaded was below the level of 1981-82 i.e., only 12,00 thousand tonnes. The following factors affected the growth of goods traffic :—

- (i) The BG section from Malda to New Bongai-gaon had already reached saturation point by 1982-83. Consequent upon the opening of BG route from Barauni to Katihar from October 1984, the number of passenger trains increased which resulted in non-availability of paths for BG goods trains.
- (ii) Due to unsatisfactory condition of track, speed restrictions had to be imposed. These increased from a total of 383 km in 1981-82 to 510 km in 1984-85. The speed of goods trains (all traction) declined from 22.1 km and 14.6 km per hour in BG and MG respectively to 15.3 km and 13.9 km respectively. The longer transit time, detention of wagons enroute and at transshipment points (viz. Katihar, New Jalpaiguri, New Bongai-gaon) adversely affected the availability of wagons for loading as would be seen from the table below :—

	As on 31st March Turn round of wagons		Outstanding registrations (indents) for wagons	
	BG	MG	BG	MG
1982.	9.1	17.3	701	16320
1983.	8.3	17.0	2468	2828
1984	9.3	19.3	6101	7794
1985.	10.9	21.7	11246	6119
1986.	8.9	19.2	11122	1906

- (iii) A rationalisation order was issued by the Railway Board in August 1983 for regulating the movement of traffic meant for Northeast area by the longer all MG route instead of by shorter BG-cum-MG route. It stipulated that all goods traffic except edible oil and fragile goods from MG station situated within 25 km of BG/MG (dual gauge) stations of North-Eastern/Northeast Frontier Railways shall be booked from the nearest BG goods shed. As a result, while the MG traffic originating from stations situated beyond 25 km (to MG destinations) had to bear higher incidence of freight, the traffic from MG stations within 25 km reach was booked by the BG-cum-MG route and subjected to transshipment involving transit delays and losses enroute. The load of traffic of 'other goods' which include high rated commodities like tea, jute, oilseeds, etc. increased from an average of 1216 km in 1981-82 to 1859 kms in 1984-85. This not only caused increased freight burden to trade but also resulted in more transit time. Although the production of these commodities increased, the tonnage carried by rail from Northeast Frontier Railway declined as mentioned below:—

	(In thousand tonnes)			
	Details of traffic offered for rail transport		Total production in the country	
	1981-82	1984-85	1981-82	1984-85
1. Tea	38	18	552	643
2. Jute (Raw and manufactured)	136	23	1291	1436

Movement of these commodities by road had obviously become more competitive vis-a-vis rail after the rationalisation order in 1981-82.

#### 10.11 Analysis of the reasons for fall in passenger traffic

An analysis of the originating passenger traffic under the different classes of travel on BG and MG sections disclosed that the fall in traffic was mainly under second class on metre gauge sections and ranged between 20.9 and 43.4 per cent as compared to 1978-79. The increase in passenger traffic under broad gauge was not enough to offset the fall in traffic.

The North Eastern Railway Administration attributed the decline in passenger traffic to the commissioning of Mahatma Gandhi Sethu linking Hajipur and Patna and hike in passenger fares from 1st April 1982. The Northeast Frontier Railway Administration had



attributed (July 1986) the decline in passenger traffic mainly to rise in the minimum train fare and increase in frequency of bus services in competitive routes charging less fare than rail fare which resulted in diversion of short lead traffic ranging between 1 km and 250 kms. The reasons for continuous decline in the number of originating passengers on both the Railways from 1981-82 and onwards have not been investigated and remedial measures taken to restore traffic at least to the level of 1978-79 and 1981-82. Some factors which contributed to the decline are mentioned below :

(a) Increasing incidence of ticketless travelling as shown below :—

	1980-81	1981-82	1984-85	1985-86
North Eastern Railway				
1. No. of checks conducted	8910	11022	22081	42091
2. No. of persons detected travelling without tickets or with improper tickets	109760	144713	261276	296174
Northeast Frontier Railway				
1. No. of checks conducted	15659	15838	11526	11645
2. No. of persons detected travelling without tickets or with improper tickets	64336	82538	113282	141264

In spite of constant increase in ticketless travel, 112 sanctioned posts of Travelling ticket examiners and Ticket collectors on North Eastern Railway and 81 such posts on Northeast Frontier Railway had been lying vacant for over 8 years. Besides, North Eastern Railway required 480 additional posts of TTEs/TCs to man the sleeper coaches of passenger/express trains added after the gauge conversion in 1981-82. Due to non-sanction of posts, the existing TTEs had to be diverted to these coaches at the cost of ticket checking operation in other train services. The Northeast Frontier Railway Administration reported to the Railway Board as early as March 1983 that the measures adopted so far to curb the tendency of ticketless travel had not been effective mainly on account of inadequacy of the ticket checking staff. This Railway has not so far been able to implement the target of 15 per cent extra ticket checking in trains as fixed at the Conference of the Chief Commercial Superintendents in April 1982. The Northeast Frontier Railway had also brought to the notice of Railway Board (July 1984) that the cost per month of a TTE was Rs. 1800 approximately against his average monthly earning of Rs. 2625.

(b) Drop in the window sales of ticket also contributed towards fall in earnings. It is significant to mention that whenever extra ticket checking was resorted to in certain sections the window sales of tickets jumped up for short durations.

(c) A test check at only 5 stations during the period from July 1981 to December 1982 revealed short realisation of passenger fares to the tune of Rs. 1.87 lakhs due to non-observance of correct distances of charges on account of conversion of MG into BG on the trunk route of North Eastern Railway.

10.12 Summing up

- (i) Though the earnings of both the Railways increased mainly due to upward revision of fares and freight, the quantum of traffic carried had generally been declining or it remained more or less at the same level. On the other hand, the working expenses of both these Railways had increased disproportionately year after year resulting in continuous deterioration of their operating ratios [Para 10.3 (i)].
- (ii) The main objective expected to be achieved with the completion of BG conversion projects at an estimated cost of about Rs. 273 crores viz., economy in the cost of operation at transshipment points and detention of wagons at such points, speeding up of the traffic, have not so far been achieved. While the originating traffic of all Indian Railways increased from 199 million tonnes to 258.14 million tonnes between 1978-79 and 1985-86, it decreased from 5 million tonnes in 1978-79 to 3.76 million tonnes in 1985-86 on North Eastern Railway [Para 10.3(2), (3) and (4)].
- (iii) The decline in goods traffic on North Eastern Railway is mainly attributable to :
  - (a) diversion of traffic (Jute, Sugar and Sugarcane) from sidings at 10 stations on the converted BG main line due to non-conversion of the existing MG sidings [Para 10.8 (i)].
  - (b) inadequate handling facilities at 18 stations to receive full length rakes causing detention to wagons [Para 10.8 (ii)].
  - (c) after conversion of main line from Lucknow to Barauni junction, the traffic meant for metre gauge stations on North Eastern and Northeast-Frontier Railways were to be carried by alternative MG route; but the execution of line capacity,



- track renewals and improved signalling works on such routes to cope with such traffic was not taken up simultaneously; this is not only indicative of lack of proper planning but has/had adversely affected the speed and turn round of MG rolling stock [Para 10.8(iii)].
- (d) against chartered capacity of 18-20 trains each way on BG route between Barauni and Katihar only 7 passenger and 3 goods trains (each way) were being run. This is mainly because of inadequate sectional capacity in the adjacent section (Katihar-Kumedpur-New Jalpaiguri);
- (e) delays in execution of line capacity works in the Katihar-New Jalpaiguri BG section had necessitated transshipment of 19,446 BG wagons carrying food grains to Northeast area in 27,348 MG wagons during November 1984 to June 1986 at Garhara resulting in loss (Rs. 2.23 crores) due to extra haulage;
- (f) in order to avoid abnormal detention of MG load rakes construction of by-pass line (MG) at Samastipur and Saharsa at an estimated cost of Rs. 1.01 crores had been included in the Works Programme 1986-87. It is not clear whether the need for this huge investment had/had been reviewed in view of additional line capacity works already in progress in BG section between Katihar and New Jalpaiguri [Para 10.8 (iv)].
- (iv) On the Northeast Frontier Railway, the originating traffic in high rated commodities declined from 12,82 thousand tonnes in 1981-82 to 9,41 thousand tonnes during 1984-85. The fall is mainly attributable to the diversion of this traffic to road [-Para 10.10 (i) & (ii)].
- (v) The originating passenger traffic, both BG and MG taken together, declined in 1984-85 by 20.9 and 43.4 per cent on the North Eastern and Northeast-Frontier Railways respectively as compared to 1978-79. This was mainly due to increasing incidence of ticketless travelling, drop in window sales of tickets absence of regular ticket checking for want of adequate ticket checking staff, etc. [Para 10.11 (a) (b) & (c)].
- (vi) The turn round of MG wagons has continuously deteriorated on these Railways due to imposition of speed restrictions on account of poor condition of track. It rose from 15.2 days in 1983 to 19.6 days in 1985 on North Eastern Railway and from 16.8 days to 21.7 days on Northeast Frontier Railway during the corresponding period. Consequently, on North Eastern Railway the outstanding registrations increased from 610 (as on 31 March 1983) to 3969 (as on 31 March 1986). However, on Northeast Frontier Railway such outstandings decreased but those for BG wagons increased from 2,468 (as on 31 March 1983) to 11,122 (as on 31 March 1986); the reduction in outstanding registration of MG wagons is mainly attributable to the deployment of more MG wagons and also diversion of some of the originating traffic from MG|MG-cum-BG routes to entire BG routes [Para 10.9 (iii)].



## CHAPTER IV

### WORKS

#### 11. South Central Railway—Construction of a new broad gauge line from Manickgarh to Chandur

11.1 In May 1978, the Maharashtra State Industrial and Investment Corporation, Bombay, suggested to the Railways the construction of a broad gauge railway line from Manickgarh to Chandur for movement of cement from five cement plants proposed to be set up in the area. A preliminary investigation carried out by the Railway in November 1978 revealed that based on a projected movement of 2.5 million tonnes, the line expected to cost Rs. 6.9 crores would be unremunerative, yielding a return of 2.11 percent (conventional method). The Ministry of Railways (Railway Board), therefore, proposed that the line could be taken up on deposit terms, the cost being shared by the Cement Plants. However the Ministry of Industry opined that if the line did not come up, it would not be possible at all to put up the cement plants and the target for cement production during the VIth Plan could not be reached. The Ministry of Industry suggested that the line should be constructed at Railway's cost.

11.2 Accordingly, in February 1979, the Ministry of Railways (Railway Board) approved the construction of a new broad gauge line (28.6 kms) from Manickgarh to Chandur. Priority was accorded for the work and an urgency certificate was sanctioned in January 1981. Subsequently, in January 1982, an estimate for Rs. 7.26 crores was sanctioned.

11.3 Though, initially in May 1978 the proposal was for setting up 5 cement plants in the region by 1981, only two parties came up with firm proposals to establish cement factories of one million tonne capacity each. Work on the line commenced in April 1981 and was scheduled to be completed by April 1984 keeping in view the prospective commissioning of the two cement plants. The line was actually completed and opened to traffic in March 1985. The expenditure incurred up to November 1986 was Rs. 10.39 crores. A revised estimate for Rs. 10.14 crores is still under process.

11.4 In the estimate sanctioned in January 1982 the Railway Administration assessed that the project would be remunerative yielding a return of 10.8 per cent (discounted cash flow method) on the estimated cost of Rs. 7.26 crores on a projected traffic of 1.05 million tonnes.

11.5 Only one cement factory has so far been set up which commenced production from October 1983 and the second one was under construction (December 1986). As four out of five cement factories have not come up so far, the prospect of achieving the projected traffic is bleak.

11.6 Prior to the completion of the line between Chandur and Manickgarh, cement was being moved from the above cement factory by road upto Manickgarh for onward despatch by rail. After the line was opened in March 1985, the traffic offering during 1985-86 was as follows :

	(In lakh tonnes)
At Manickgarh station	2.17
At Firm's siding served by Chandur Station	1.24
TOTAL	3.41

11.7 A major portion of the traffic continued to move directly from Manickgarh and the new line between Chandur and Manickgarh remained underutilised.

11.8 The Administration had informed the Railway Board in December 1980, that the final location survey had been completed before the sanction of urgency certificate, but in reply to an audit note the Administration stated in January 1986 that for want of adequate time only preliminary engineering survey had been conducted to arrive at an approximate cost of the work and that final location survey was undertaken concurrently with the execution of work. Consequently, several changes/modifications such as raising the alignment in Reach II, revising the designs and foundations of major bridges, increasing the scope of certain works and provision of additional items, etc. became necessary. All these factors along with price escalation contributed to the increase in the cost of work from Rs. 7.26 crores to Rs. 10.14 crores. Besides, a test review of the execution of the work revealed that the Administration had to incur extra expenditure of Rs. 21.66 lakhs as brought out in the succeeding paragraphs.

- (i) Reduction in the height of embankment in Reaches VI and VII

While the work was in progress it became apparent that the quantity of earthwork in embankment from



borrow pits in Reach VII would exceed the contracted quantity beyond the limit of 25 percent. The Railway Administration decided in February 1983 that the height of the embankment between chainages 21,000 to 25,526 (in reaches VI and VII) should be reduced. This change resulted in rendering infructuous expenditure of Rs. 0.93 lakh already incurred on earthwork measuring 1200 cum in Reach VI and 17,100 cum in Reach VII. This change also resulted in an extra expenditure of Rs. 1.96 lakhs on dressing the top surface and side slopes of the embankment work already done.

- (ii) Formation of embankment with contractor's earth instead of earth from borrow pits in Railway land

As per the contract awarded in May 1981 for earthwork in Reach VII the embankment between chainages 24000 and 24700 was to be formed with contractor's earth. In August 1981, it was decided by the Administration that the bank could be formed with borrow pit earth instead of contractor's earth since the bank was not very high. This decision was not implemented as the contractor represented that he had already engaged transport and labour for the work. Consequently, work was completed with contractor's earth. The failure of the Administration to provide in the contract that Railway's earth should be used resulted in an avoidable expenditure of Rs. 3.03 lakhs.

- (iii) Variation in quantities of work

In 4 contracts for earthwork in Reaches II, III, IV & VI the quantities were increased after the award of contracts. The increases ranged between 70 and 246 percent and were attributed to changes in alignment, inadequate collection of data during survey, increase in the number of bridges etc. The Railway Administration negotiated the rates with the contractors for the quantities exceeding 25 percent of the originally contracted quantities and paid higher rates ranging from 33 to 480 percent. The extra expenditure on account of variation in quantities, in excess of the 25 percent, worked out to Rs. 13.77 lakhs.

The Railway Administration stated (January 1986) that normally during execution of work some variations occur owing to site conditions, strata of soil, etc.

- (iv) Incorrect fixation of rates for RCC works

The contracts for earth work and bridges in Reaches II, V and VI provided for RCC work with 1:2:4 mix at the rate of Rs. 250, Rs. 180 and Rs. 200 per cum. respectively. Due to technical considerations subsequently it became necessary to have RCC work

done with 1:1½:3 mix for which rates had to be negotiated. The negotiated rates per cum were Rs. 308 for Reach II, Rs. 670 for Reach V and Rs. 610 for Reach VI. The change in mix did not involve any increase in the quantity of sand or stone to be supplied by the contractor. Steel and cement required for the work being supplied by the Railway to the contractor free of cost, the fixation of higher rate was incorrect and resulted in an extra expenditure of Rs. 1.97 lakhs.

## 12. Central Railway—Apta-Roha Rail Project

12.1 The construction of a new Broad Gauge rail line between Apta and Roha (61.7 kms) was sanctioned in May 1978 by the Ministry of Railways (Railway Board) on an urgency certificate. In December 1978, a project estimate for Rs. 11.19 crores was sanctioned. The work was to be executed in three phases. The first phase from Apta to Pen (20.4 kms.) was expected to be completed in two years by December 1980 to serve the Thal-Vaishet Fertiliser Project, the second phase from Pen to Nagothane (26.9 kms) by 1981 and the third phase from Nagothane to Roha (14.4 kms.) by December 1982. The work was commenced in September 1978.

12.2 The first phase of the project, between Apta-Pen was completed and opened to traffic in February 1983; the section between Pen-Nagothane was made ready for goods traffic by March 1985 and that up to Roha was completed and opened to traffic in May 1986.

12.3 A revised estimate was prepared in November 1982 for Rs. 21.53 crores and was sanctioned by the Railway Board in February 1984. The work is now (September 1986) expected to cost Rs. 25.07 crores.

12.4 The following points came to notice in the course of a test review of the execution of the project.

### 1. Use of first class permanent way material

The Engineering Reconnaissance-cum-Traffic Survey conducted in 1972 estimated that traffic prospects of Diva-Roha would be of the order of two passenger trains and 0.5 goods train per day. However, a Railway siding (28.8 kms) constructed on deposit terms for Rashtriya Chemicals and Fertilizers Ltd. and opened for goods traffic in October 1984 radically altered the traffic prospects and goods traffic of the order of 8 trains per day was expected on Apta-Pen section. Based on these assumptions, utilisation of first class permanent way material was justified upto Pen only. As the section beyond Pen was assessed to be unremunerative the alternative of



using less expensive rails, sleepers and track fittings should have been explored as was done in Katni-Singrauli section of the Central Railway. This was not done and more expensive 52 kg. rails and fittings were used. The extra expenditure amounted to Rs. 183 lakhs, at the cost of Rs. 4.41 lakhs per km.

The Railway Administration stated in July 1986 that Apta-Roha rail project being part of West Coast Rail link from Mangalore to Bombay would have a speed potential of 100 km per hour and, therefore, use of Class I, 52 kg. rails on Pen-Roha Section was justified.

It is, however, to be mentioned that in October 1979 the Railway Board had decided that the extension of the rail link beyond Roha would not be considered; the Survey of the rail link from Mangalore to Bombay has not so far (December 1986) been sanctioned. The use of Class I materials for the unremunerative portion of the line involving additional expenditure of Rs. 183 lakhs, therefore, lacked full justification.

## 2. Quantity variation in tender schedules

An analysis in audit of 19 contracts for earthwork, etc., awarded for the project showed that quantities had increased over the original contracted quantities by 36 to 50 per cent in 6 contracts, 51 to 100 per cent in another 6 contracts, 101 to 400 per cent in 3 contracts and above 400 per cent in 4 contracts mainly on earthwork in bank and cutting, foundations, etc. Paragraph 1268 of the Indian Railway Code for the Engineering Department lays down that if variation in quantity of work contracted for exceeds 25 per cent the Railway Administration should immediately examine whether it is practicable to bring in a new agency to carry out the extra quantity of work keeping in view the progress of the work on the original contract and if such a course is not practicable, negotiation should be carried out with the existing contractor for arriving at a reasonable rate for the additional quantities of work. However, in all these cases negotiations were carried out only after execution of additional quantities of work. The negotiated rates were higher by 15 to 300 per cent than the original rates resulting in an additional expenditure of Rs. 10.24 lakhs.

The Railway Administration stated in July 1986, that complete data was not available with the Railways and the original estimates had been prepared on certain assumptions. The variation in quantities of earthwork beyond 25 per cent was mainly due to change in alignment and that the negotiated rates were not higher but were comparable to rates prevailing at the time when the excess quantities were actually executed. The Railway Administration's plea having not

been supported by relevant data, it has not been possible to verify the above position.

## 3. Acceptance of through rates for earthwork

In 1972, the Conference of Chief Engineers decided that separate rates for scheduled items viz., (a) soil (b) rock not requiring blasting (RNRB) and (c) rock requiring blasting (RRB) should be insisted upon and through rate giving a uniform rate for all types of soil should not be accepted. In contravention of that decision and in disregard of the tender condition which required the tenderers to quote separate rates for different classification of earthwork, through rates were accepted in 7 major contracts. The rates and quantity profile was analysed and the following aspects emerged :

(a) In March 1980 contracts were entered into with contractor 'A' for sections XII, XIII and XVIII. Itemwise rates for earthwork in all soils at the rate of Rs. 100 per 10 cum, RNRB at the rate of Rs. 200 per 10 cum and RRB at the rate of Rs. 330 per 10 cum were accepted for sections XII and XIII. A through rate of Rs. 275 per 10 cum was accepted for Section XVIII. However, in actual execution the composition was 90 per cent soils and 10 per cent rock. The extra expenditure on account of acceptance of through rates instead of item-wise rates amounted to Rs. 0.85 lakh.

(b) Notwithstanding the tender condition referred to above, tenderers for Sections III, IIIA, IX, XI and XIX quoted through rates for soils, RNRB and RRB —which were accepted. In these sections the actual quantities of earthwork under different classifications varied widely from the tender schedules as shown below :—

(Figures in Cu m.)

Section	Soil		RNRB		RRB	
	Sched- uled quantities	Actual	Sched- uled quantities	Actual	Sched- uled quantities	Actual
III	8300	9130	11800	6220	20600	18074
IIIA	5600	5464	7300	1567	5100	4345
IX	600	1620	500	88	500	484
XI	1000	970	1000	650	4000	460
XIX	400	310	200	..	100	..

The actual quantities under RNRB and RRB were less than the scheduled quantities by 3 per cent to 100 per cent with corresponding increase in soils. The acceptance of through rates in these sections, therefore, was not in the interest of the Railways and had resulted in additional expenditure of Rs. 2.14 lakhs.



The Railway Administration stated in July 1986 that it was not possible to assess the exact quantities of cutting under different classifications at the tender stage.

It is, however, to be mentioned that the acceptance of through rates was not justified keeping in view the variations likely to occur under different classifications.

#### 4. Utilisation of cut spoils.

As per contract for section II the cut spoils were to be utilised for earthwork in embankment. The actual quantity of cut spoils available was 23,008 cum, but only a quantity of 7,533 cum was utilised in embankment and as guide bund. Instead of utilising balance quantity (15,475 cum) of cut spoils also for formation in bank, the Railway Administration increased, correspondingly, the quantity of contractor's earth resulting in additional expenditure of Rs. 2.78 lakhs. The Administration stated in July 1986 that the additional expenditure by way of contractor's soil used in embankment was unavoidable as the cut spoils from rock requiring blasting could not be led into the embankment.

(b) In Section V, the quantity of cut spoils available for leading to bank for its formation was 27,203 cum, but the actual quantity led was 9266 cum. According to the Railway Administration out of the balance quantity of 17,937 cum, cut spoils measuring 3,129 cum was used as packing material during linking of the section, 124 cum was not fit for use and the balance quantity of 14,684 cum could not be led to bank. The non-leading of cut spoils measuring 14,684 cum for bank formation resulted in an additional expenditure of Rs. 1.84 lakhs due to corresponding increase in the quantity of contractor's earth for forming bank.

The Railway Administration stated (July 1986) that cut spoils not led for bank formation would be used later on for breaking into ballast.

#### 5. Excessive payment for dewatering

In the tender schedules for earthwork in section VII the item dewatering was not included although it was specifically included in 1977 in the standardised tender forms. In October 1980, Contractor 'B' for section VII had quoted a rate of Rs. 6 per Horse Power Hour (HP/HR) for dewatering as an additional item. Later, it was amended to Rs. 60 (900 per cent increase) as a post-tender clarification. Instead of rejecting the amended offer, a negotiated rate of Rs. 50 per HP/HR was agreed to. This compared unfavourably with the rate of Rs. 5 per HP/HR quoted by the same contractor for similar item in sections V, IX and XI in March 1980, April 1982 and September 1982

respectively. The acceptance of the negotiated offer of Rs. 50 per HP/HR resulted in an avoidable expenditure of Rs. 0.95 lakh.

The Railway Administration stated (July 1986) that the non-inclusion of the item was an inadvertent omission.

For commissioning the Apta-Pen section by June 1980 dewatering work in the Section I was done in a small reach during monsoon period in 1980 incurring an expenditure of Rs. 0.68 lakh. This ultimately proved to be largely infructuous as the section was opened for traffic only in February 1983.

#### 6. Termination of a contract without financial repercussions

A contract for earthwork and construction of 14 minor bridges was awarded to contractor 'A' in December 1979. The period of completion was six months from the date of execution of the contract agreement excluding the monsoon period. Upto June 1980 the contractor executed earthwork (with contractor's earth) to the extent of 21,000 cum out of 31,000 cum, earthwork in cutting 575 cum out of 14,000 cum, and excavation in foundation 204 cum out of 446 cum only. The balance of earthwork and bridge work including supplying, laying and jointing of concrete pipes was not done. The contractor stopped the work from June 1980 complaining hindrances and obstructions on the alignment such as permanent/semi-permanent houses, cattle sheds, etc. These structures existed in only 750 metres out of 2,749 metres (total length of the section). The Executive Engineer had also pointed out to the contractor that there was no difficulty in completing the bridge works and also the earthwork in embankment and cutting except to the extent of 750 metres. Extensions were also granted initially upto 28 February 1981 and later upto 11 January 1983. The contractor, however, did not complete the work in the stretches where work could have been done. The Railway Administration terminated the contract without financial repercussions. The balance of the work was awarded to another contractor in February 1984 at higher rates involving additional expenditure of Rs. 7.52 lakhs.

The Administration stated in July 1986 that the proposed alignment was passing through a number of villages, affecting a number of temporary, kutcha and permanent structures and the State Government in spite of persuasion could not remove the structures. Since the contract was awarded in December 1979 it could not be expected from the contractors that they would wait for an indefinite period and it was, therefore, decided to close the contract without financial repercussions.



It is, however, to be mentioned that (i) the contract was awarded in 1979 without ensuring availability of land and (ii) in closing the contract, the Administration did not take into account the fact that the contractor had failed to comply with the instructions of the Executive Engineer to complete the work in the stretches where it was possible.

#### 7. Transfer of Materials

It was noticed that C.S.T. 9 plate sleepers (67,542 pairs) procured for the project against supply orders placed in 1981 from suppliers in Calcutta, Bhilai and Nagpur were ordered to be transferred in October 1982 to Depot Store Keeper, Wani near Nagpur. Accordingly, a quantity of 40,300 pairs of sleepers was despatched in 81 wagons during the period November 1982 to November 1983. During this period a quantity of 17,795 pairs sleepers was received at Panvel from the same suppliers. The unnecessary haulage of sleepers by way of receiving them at Panvel and transferring to Nagpur involved expenditure on freight charges amounting to Rs. 5.44 lakhs (approx) and could have been avoided if suitable consignee instructions had been given to the suppliers.

### 13. Southern Railway—Setting up of a diesel locomotive shed at Krishnarajapuram

#### Introduction

13.1 The broad gauge (BG) diesel locomotive (WDM2) holding of Southern Railway in 1977-78 was 112. The maintenance of these locomotives was attended to at the diesel loco shed, Erode, which had a capacity to deal with 60 locomotives. The facilities at this shed were expanded in 1981-82 to cater to 100 locomotives. Meanwhile, in August 1979, the Railway Administration assessed that in the next three years the strength of diesel fleet of the Railway would go up by 10 to 15 locomotives per annum in view of the planned dieselisation of goods and passenger services. The Administration felt that there was need for establishing a separate shed and on the basis of operational requirements the shed should be located at Bangalore (Krishnarajapuram).

#### Planning and estimation

13.2 The work of setting up another diesel locomotive shed at Krishnarajapuram for the maintenance of 60 BG diesel locomotives with scope for expansion to home 100 locomotives and also to provide for the homing of MG diesel locomotives was included in the Railways Works Programme for the year 1979-80. An estimate of Rs. 3 crores was sanctioned by the Ministry of Railways (Railway Board) in November 1979. It was anticipated that the work would be re-

munerative yielding a return of 19.5 per cent on the capital invested.

13.3 The construction work commenced in September 1980 was scheduled to be completed in October 1982. Though the shed was commissioned in July 1983, several items of work remained to be completed. During the execution of the work, a revised estimate was prepared (February 1983) which was sanctioned by the Railway Board in June 1984 for Rs. 5.67 crores. The revised cost exceeded the original estimated cost by Rs. 2.67 crores (89 per cent). The excess was stated to be on account of escalation in costs (Rs. 2.03 crores) and revision in scope of work (Rs. 0.64 crore). The additional items of work found necessary were : Lube oil barrel shed, toilet for supervisory staff, approach road to National Highway, extension of road, First Aid Post, fuelling aprons, provision of additional telephone facilities, etc.

13.4 By January 1985 it was realised that the estimate needed further revision as the actual cost was found to have exceeded the revised estimated cost. Expenditure incurred on the work was Rs. 6.78 crores upto the end of November 1986. A second revised estimate for Rs. 7.88 crores is stated to be under preparation.

13.5 The Administration stated (April 1986) that after the sanction of the works and in the course of execution certain improvements to the working of the shed as a whole were evolved and included in the revised estimate.

13.6 The Administration further stated that the original estimate was prepared based on the diesel loco shed at Erode. The various structures had been roughly oriented at the time of project estimate. However, at the time of preparation of detailed layout some readjustments in the location of the building based on actual site condition and requirements of the Mechanical department became necessary. As these could not be envisaged at the time of preparation of initial project estimate the additional cost was unavoidable. The Administration also stated that soil tests and investigations were being done for structures as found necessary.

13.7 Evidently the detailed investigations which should have preceded the preparation of project estimate were being undertaken after the commencement of work necessitating upward revision of the estimates.

Fabrication and execution of steel work for the shed

13.8 A contract for the construction of the shed proper (steel works) was awarded to firm 'A' in October 1981. Though the work was to be completed by



July 1982, it was actually completed in October 1983 after grant of four extensions, due to (i) delay in arranging supply of electricity, (ii) delay in finalising and issuing plans (iii) non-availability of steel sections and consequential changes in drawings, and (iv) supply of materials required for fabrication.

13.9 The contractor was required to submit the drawings within one month of the award of contract but these were supplied after a lapse of 3 to 21 months. The Administration could not take penal action for delay in supply of drawings leading to delay in execution of the work as all the four extensions were granted on railways account, over-looking the failure of the contractor. The contractor also claimed Rs. 3.71 lakhs towards escalation on account of delay in supply of materials by the Railway. The claim is still to be settled (September 1986).

#### Performance

13.10 The shed was commissioned in July 1983. The average number of locomotives dealt with at the shed is mentioned below :

September 1983—March 1984	18
April 1984—March 1985	28
April 1985—March 1986	31
April 1986—October 1986	32

To the extent the locomotives are dealt with at Krishnarajapuram the number of locomotives dealt with at Erode has come down. The average number of locomotives dealt with at Erode shed during 1985-86 was only 122 against 142 locos in 1983-84. The staff strength at Erode was 991 for maintenance of 130 locomotives. After the reduction in the number of locomotives, no corresponding reduction in the staff was made and the Administration continued to incur additional expenditure of Rs. 79 thousand per month on the deployment of excess staff numbering 81.

13.11 The Administration stated in April 1986 that the commissioning of the shed to its full capacity was being done in a phased manner. Regarding the surrender of surplus staff at Erode, the Administration stated that transfer orders for 34 staff of Erode shed was issued in October 1985 but the staff had not carried out the transfer and the matter was being followed up.

#### General

13.12 The diesel locomotive (WDM2) holding of Southern Railway in October 1986 was 155. Of this 32 were dealt with at Krishnarajapuram shed and 123 at Erode shed. Though the loco shed at Krishnarajapuram was designed for 60 locos and was commis-

sioned in July 1983 its capacity is not being fully utilised. The shed at Erode which has a capacity for 100 locos continues to be overburdened.

13.13 Further, the average increase per annum in the locomotive holding during the period from 1979-80 to 1985-86 was only 5 to 6 locomotives against 10 to 15 anticipated while justifying the establishment of the new shed. In 1981-82 the Railway Board sanctioned the electrification of Arakkonam—Jolarpettai section of Southern Railway which was energised in March 1986. As per electrification programme Jolarpettai—Bangalore section is to be energised during 1987-88. In spite of these factors, the Railway Board noted, in June 1984, while sanctioning the first revised estimate that the traffic needs would be such that unless Krishnarajapuram was commissioned to hold the targeted 60 locomotives it might not be possible to meet the maintenance load fully.

13.14 As already mentioned above, the diesel shed, Krishnarajapuram, is not being utilised to its full capacity. The growth in holding of diesel locomotive being less than what was projected in the estimates, the shed would remain largely underutilised.

13.15 The financial return of 19.5 per cent on the capital cost of Rs. 3 crores was calculated assuming allotment of 60 diesel locomotives and a saving of Rs. 1.8 crores in annual operating expenses. As the number of locomotives allotted is presently 32 only and as the estimated cost of the shed has increased from Rs. 3 crores to Rs. 7.8 crores the anticipated return of 19.5 per cent on capital would not materialise.

#### 14. Southern Railway—Unproductive expenditure on construction of a new metre gauge line

The Railway Board sanctioned in July 1980 a preliminary Engineering-cum-Traffic Survey for construction of a new metre gauge line between Chitradurg and Rayadurg at a cost of Rs. 3.97 lakhs. Based on the data collected during the survey, the Railway Administration proposed in August 1981 the construction of 98.63 kilometres new metre gauge line between Chitradurg and Rayadurg on the following considerations :

- (i) To provide a shorter route between Guntakal—Hubli and Bangalore City—Hubli main lines.
- (ii) The existing branch lines Bellary—Rayadurg and Chickajur—Chitradurg being unremunerative, a link between Chitradurg and Rayadurg may activate the traffic potential.



- (iii) To develop the backward area of Chitradurg district of Karnataka.

The Financial Adviser and Chief Accounts Officer (Construction), while giving concurrence to the new project, however, observed that the anticipated return on capital was very meagre viz., 1.7 per cent and hence its sanction had to be based on non-financial considerations.

The work on the project commenced on urgency certificate sanctioned by the Railway Board for Rs. 30 lakhs in May 1982. Subsequently, detailed estimate of Rs. 16.92 crores was sanctioned by the Railway Board in August 1983.

The work had been phased in such a manner that the sub-sections Chitradurg—Challakere (35 km. in Karnataka) and Rayadurg—Molakalmuru (11 km. in Andhra Pradesh and 4 km. in Karnataka) which were connected with rail heads at either ends were to be progressed for completion as Phase-I by 1987-88 or so and the middle stretch of 50 km. Challakere—Molakalmuru progressed later as Phase-II. Accordingly, for the works to be executed between Chitradurg—Challakere and Rayadurg—Molakalmuru, requisite lands over a total distance of 50 km. had been taken over on consent letters from land owners and acquisition proceedings were in progress (January 1986). Out of a total area of 688 hectares proposed to be acquired, 350 hectares had been covered by consent letters from the owners, for which the compensation amounts were to be settled. Contracts for earthwork, construction of minor bridges, building of quarters, etc., were finalised in 1983 and work was commenced in 15 reaches totalling a distance of 50.68 kilometres. The progress of execution as at the end of January 1986 was as follows :—

Particulars	Quantities as in the estimate	Quantities as executed
1. Land	688 hectares	350 hectares entered upon consent letters.
2. Earthwork	37,04,120 cum.	8,38,200 cum.
3. Quarters	121 units	18 units
4. Minor Bridges	140 Nos.	15 Nos.

The cumulative progress of the work is 10.90 per cent (January 1986). The expenditure incurred upto March 1986 was Rs. 2.80 crores.

While considering the Works Programme for 1986-87 in November 1985, the Railway Board decided to freeze this project and to submit a proposal to the Minister for Railways for a final decision to close down the project.

It is significant to mention that most of the traffic anticipated at the time of the traffic survey did not materialise. The traffic anticipated by the Administration was from an iron and steel works and a paper mill which was already being carried by the Railway through a longer route (via Hubli, Birur etc.). Consequently, identifying this quantum as fresh traffic to justify the laying of a new line was not in order. Projections were also made of cross traffic which had already been passing via the existing routes. The setting up of the steel plant at Hospet was a remote possibility and no traffic could, therefore, materialise on this account.

Further, the anticipated passenger earnings of Rs. 12.36 lakhs in the very first year of opening of the line and the assumption of its extending upto Rs. 27.19 lakhs in 16th year was very much on the high side, since the branch lines Chitradurg—Chickajalur and Bellary to Rayadurg were unremunerative. The financial appraisal of the project also showed that the return on the investment would be as low as 1.7 per cent. Nevertheless, the project was sanctioned by the Railway Board in 1982, and was frozen in November 1985 after investing Rs. 2.67 crores.

The Railway Administration stated in October 1986 as under :

“The Railway Board during discussion of the Works Programme for 1986-87, had allowed an outlay of Rs. 1.2 crores against this work to provide for the contractual obligations (Rs. 90 lakhs) and land acquisition (Rs. 30 lakhs) for 35 kilometres in Karnataka and 15 kilometres in Andhra Pradesh. It was further decided that no further liability should be entered into; the work stands frozen and a note to be put up to Minister as to whether the work could be closed down and contracts finalised duly paying compensation, if any, and desist from further land acquisition. The Minister of State (Railways) and the Transport Minister during their visit to Bangalore agreed to an additional grant of Rs. 50 lakhs in May 1986 for this project. Final orders reappropriating the amount have since been issued on 1 September 1986. Board after considering the pros and cons of alternative of closing the existing contracts have approved that the existing contracts may be allowed to continue”.

It is significant to mention that the reappropriation of Rs. 50 lakhs to this work has been made for completing the ongoing contracts and fulfilling the contractual liabilities. This work, which was sanctioned in August 1983 for Rs. 16.92 crores, is expected to cost Rs. 35 crores at present day cost. Though it has been stated that additional funds have been made available during the year 1986-87 to cover contractual



liabilities there is no indication as to how the work would be progressed and completed. Considering the fact, that the work would cost Rs. 35 crores at present day cost, the meagre allotment during 1986-87 without giving an indication of the allotment of funds in subsequent years to complete the project within a time bound programme is an indication that the expenditure of Rs 2.80 crores incurred on this project would remain idle for an indefinite period.

### 15. Central Railway—Creation of additional capacity without traffic requirement

15.1 On each of the electrified North East and South East Ghat Sections of Bombay Division, a new third line was constructed at a cost of Rs. 23.26 crores and Rs. 39.31 crores respectively [cf paragraph 2.2 and 2.4 of the Reports of the Comptroller and Auditor General of India for the years 1983-84 and 1984-85 Union Government (Railways)]. The third line was opened for traffic in April 1982 on the North East Ghat and in August 1984/July 1985 on the South East Ghat sections. The survey team for the third ghat line had recommended in 1972 creation of matching capacity on the sections immediately before the ghats towards Bombay, by extending the existing Automatic Block Signalling upto Titvala on North East section and upto Badlapur on South East Section. Another survey team which was formed in 1976 to undertake survey of the two sections from Titvala to Kasara and Badlapur to Karjat and to examine and recommend methods to increase the capacity of these sections, with reference to the forecast of traffic as given in the survey report for the third line in the ghats, submitted its reports in 1977 and 1978.

15.2 Before the third line in the two ghat sections was constructed, the line capacity of the two sections and its utilisation as in 1977 were as under :

Section	Line capacity	Number of trains each way			Pilots	Total	Percentage utilisation
		Pas-senger	Sub-urban	Goods			
<b>I. NORTH-EAST LINE</b>							
Titvala-Asangaon	44	9	13	16	2.7	40.7	92.5
Asangaon-Kasara	42	9	5	16	2.7	32.7	78.0
<b>II. SOUTH-EAST LINE</b>							
Badlapur-Karjat	45	14	16	9.1	2.9	42.0	93.3

15.3 The survey team (1976) after considering the future plans/projections of traffic as given by the survey

team for the third line in 1972, the corporate plan of the Railway and the plan for optimisation of suburban services in Bombay area arrived at the traffic projections of the sections for the years 1983-84 and 1988-89 as shown below :

Section	Number of trains each way			Pilots	Total	
	Passenger	Suburban	Goods			
<b>I. NORTH-EAST LINE</b>						
(i) Titvala-Asangaon						
(ii) Asangaon-Kasara						
1983-84	(i)	16	16	24	3	59
	(ii)	16	9	24	3	52
1988-89	(i)	18	21	31	3	73
	(ii)	18	11	31	3	63
<b>II. SOUTH-EAST LINE</b>						
(i) Badlapur-Karjat						
1983-84		18	19	13	4	54
1988-89		21	22	16	6	65

15.4 To match the increased line capacity generated by the third line and to handle the expected increase in traffic on the sections adjacent to ghats, the Survey Committee proposed provision of Intermediate Block Signalling (IBS) with track circuiting as Phase I and provision of automatic block signalling as Phase II. This recommendation was accepted (1978-79) by the Administration and work of provision of Intermediate Block Signalling on the North-East and the South-East Sections was undertaken (January 1985) at the estimated cost of Rs. 187.79 lakhs and Rs. 113 lakhs respectively. The actual expenditure incurred upto September 1986 was Rs. 144.24 lakhs and Rs. 124.71 lakhs on North Eastern and South Eastern sections respectively.

15.5. The work on the South East line (signal and telecommunications portion) was completed by 31 December 1985 and commissioned on different dates between March 1985 and March 1986. The work on the North-East line has, however, not commenced so far (October 1986), though 50 per cent of the required material costing Rs. 10.28 lakhs had been collected by the end of March 1986. The work which is scheduled to be completed by 31 March 1987 is unlikely to be completed by that date.

15.6. A review of the actual traffic moved on the two sections during the busy season (November to March) of the years 1982-83 to 1985-86 indicated that the level of traffic had remained almost the same as it



was in 1977 (and within the original line capacity) as shown below :

Section	Number of trains each way			Pilot	Total
	Passenger	Suburban	Goods		
<b>Titvala-Asangaon</b>					
1982-83	15.0	10.0	12.8	2.9	40.7
1983-84	15.0	10.0	13.2	2.2	40.4
1984-85	15.0	11.0	11.5	2.6	40.1
1985-86	15.0	11.0	10.4	2.7	39.1
<b>Asangaon-Kasara</b>					
1982-83	15.0	5.0	12.8	2.2	35.0
1983-84	15.0	5.0	13.2	2.2	35.4
1984-85	15.0	5.0	11.5	2.6	34.1
1985-86	15.0	5.0	10.4	2.7	33.1
<b>Badlapur-Karjat</b>					
1982-83	16.0	14.0	8.3	3.2	41.5
1983-84	16.0	14.0	8.6	2.3	40.9
1984-85	17.0	14.0	8.0	1.6	40.6
1985-86	17.0	14.0	8.2	1.8	41.0

15.6.1 Long before the commencement of the Intermediate Block Signalling work on South-East section in January 1985, a decision had been taken by the Government (June 1976) to construct 160 Kms long 14" dia pipe line between Bombay and Pune to carry POL traffic, viz., motor spirit, Kerosene oil, H.S.D. oil and light diesel oil. The Railway Administration knew it even in June 1976 when it was approached by Hindustan Petroleum Corporation to provide a railway siding and terminal facilities for the pipe line at Hadapsar Loni Akurdi. The Railway Administration was of the view (July 1980) that pipe line facility was not necessary as they would be able to move the entire POL traffic right from Bombay even without the third ghat line (and implicitly without also other allied works like Intermediate Block Signalling).

15.6.2 According to the Ministry of Petroleum and Natural Gas, the Bombay-Pune product pipe line was commissioned with effect from December 1985. Consequently, the Railway would lose POL traffic on the South-East Line to the extent of 3 trains per day each way.

15.6.3 A "Multi Disciplinary Committee" set up in May 1982, had recommended (April 1984) among other things the conversion of 1500 V DC traction into 25 KV AC traction on North-East Line beyond Titvala (i.e. between Titvala and Igatpuri). In the event of the recommendation being accepted and implemented, either the expenditure incurred on the Inter-

mediate Block Signalling in the North-East Line will be rendered infructuous as AC traction itself will increase the line capacity or extra expenditure will have to be incurred to modify the signalling equipments now being provided to make them work under AC power system.

15.7. To sum up, investment of Rs. 113 lakhs on Intermediate Block Signalling work on the South-East Section has been rendered unproductive because of non-materialisation of anticipated traffic including loss of POL traffic of which information was available to the Railway before the work was taken up; and further incurrence of expenditure of Rs. 187.79 lakhs on the North-East line already sanctioned will also not yield the expected benefit owing to shortfalls in anticipated level of train services and likely introduction of AC traction in the near future.

15.8 The Railway Administration stated in December 1986 that—

- (i) the additional capacity created by the Intermediate Block Signalling will certainly be required to meet with the anticipated increase in Passenger and goods traffic on North-East Section ;
- (ii) the modification to the signalling equipment (IBS portion) to suit AC traction will constitute a small part of the entire work of modifying the colour light signalling equipments provided on all the stations ; and
- (iii) the line capacity utilisation on Badlapur-Karjat section of South East line was 93.3 per cent (42 trains) which was more than saturation level and that the reduction in traffic on account of commissioning of the product pipe line would be only 2 trains per day.

15.9 It is, however, to be mentioned that the survey for increasing the capacity of these sections was conducted in 1977. Since then there was no increase in the number of trains as projected in the Survey Report. The fact that there would be reduction in the number of trains after the pipe line was commissioned was also known to the Railway Administration. It was, therefore, necessary for the Administration to review the justification before commencing the work in January 1985, involving investment of Rs. 300.79 lakhs.

#### 16. South Central Railway—Extra expenditure in execution of works on Telapur—Patancheru new broad gauge line

In pursuance of the recommendations contained in paras 2.172 and 2.173 of 23rd Report of the Public



Accounts Committee (1967-68) (Fourth Lok Sabha), the Railway Board issued instructions (August 1968) to the Zonal Railways emphasizing the need for conducting final location surveys with utmost care and in thorough detail before commencing the work of construction of new lines so that extra expenditure on account of defective estimation of quantities of work could be avoided.

The Railway Administration completed the preliminary engineering-cum-traffic survey for construction of a new broad gauge line between Telapur and Patancheru and sent the survey report to the Railway Board in July 1979. However, the work of construction of the new broad gauge line was started in November 1981 without undertaking final location survey on the plea of urgency expressed by the Government of Andhra Pradesh.

The Railway Board sanctioned the abstract estimate (cost : Rs. 3.44 crores) on 17 November 1981. Contracts for earthwork in formation of embankment and bridges in reaches I and II of the new line (value : Rs. 12.19 lakhs and Rs. 18.50 lakhs) were awarded to the same contractor 'A' in November 1981 and January 1982. These works were scheduled to be completed by February 1983 and April 1983 respectively.

After the award of the contracts, the Railway Administration collected hydraulic data for the bridges to be constructed and reassessed the quantities of earthwork to be done (October 1982). Changes were made in the designs and in the number of bridges to be constructed. Consequently, the quantities of earthwork in formation with the contractor's earth increased from 7,000 cum to 58,000 cum in reach I and from 1,03,300 cum to 1,30,000 cum in reach II (i.e. 728.6 and 25.8 per cent respectively).

The Railway Administration allowed (December 1982 and November 1982) enhanced rates for the increased quantities of bridge work items to the same contractor entailing an extra expenditure of Rs. 1.15 lakhs. As regards earthwork, in a letter dated 16th October 1982, the contractor agreed to execute the increased quantity of work also at his "contracted rates for both reaches without any enhancement". He further requested that land in the areas where not yet handed over to him be made available by December 1982 or alternatively the relevant portion of the work be deleted from his contract.

The quantities of earthwork to be executed with contractor's earth further increased to 83,000 cum (Reach I) and to 1,45,000 cum (Reach II) (i.e., 1085.7 and 40.4 per cent respectively). The increase in the quantities of earthwork with contractor's earth

vis-a-vis the quantity provided for in the agreements for Reaches I and II was attributed to :

- (i) less availability of earth from borrow pits due to unsuitability of soil and oozing out of water at shallow depths ;
- (ii) increase in the height of the embankment; and
- (iii) reduction in the availability of cut spoils due to less quantity of cutting than anticipated etc.

The works in reaches I and II were completed in December 1984.

The contractor demanded (October 1983 and February 1985) a rate of Rs. 300 per 10 cum. for earth work with contractor's earth in excess of the agreed quantities as against the accepted rates of Rs. 140 and Rs. 145 per 10 cum for reaches I and II respectively. Pending a decision on the enhancement in the rates to be paid for, the Railway Administration allowed the contractor to complete the work. The Administration decided in March 1985 and August 1985 to pay at enhanced rates of Rs. 270 per 10 cum. for Reach I and Rs. 265 per 10 cum. for Reach II respectively. The extra expenditure on this account (April 1985) was Rs. 10.54 lakhs. The total extra expenditure on account of bridge work items and earthwork thus amounted to Rs. 11.69 lakhs.

The following comments arise :—

- (i) The failure to conduct final location survey resulted in huge under-assessment of quantities of items of work to be done.
- (ii) Payment at enhanced rates for the increased quantities of work done after the award of contracts resulted in total extra expenditure of Rs. 11.69 lakhs (upto April 1986) on bridge works and earthwork in reaches I and II.
- (iii) For 62,265 cum. in Reach I and 11,767 cum. in Reach II, the Railway Administration made payment to the contractor at rates higher than the previously contracted rates at which the contractor had agreed in writing to execute these increased quantities. Thus, out of the total extra expenditure of Rs. 11.69 lakhs, a sum of Rs. 9.49 lakhs represented extra contractual payment to the contractor which was wholly avoidable.
- (iv) The variations in quantities in Reach II resulted in vitiation of the initial evaluation of tenders made at the time of awarding of the contract. The quotation of the tenderer evaluated as the lowest and to whom the work was awarded turned out to be higher than the next tenderer by Rs. 0.33 lakh.



The Railway Administration stated in July 1986 that :—

- (i) final location survey could not be conducted as the work had to be undertaken urgently because of pressure from the state government,
- (ii) the rates for excess quantities had to be negotiated with the contractor, and
- (iii) the execution of earthwork was held up in some stretches till February 1984 when the Andhra Pradesh High Court vacated its stay order on land acquisition. The contractor was not willing to carry out the work in 1984 at the rates accepted by him in November 1981/January 1982.

The Railway Administration reviewed in June 1986 the payments made to the contractor for Reach I and noted for recovery an amount of Rs. 3.41 lakhs representing the difference in value of the enhanced rate and the agreement rate in respect of the quantity of work (35,000 cum.) stated to have been done by him till October 1983 when he preferred the claim for increase in rates.

It may be pointed out that there was no justification for the Railway Administration to have undertaken construction of the new line without conducting final location survey. Notwithstanding the pressure stated by the Railway Administration to have been exerted by the State Government, the final location survey could have been undertaken during the period of over two years from August 1979 to November 1981 intervening between the date of completion of the preliminary engineering-cum-traffic survey and the date of commencement of the construction of the new line. Further, if the Railway Administration had entered into subsidiary agreements with the contractor and bound him contractually on the basis of the terms offered by him in October 1982, payment of Rs. 9.49 lakhs at enhanced rates for the earthwork in the areas other than those under dispute, could at least have been avoided.

#### **17. South Central Railway—Infructuous expenditure on provision of unnecessary facilities**

The Railway Administration undertook a survey for the conversion of Manmad-Aurangabad-Parbhani-Parli Vajjnath section (354 Kilometres) from metre gauge into broad gauge in May 1973 and submitted a report in April 1975. The project was not financially viable but was considered justified to meet development needs of the region. According to the

Project Report (April 1975), except for new crossing stations no new station building was to be constructed.

In April 1978, the Railway Board decided to take up only a part of the project from Manmad to Aurangabad and advised the Railway Administration to submit a part estimate for the same. In order to commence the work the Railway Administration submitted a part estimate in June 1978 to the Railway Board. The Railway Board sanctioned an urgency certificate in July 1978 and directed the Railway Administration to carry out only the work of strengthening of bridges and widening of bank/cuttings and asked it to submit the detailed estimate early.

In the detailed estimate submitted in July 1979 to the Railway Board, the Railway Administration included works which were not envisaged in the Project Report, viz., construction of a new station building at Lasur in lieu of the existing one and additional goods facilities at three stations (new goods shed at Lasur, new goods shed and platform at Parsoda and goods platform at Daulatabad). Contracts for earth work were awarded in December 1978 and January 1979 covering the quantities of earth work for these additional items also.

The Railway Board approved in May 1981 the detailed estimate after deleting the aforesaid items which were not contemplated in the Project Report. In the meantime, 15,423 cum. of earthwork had already been done in connection with the provision of low level and rail level platforms at the proposed station building at Lasur and additional goods facilities at Parsoda and Daulatabad. Consequently, an expenditure of Rs. 2.32 lakhs incurred on these items of earth work was unauthorised and was also infructuous.

The Railway Administration stated in September 1985 that the expenditure on earth work done at the above stations would not be rendered infructuous as it would be utilised at a later date for providing adequate facilities at these stations in view of the expected growth of traffic.

The argument of the Railway Administration is not tenable, firstly, because the earth work in question was done in connection with works not authorised by the Railway Board and secondly, because the expectation of any future growth of traffic at these stations is not supported by any concrete data and is remote.

The Railway Administration stated in October 1986 : "Unless conversion project is completed, the expected growth cannot materialise and no conclusions could be drawn".



### 18. Railway Electrification, Central and Western Railways—Extra expenditure due to acceptance of higher rates

In September 1982, the Railway Electrification Administration invited tenders for trenching/laying of underground signalling cables, casting of foundations, etc. connected with Railway Electrification work at Bina station. These were opened on 19 November 1982 and considered by the Tender Committee in its meeting held on 22 December 1982. Of the six valid tenders received, the lowest (Rs. 9.98 lakhs) one from firm 'A' was passed over by the Tender Committee on the plea that this firm had recently been considered for another work in (Godhra (excl.)—Piplod (incl.) section of Western Railway) by the Railway Electrification Organisation and it would not be prudent to place another contract on them unless some performance was shown. The next higher offer (Rs. 10.20 lakhs) from firm 'B' was also rejected on the ground of this firm being considered for another contract in Piplod (excl.)—Dohad (incl.) section of Western Railway, unsatisfactory progress of execution of the work earlier awarded in March 1982 to them and the urgency of the work at Bina scheduled for commencement by January 1983 and completion by September 1983. The third and the fourth tenderers having been found to be lacking in experience for the work in question, the Tender Committee recommended acceptance of the fifth lowest offer (Rs. 14.02 lakhs) of firm 'C' which involved an extra expenditure of Rs. 4.04/3.82 lakhs compared to the offers of firms 'A' and 'B' respectively. The contract awarded to firm 'C' on 5 February 1983 stipulated completion of the work by 4 August 1983.

The signalling plans were made available to firm 'C' only in June 1983 which resulted in belated commencement of work and loss of the four months period before monsoon when progress in outdoor work could have been achieved. While recommending extension of completion date from 5 August 1983 to 4 December 1983, the Project Manager, Railway Electrification, Nagpur stated that the rate of progress of firm 'C' was very poor and the number of labourers employed was as low as 25. Subsequently, the progress was hampered as the Relay rooms, Battery rooms, Generator room, etc. were not ready from the Railways end. These were made available during April to June 1984 and firm 'C' recommenced the work in June 1984 and completed in September 1984. The work had not been commissioned till April 1986 due to non-finalisation of signalling plans by the Central Railway Administration.

Firm 'A', whose offer had been passed over by the Tender Committee for the reasons stated above, had completed all external works like laying of cables,

erection of signals, etc. at all the stations in Godhra—Piplod section by the original stipulated date of completion (22 December 1983). This firm did not formally apply for the extension of completion date. Nevertheless, on the recommendations of the Chief Project Manager (S&T), Vadodara, extensions were granted to firm 'A' upto 30 June 1984. Further extension was granted upto 30 June 1985 on an application from the firm. Both extensions were on Railways account. Similarly, extensions were granted to firm 'B' upto 30 September 1984 and again upto 31 March 1985 on Railways account, viz., late start of work by the firm due to shortage of supervisory staff, unusually heavy monsoon, non-availability of Relay rooms for internal works, etc. Firms 'A' and 'B' completed the works by May 1985 and September 1985 respectively and delays in both the cases were on Railways account.

The considerations of capacity limitation of firms 'A' and 'B' leading to by-passing of their offers had arisen from the urgency of work at Bina as projected in its time frame (January—September 1983), which was not realistic as the Railways themselves were not prepared for the works to be done by them in the three sections for which contracts were awarded to firms 'A', 'B' and 'C'. The relevant signalling plans, drawings, Relay rooms, Battery rooms and Generator room were neither ready at the tender consideration stage nor within the original stipulated date of completion of the signalling works. The acceptance of higher rates mainly on the consideration of urgency of work which was not reflected in actual execution thus led to an extra expenditure of Rs. 4.04/3.82 lakhs compared to the offers of firms 'A' and 'B' respectively.

### 19. Western Railway—Extra expenditure due to delay in initiating land acquisition proceedings

Instructions issued by the Railway Board in September 1972 enjoin that the Railway Administration should invite tenders only when they were fully prepared to hand over the sites and supply necessary plans, etc.

The work between Ihuria—Talavli Chau Mahla sub-section (including that between Bridge No. 34 and Chau Mahla) was approved by the Railway Board in November 1978 and targeted for completion during 1981-82. Tenders for earthwork in bank and cutting adjoining existing line or in independent bank and cutting between bridge No. 34 and Chau Mahla station were invited in July 1980. A contract for Rs. 24.10 lakhs was awarded in March 1981. The work was to be carried out partly in land already available with the Railway and partly in the Government/private land to be acquired. Although, the Administration was aware right from the beginning that the



work was required to be executed partly on private land, it was only in January 1981, (twenty-five months after the work was sanctioned in November 1978) that land acquisition proceedings were initiated by the Administration. When the work was in progress and expenditure of Rs. 11.90 lakhs (December 1981) had been incurred, the land owners obtained a stay order (January 1982) against the execution of the work on their land. The stay was, however, got vacated in July 1982. The land owners appealed against the vacation of the stay order and obtained a fresh stay order in August 1982 which too was got vacated in December 1982. The Contractor suspended the work on 18 January 1982 in the portion affected by the stay order and requested the Administration in May 1982 to make available the land to carry on the work in that portion. Certain claims amounting to Rs. 13.45 lakhs on account of losses/damages resulting from breach of contract were also preferred in July 1984 by the contractor. Work in the other portion i.e., between Talavli—Chau Mahla was completed by the contractor in September 1982. For the work costing Rs. 10.45 lakhs inclusive of price escalation in the affected portion, the Railway Administration was compelled to carry out negotiations with the contractor and accepted the negotiated offer in June 1983 for Rs. 14.51 lakhs on single tender basis. The due date of completion of the work was fixed as 30 June 1984 but the work is yet (December 1986) to be completed.

The delay of over two years in initiating the land acquisition proceedings by the Administration thus resulted in awarding the contract at higher rates involving extra expenditure of Rs. 4.06 lakhs.

The Railway Administration stated in January 1986 that if it had waited for land to be fully acquired between bridge No. 34 and Talavli and called for tenders only after March 1983, when land was fully in possession, rates would have been much higher than the revised accepted rates. This argument of the Administration is not supported by any data and is not consistent with the extant instructions of the Railway Board referred to above. Besides, invitation of tenders/award of contract before acquisition of land and subsequent negotiation of higher rates on single tender basis resulted in depriving the Administration of competitive rates.

#### **20. Northeast Frontier Railway—Avoidable expenditure due to painting of excess area of steel girder bridges**

In terms of Para 1011 of the Indian Railway Way and Works Manual, only the corroded surface of the steel work of girder bridges, showing signs of patches of blistering, scaling or cracking, should be

scraped down to the steel and one primary coat of red lead paint applied, followed by two covering coats of red oxide or approved quality paint. In September 1981, the Railway Administration also issued orders to the effect that on surfaces on which corrosion had not occurred, no red lead primer should be applied and that only two covering coats of either aluminium or red paint should be given.

Till 1981-82, painting of the steel girder bridges was being done departmentally. However, during 1982-83 the Railway Administration decided to get some of the bridges painted through contractors and prepared estimates accordingly. A review of these estimates revealed that in the case of seven bridges on New Jalpaiguri-Chamagram and Raninagar-Jalpaiguri New Bongaigaon sections, only 30 per cent of the steel work of each of these bridges was considered to be prone to corrosion which necessitated scraping and applying of one primary coat of red lead paint. Two covering coats with aluminium or red oxide paint were to be applied over the entire area of the steel works.

However, before inviting tenders for the above works, the Railway Administration decided in April 1983 that 100 per cent of the painting area of the steel works of each bridge should be scraped and painted with primary coat of red lead followed by two covering coats of aluminium/red oxide paint. Contract agreements were executed accordingly and an additional 70 per cent of the area of steel works of each bridge was got scraped and painted with red lead primary coat in contravention of the extant orders on the subject resulting in avoidable extra expenditure of Rs. 2.88 lakhs.

The Railway Administration stated in March 1986 that the provision in the estimate (1982-83) for 30 per cent of the area as corrosion prone was based on an adhoc assessment. However, subsequently it was apprehended in April 1983 that corrosion would be much more, as the steel girders had been last painted during 1974-76 (7 to 9 years before).

It may be pointed out that the aforesaid provision was based on the established practice prevalent so long as painting was being done departmentally. The decision to increase the area to be scraped from 30 to 100 per cent was not taken after conducting any survey or inspection of the actual condition of the bridges. The Railway Administration's apprehension in this connection was not valid in view of the known fact that even during 1974-76 only 30 per cent of the area was taken into account, though the previous painting was done as far back as 1963-66 (10 to 11 years before).



## CHAPTER V

### PURCHASES AND STORES

#### 21. Central Railway—Avoidable payment of sea port charges

The Ministry of Railways (Railway Board) placed an order on a Korean firm in January 1984 for the manufacture and supply of 6000 tyres for Metre Gauge carriage and wagon stock. The contract provided inter alia that "the contractor should despatch bill of lading and all other shipping documents to the Port Consignee by Registered Air Mail Post with a view to ensuring the receipt of the documents well in advance of the arrival of the cargoes at the Indian Ports."

The Korean firm despatched 3282 tyres for Bombay Port under bill of lading dated 19 November 1984. It did not send the shipping documents to the port consignee, i.e., the Controller of Stores, Central Railway, Bombay. The consignment arrived at Bombay Port on 8 January 1985 and was lying in the port up to 26 March 1985 because the Port Consignee could not furnish negotiable shipping documents to the clearing agents.

The Railway Administration took up the matter with the firm only on 23 January 1985 two weeks after the arrival of the cargo. The consignment was ultimately cleared on 26 March 1985, after executing a Provisional Delivery bond as suggested by clearing agents.

Meanwhile an amount of Rs. 10.56 lakhs had accrued towards wharfage, demurrage and container detention charges for the period from 12 January 1985 to 26 March 1985 which was paid by the Central Railway Administration.

The Railway Administration stated in September 1986 that major part of delay in clearing the consignment was due to incorrect and incomplete advice from steamer agents, non-supply of documents by the supplier etc.

The extra expenditure of Rs. 10.56 lakhs incurred by the Central Railway on account of the failure of the contractor to despatch the documents to the Port Consignee has not been recovered from the contractor (October 1986).

The Ministry of Railways (Railway Board) stated in December 1986 that a demand notice giving six weeks time for remitting the amount of claim had been issued to Korean firm on 27 November 1986 and action was also underway for refund of demurrage

from Bombay Port Trust.

#### 22. Non-realisation of full cost of rectification of defective and damaged imported wheelsets

In paragraph 10 of the Advance Report of the Comptroller and Auditor General of India for the year 1982-83 Union Government (Railways), mention was made of the unrealistic assessment of the level of production of wagons leading to premature ordering of wheelsets during the period 1980-81 to 1982-83 and resultant excess stock of about 18 thousand wheelsets costing Rs. 15 crores.

A review of the utilisation of different types of wheelsets revealed that 2,588 wheelsets costing Rs. 454 lakhs were lying rejected because of (a) transit damages in 2,152 wheelsets due to mishandling at port of despatch or destination or at wagon builders' premises and (b) manufacturing defects in 436 wheelsets.

The Railway Board decided in February 1984 that wheelsets damaged in transit would be sent to Railway Workshops for reclamation/rectification and that rejection memoranda would be issued to the suppliers for wheelsets which had manufacturing defects. Action was also to be taken for lodging claims with the respective suppliers.

Out of 1376 damaged wheelsets (22.9 tonne), 1267 wheelsets were reclaimed by the Wheel and Axle Plant, Bangalore at a cost of Rs. 163 lakhs and 37 wheelsets costing Rs. 6.45 lakhs were found to be beyond repair. Similarly, out of 550 damaged wheelsets (20.3 tonne), 165 wheelsets were reclaimed at a cost of Rs. 0.37 lakh and 36 wheelsets costing Rs. 6.09 lakhs were found to be beyond repair. In respect of 226 wheelsets (16.3 tonne) rectification work is yet to be taken up. Thus so far 73 wheelsets costing Rs. 12.54 lakhs have been found to be beyond repair. Besides, the Railways have so far (December 1986) incurred an additional expenditure of Rs. 163.37 lakhs on rectification of 1432 damaged wheelsets. But in the absence of suitable insurance cover, the Railways were unable to claim transit damages. Information about the remaining 421 wheelsets (72 of 22.9 tonne and 349 of 20.3 tonne) was not available (October 1986).

As regards 436 wheelsets rejected on account of manufacturing defects, the Railway Board preferred claims for Rs. 75.45 lakhs on 4 firms during 1984-85,



but a sum of Rs. 15.33 lakhs only could be realised in full settlement of the claim for 395 wheelsets. The claims aggregating Rs. 6.87 lakhs for 41 wheelsets are still being pursued (December 1986).

### 23. Claims outstanding against foreign firms

The Ministry of Railways (Railway Board) placed two contracts, one on an Italian firm in July 1982 and the other on a Japanese firm in October 1982 for the manufacture and supply of 16,000 cartridge tapered roller bearing (8,000 Nos on each firm) to be fitted on BOXN wagons. Mounting of bearings on wheelsets was the responsibility of the suppliers and charges therefor were specified in the contracts. The f.o.b. value of these two contracts was Rs. 2.56 crores in foreign exchange. While the Italian firm completed the supply in December 1982, the Japanese firm did so in March 1983.

The contracts, inter alia, provided that the firms would be fully responsible for the stores being sufficiently and properly packed so as to meet normal transit hazards such as storage in Port and handling during transit to Indian Ports of entry.

It was noticed that due to inadequate packing, some cartridge tapered roller bearings were damaged. Consequently, these were not mounted on wheelsets by the mounting teams of the suppliers. The damaged bearings have been lying idle with the wagon builders as indicated below :

Name of the wagon builder	Supplies made by the firms of	
	Japan	Italy
1. Messrs Braithwaite	88 nos.	..
2. Messrs. Bharat Wagon and Manufacturing Co	30 nos.	19 nos.
3. Messrs. Texmaco	8 nos.	52 nos.
4. Messrs. CIMMCO	—	5 nos.
5. Messrs. Burn Standard/Howrah	—	144 nos.
	126 nos.	220 nos.

In addition to the above rejections, the Research, Designs and Standards Organisation (RDSO) reported that 27 bearings supplied by the Japanese firm had failed within the warranty period. The total amount paid by the Railway Board for these 153 bearings (126 damaged in transit and 27 rejected) was Rs. 6.12 lakhs. When the Japanese firm was asked to replace/repair the rejected bearings in November 1984, it agreed to do so subject to the condition that an additional order would be placed on it and Railways would supply grease required for the job. Alternatively, the firm proposed to repair the bearings at their works in Japan free of cost provided freight charges to and

from Japan were borne by the Railways. The Railway Board did not agree and asked the firm in January 1985 to submit modified proposals which are still awaited (October, 1986).

Similarly, replacement of 220 bearings supplied by the Italian firm, for which the Railway Board had paid Rs. 8.80 lakhs, has not so far been made (October 1986) for want of grease and fixtures to be made available to the firm by Railways. In addition, the Railway Board incurred an expenditure of Rs. 29,709 towards wharf rent at Calcutta Port due to delay in the clearance of cargo on account of inadequate packing lists.

The Railway Board stated in October 1986 that reclamation of rejected/damaged bearings of the Italian firm was under active process and a sum of Rs. 79,621 had been withheld from the Italian firm's agency commission bill. In the case of supplies from the Japanese firm, the bearings would be got rectified through some other agency and efforts made to recover the cost thereof from the suppliers. The Railway Board further stated in December 1986 that the Italian firm had rectified and mounted 106 bearings out of 220 damaged.

Although the supplies had been made by the two firms more than 3 years ago, neither the rejected bearings have been replaced/fully rectified nor has the cost of rejected material been recovered so far from the two firms.

### 24. Western Railway—delay in encashment of Bank Guarantee Bonds

#### I. Supply of mild steel rounds

In March 1975 the Railway Administration placed an order on firm 'A' of Bombay for re-rolling of 390 tonnes of mild steel rounds out of billets to be supplied by the Railway subject to submission of a Bank Guarantee Bond by the firm for Rs. 8.66 lakhs (subsequently reduced to Rs. 2 lakhs) towards cost of billets.

Against the Bank Guarantee of Rs. 2 lakhs executed in May 1975 and valid upto 31 January 1976, the Administration despatched 96.7 tonnes of billets in August 1975 to firm 'A'. It supplied 34.025 tonnes of mild steel rounds in October 1975. Another 35 tonnes of billets were again despatched to the firm in December 1975. The value of billets in the custody of the firm was Rs. 2.26 lakhs against the Bank Guarantee of Rs. 2 lakhs. The validity of the Bank Guarantee was extended upto 30 April 1977.

Firm 'A' failed to make further supplies. Therefore, the Administration cancelled the order and



asked the Bank concerned in March 1977, to pay a sum of Rs. 2 lakhs to the Railway. There was no response from the Bank. However, on the request of the firm the Railway Administration restored the order on it in June 1977 for supply of a part quantity of 84.505 tonnes of mild steel rounds extending the delivery period upto 31 July 1977 subject to its submitting a fresh Bank Guarantee of Rs. 2 lakhs. Firm 'A' furnished (August 1977) a fresh Bank Guarantee Bond for Rs. 2 lakhs valid upto 31 October 1977 and requested for extension of delivery date upto 30 September 1977. The Bank Guarantee was, however, accepted by the Railway Administration in December 1977 by which time it had already expired. As the firm had failed to supply the material, the Bank was asked by the Administration in September 1978 to pay the amount of Rs. 2 lakhs as per the original Bank Guarantee Bond of May 1975. The Bank repudiated (April 1979) the claim of the Railway on the plea that the fresh Bank Guarantee issued by it in August 1977 was valid upto 31 October 1977 and that it was relieved of its liability under the said guarantee as the last clause thereof stated that the said guarantee was in substitution of the earlier guarantee of May 1975 which stood cancelled.

No effective action has been taken by the Administration so far (November 1986) either to realise the amount of Bank Guarantee from the Bank or to get back billets costing Rs. 2.26 lakhs from firm 'A'.

## II. Supply of Joint bonds

The Railway Administration placed an order on firm 'B' of Bombay in May 1977 for the manufacture of 4500 joint bonds from copper scrap to be supplied by the Railway subject to submission of a Bank Guarantee by the firm.

Firm 'B' furnished a Bank Guarantee Bond for Rs. 1.30 lakhs valid upto 17 January 1979. In December 1977, the firm supplied 2000 joint bonds against 2300 kgs of copper scrap issued by the Railway Administration. A further quantity of 2875 kgs of scrap valued at Rs. 87 thousand was supplied to the firm in June 1978. Firm 'B' neither supplied the joint bonds nor did it return the copper scrap. The Guarantee Bond expired on 17 January 1979, but the Railway Administration did not take any action either to claim the amount of Bank Guarantee from the Bank or to take back the scrap from the firm.

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## 25. Central Railway—Loss due to ineffective risk purchase action

The Railway Administration placed an order on firm 'A' of Calcutta in September 1983 for supply of 100 tonnes of ingots of anti-friction alloy for manufacture of carriage and wagon bearings at rates varying from Rs. 18.15 per kg. to Rs. 18.45 per kg. Delivery was to be completed by 27 August 1984; but was amended to 27 February 1984 in October 1983. As the firm did not effect the supply according to the delivery schedule, the Railway Administration cancelled in January 1984 the order partly for 50 tonnes of the material at the risk and expense of the firm and placed orders in April 1984 on firm 'B' of Calcutta for supply of 10 tonnes of ingots at the rate of Rs. 18.90 per kg. on trial basis and on firm 'C' of Bombay for 40 tonnes at the rate of Rs. 21.14 per kg. While firm 'C' supplied 18.495 tonnes of ingots by the end of June 1984, firm 'B' failed to supply the material. Firm 'A' was granted in August 1984 extension upto 15 October 1984 for supply of the outstanding quantity of 50 tonnes, but it did not supply the material. The Administration, therefore, cancelled the order on firm 'A' in December 1984 and those on firms 'B' and 'C' in February 1985 on risk purchase terms.

In March 1985, the Railway Administration invited tenders for purchase of the outstanding quantity aggregating to 81.505 tonnes. The tender committee which met on 30 March 1985 observed that (i) risk purchase against firm 'B' might not be tenable as it was a trial order and (ii) risk purchase on firm 'A' might also not be sustainable as the cancelled quantity (50 tonnes) was not the same as tendered for (81.505 tonnes). The Tender Committee was of the opinion that the matter be referred to the Law Officer to examine the tenability of the risk purchase. However, the "finalisation of the tender should not be delayed and purchase should be finalised" as the Stores member had also mentioned that the position was critical due to failure of the firms to supply the materials.

Accordingly, orders were placed (May/June 1985) on firm 'C' (the second lowest tenderer) for 40 tonnes at the rate of Rs. 27.27 per kg. and on firm 'D' of Bombay (the sixth lowest tenderer) for 20 tonnes at the rate of Rs. 27.75 per kg. (Sales tax at 4 per cent extra). Besides, firm 'C' was permitted to complete the supply of the balance quantity against the earlier order of April 1984 as it did not accept the cancellation and offered to complete the supply. Firm 'C' supplied a further quantity of 17.850 tonnes in March/April 1985 against the order of April 1984 and 41.05 tonnes by 10 August 1985 against the subsequent order of May 1985. Firm 'D' completed the



supply of 20 tonnes by the end of March 1986. Although, Administration incurred an extra expenditure of Rs. 5.22 lakhs on purchases of materials from firms 'C' and 'D', a demand notice claiming Rs. 1.46 lakhs only was served on firm 'A' in November 1985.

The Railway Administration stated (July 1986) that

- (1) the risk purchase against the tender invited in March 1985 might not have been tenable as the cancelled quantity was different from that tendered for; and
- (2) notice had been served on firm 'A' in May 1986 for payment of Rs. 2.09 lakhs on account of risk purchase of 36.345 tonnes of the material against the first cancellation of 50 tonnes (Rs. 0.89 lakh) and general damages (Rs. 1.20 lakhs) on purchase of the balance quantity of 63.655 tonnes.

It may be mentioned that according to the legal advice obtained by the Railway Administration in August 1986, the change of quantity in the tender would not render the risk purchase untenable and, therefore, it was not in the interest of the Railway Administration to serve demand notice on firm 'A' for Rs. 1.46 lakhs only as against the extra expenditure of Rs. 5.22 lakhs.

The Administration further stated in December 1986 that the legal advice obtained earlier in August 1986 was based on incomplete information and that subsequently, the Ministry of Law whose opinion was obtained held that the risk purchase was not tenable as risk purchase action should have been completed within six months to be reckoned from 27 February 1984 i.e., the mutually agreed delivery date. The Administration also stated that the matter had been referred to arbitration.

#### 26. Southern Railway—Non-recovery of advance payment made for rejected billets

The Ministry of Railways (Railway Board) entered into a contract with a firm of Calcutta in March 1981, for the supply of 75 tonnes of 63 mm square billets at Ponnialai (Golden Rock) at the rate of Rs. 4,625 per tonne plus Excise Duty and Sales Tax f.o.r., Calcutta, with the stipulation that price would be revised upward/downward according to JPC prices of billets. As per the contract, the firm was entitled to payment of 95 per cent of the invoiced cost on proof of despatch and balance 5 per cent on receipt of consignment in good condition by the consignee. Supply was to be completed within 9 months from the date of receipt of the order i.e., by 31 December 1981.

On a review of the stock position undertaken by the Southern Railway Administration in January 1982, it was found that there was heavy stock of this material. By that time the firm had not delivered the stores on order. The Railway Administration advised the Railway Board on 25 January 1982 that in view of the declining trend in consumption, the order for this item might either be cancelled or arranged to be diverted to needy Railways. The Railway Board informed the Railway Administration in February 1982 that the cancellation of the order was not possible as the material had already been inspected and was under despatch. In fact the call letter was given by the firm on 17 December 1981 whereas inspection certificate was issued by RITES on 30 January 1982 i.e., after the expiry of the original delivery date as per the contract. The contract was, however, extended upto 31 January 1982 and thereafter in stages upto February 1983. The firm despatched 23,943 tonnes billets in February 1982, 6.06 tonnes in May 1982 and 46.465 tonnes in June 1982. In June 1982, the Railway rejected 1.820 tonnes from the initial receipt as the pieces were found to be undersized in length. The entire supply made in May and June 1982 (52.525 tonnes) was also rejected in August 1982 as it was found to be oversized. The paying authority was advised by the Southern Railway Administration in August 1982 to recover the advance payment amounting to Rs. 3.11 lakhs made to the firm. The Railway Board pointed out in February 1983 that the rejection may lead to legal complications as the stores had been passed on inspection by the authorised agency.

The rejected billets weighing 1.820 tonnes was returned to the firm in September 1982 on receipt of advice from the Pay and Accounts Officer of the recovery of advance payment of Rs. 12,760.84. As regards recovery of advance payment of Rs. 3.11 lakhs for stores rejected in August 1982, the paying authority advised the Railway Administration in March 1984 that the matter being under the consideration of the Railway Board, the recovery could not be made.

The Ministry of Railways (Railway Board) stated (May 1986) that the present cost of the rejected stores was in the range of Rs. 6180 per tonne as against the procurement rate of Rs. 4625 per tonne and in view of the rate advantage the Zonal Railways had been asked whether this item could be utilised by them. It further stated (October 1986) that it had been decided to accept the rejected material with 3 per cent price reduction offered by the firm and that Northern Railway had since sent a demand for 27 tonnes.

The material has, however, not yet (December 1986) been transferred to Northern Railway.



## 27. Southern Railway—Avoidable procurement of imported bearings

During periodical overhaul of diesel locomotives, bearings in the axles (important components required for assembly of wheelsets) are required to be examined and replaced while redisking of loco wheels if the existing ones are worn out or pitted or otherwise damaged.

A review in Audit of the procurement and utilisation of bearings showed that there was unrealistic assessment of requirements leading to excessive stocks and resultant loss of Rs. 23.05 lakhs. The details are mentioned below :

### I. Timken roller bearings

The number of locomotives scheduled for periodical overhaul in Golden Rock Workshop is 72 per annum. The drawal of Timken roller bearings from stock during each of the years 1976-77, 1977-78 and 1978-79 was only 4, 56 and 2 respectively. However, taking the life of the bearings as 10 years, in the absence of any other authoritative information from the Research, Designs and Standards Organisation (RDSO), the Railway Administration placed indents on Diesel locomotive Works (DLW), Varanasi for import of 72, 246, 24 and 24 bearings in 1977, 1979, 1980 and 1981 respectively for use during the period from 1980-81 to 1984-85. While doing so, the actual consumption vis-a-vis stock position and actual life of the bearing was not taken into account. The bearings were found to have given longer service than 10/12 years. Out of 366 bearings that were indented on the DLW during the period from 1977 to 1981, 353 bearings were received in the workshop on various dates between January 1982 and September 1984.

Meanwhile, in December 1981 the Railway Administration estimated that the annual requirement was 6 bearings only, but no action was taken to cancel the indents for 342 bearings placed between November 1977 and October 1980. The stock of bearings at the end of September 1985 after transfer of some of them to other workshops was 223 bearings and would cover the requirements of more than eighteen years, with reference to estimated annual requirement of 12 as revised in 1983.

The value of these bearings was Rs. 22.8 lakhs (including foreign exchange element of Rs. 10.857 lakhs).

With a view to reducing the stores balances, the Railway Administration decided in March 1984 to treat 213 bearings costing Rs. 21.43 lakhs as surplus to its requirements and to hold them at 10 per cent

of their original value i.e., at Rs. 2.14 lakhs resulting in a loss of Rs. 19.29 lakhs.

### II. SKF spherical bearings

Similarly, in case of SKF spherical bearings used on metre gauge diesel locomotives, indents were placed by Golden Rock Workshop for 406 SKF bearings during the period January 1979 to September 1981. These were covered by import indents placed on the DLW in January 1979 for 24 numbers, in December 1979 for 40 numbers, in October 1980 for 178 numbers and in September 1981 for 164 numbers. A quantity of 286 bearings was received in the workshop on various dates between October 1982 and February 1985.

The annual requirement of this item was estimated by the Administration at 96 numbers in November 1983 which was revised to 45 numbers in December 1984. The stock held in January 1984 was 109 bearings costing Rs. 4.18 lakhs. Since no bearings had been drawn from stock for use by the workshop for more than two years, the Administration decided to treat them as surplus to its requirements at the rate of 10 per cent of the original cost i.e., Rs. 0.42 lakh resulting in a loss of Rs. 3.76 lakhs.

Import indents for 342 SKF bearings (including 72 for Golden Rock Shed) placed in October 1980 and September 1981 were pending in March 1984 when the Administration decided to treat even the existing stock as surplus. Nevertheless, these indents were not cancelled and 222 bearings—value Rs. 9.53 lakhs (including foreign exchange element of Rs. 4.54 lakhs) were received—86 in September 1984 and 136 in February 1985. Had the Administration taken timely action to cancel the indents, an expenditure of Rs. 9.53 lakhs involving foreign exchange element of Rs. 4.54 lakhs could have been avoided.

### 28. Loss due to crack of imported tyres in lip rolling operation

The Ministry of Railways (Railway Board) placed two contracts, one on a Japanese firm and the other on a Polish firm, in August 1979 and January 1980 for the manufacture and supply of 5865 wheel tyres for motor and trailer bogies of Electric Multiple Unit stock (EMUs). Out of these, 2744 tyres were allotted to Kanchrapara workshop of Eastern Railway, 276 to Kharagpur workshop of South Eastern Railway and the remaining 2845 tyres to Matunga workshop of Central Railway.

A review of the utilisation of these tyres in Kanchrapara workshop revealed that out of 2744 tyres received in workshop between July 1980 and October 1982 (of which 1667 were of Japanese and 1077 were of



Polish make), 89 tyres (70 of Japanese make and 19 of Polish make) got cracked during lip rolling operation. The Research Designs and Standards Organisation (RDSO) which investigated the reasons concluded that "the cause of failure of tyres during lip rolling operation appears to be not due to material deficiency but due to some other reasons". When the defects were pointed out to the firms in April 1982, they sent their representatives to the workshops to examine the reasons for the crack. Their investigation reports concluded that the cracks in the tyres occurred due to "mistakes/non-uniformity of lip rolling operation". They suggested some changes in the process of lip rolling operation. The firms had however, disowned their responsibility for failure of the tyres and turned down the Railway's claim of Rs. 2.05 lakhs preferred on them in November 1984/January 1985.

In reply to an audit query, the Eastern Railway Administration stated that the manufacturing processes of tyres by both the firms were defective which often caused the manufacture of sub-standard tyres by them. However, the Railway Board and the Eastern Railway Administration have not so far succeeded in establishing their finding that the manufacturing process adopted by the firms was defective.

The Eastern Railway Administration had been put to a loss of Rs. 2.20 lakhs which had not been recovered from the firms.

The Ministry of Railways (Railway Board) stated in December 1986 that the cracking of tyres at the time of lip rolling occurred due to improper lip rolling process adopted by Kanchrapara Workshop and that the incidence thereof had almost been eliminated after carrying out improvements in lip rolling process on the advice of Japanese firm.

#### 29. Northern Railway—Purchase of Carbon steel class III of forging quality

Blooms carbon steel class III of forging quality are used in Railway workshops for the manufacture of various safety items and are mainly manufactured and marketed by M/s. Tata Iron and Steel Company Ltd., (TISCO).

In order to cover their urgent requirements, the Railway Administration placed an order on a firm of Calcutta in February 1982 for the supply of 42 tonnes of 300 mm blooms carbon steel class III conforming to Indian Standards Specification No. 1875/71 at the rate of Rs. 4,848 per tonne plus sales tax, duly inspected by the Director of Inspection (of Directorate General Supplies & Disposals) with the stipulation of 95 per cent advance payment on proof of despatch.

At the request of the firm, the Inspecting Agency was changed to Rail India Technical and Economic Services (RITES), Calcutta, in March 1982. The firm supplied the material in July 1982 duly inspected by M/s. RITES and a quantity of 43.5 tonnes consisting of 15 blooms was accepted by the District Controller of Stores (DCOS) Charbagh in August 1982. On testing by the Chief Chemist and Metallurgist (CMT), it was found that only one bloom out of 15 conformed to specification, i.e., class III steel. The remaining 14 blooms were either of steel class I or class II. Consequently, 14 blooms weighing 38.38 tonnes were rejected by the Administration. A joint inspection of the rejected material was carried out by the representatives of M/s. RITES, the firm and the DCOS, Charbagh, in June 1983 and it was confirmed that the rejected material was of class I steel. The representative of the firm agreed to replace the rejected material but the same is still (October 1986) to be replaced.

Tenders were again invited in July 1984 for purchase of 42 tonnes of blooms carbon steel class III of forging quality at the risk and cost of the defaulting firm. The Tender Committee which met in November 1984 to consider the offers received in response to the invitation of tenders, observed that the forging quality blooms, which were used for manufacture of various safety items, were manufactured in the country only by M/s. TISCO and that it was not desirable to purchase them from traders who might not be able to supply standard quality blooms. It was, therefore, decided in November 1984 by the Administration to close the risk purchase tenders and to recover general damages from the firm at 5 per cent of the cost of the material. Accordingly, the Administration cancelled the order on the firm in December 1984 imposing 5 per cent general damages for non-fulfilment of the contract.

Out of Rs. 2.25 lakhs paid to the firm towards 95 per cent advance payment, an amount of Rs. 0.82 lakh only has been recovered leaving a balance of Rs. 1.43 lakhs inclusive of general damages amounting to Rs. 10,181.

Although the purchase was made on emergency basis, the Railway Administration took five months to place the order and another eight months to get the material tested. The purchase of the blooms from a firm other than the recognised manufacturers resulted in the procurement of substandard material costing Rs. 1.43 lakhs

The Railway Administration stated in October 1986 that :—

- (i) since the material was heavy it took time to transport it to the shops and thereafter to the Chemist and Metallurgist for testing ;



- (ii) the Railway had already de-registered the firm and the case for banning of business with it on all Indian Railways was being processed ; and
- (iii) the disposal value of 38.38 tonnes of rejected material would be more than Rs. 1.43 lakhs based on June 1986 auction rates of scrap class III axles.

### 30. Eastern Railway—Non-recovery of excise duty from purchasers of railway materials

During the manufacture of steel castings in Railway workshops, scrap arisings occur in the form of solidified metal on a ladle (known as skull scrap), runners and risers. These are liable to excise duty under Central Excise Duty Tariff, item No. 26. According to the instructions issued by the Ministry of Railways (Railway Board) in October 1975, in the case of manufacture and delivery of excisable articles to outside parties, excise duty should be collected by the Railways and paid to the Central Excise authority. The Railway Administration, did not collect the excise duty on such excisable goods sold to the outside parties by the Locomotive and the General Engineering Workshops, Jamalpur.

In February 1983, a notice was received by the Chief Workshop Engineer, Jamalpur, from the Assistant Collector, Central Excise, Patna calling upon the former to show cause why penalty should not be imposed and Central Excise duty charged, under the provisions of the Central Excise Rules 1944, on the excisable goods (i.e., turnings and borings, skull scraps, runners and risers) disposed of in Jamalpur workshop. Even after the receipt of the show-cause notice, 2220 tonnes of skull scraps were sold by public auction by the stores department Jamalpur Workshop to outside parties during the period 29 January 1983 to 25 April 1985 without collecting the Central Excise duty (Rs. 8.06 lakhs) leviable thereon.

In July 1985, the Collector, Central Excise, Patna issued two demand orders to the Chief Workshop Engineer, Jamalpur for payment of excise duty amounting to Rs. 10.16 lakhs (on sale of 2,800 tonnes of skull scraps from 29 January 1978 to 29 January 1983) and Rs. 8.06 lakhs (on sale of 2220 tonnes of skull scraps from 29 January 1983 to 25 April 1985) by 21 August 1985 and 31 July 1985 respectively. A penalty of rupees one thousand was also imposed in addition to the amount of excise duty.

All the skull scraps were sold by auction to private parties and excise duty of Rs. 18.22 lakhs was realisable from them.

The Railway Administration paid excise duty amounting to Rs. 18.22 lakhs to the Central Excise

authorities in October 1985 (Rs. 8.06 lakhs) and March 1986 (Rs. 10.16 lakhs) in consultation with the Legal Adviser, Calcutta who opined in July 1985 that there was no substance for filing appeal against the orders of the Collector, Central Excise, Patna for payment of excise duty.

The failure to collect Central Excise duty from the purchasers of skull scraps resulted in payment of the dues amounting to Rs. 18.22 lakhs from the Railway's own funds.

The staff responsibility for non-collection of the excise duty has not so far (October 1986) been fixed.

### 31. Northern Railway—Unnecessary procurement of silicon varnish

Silicon varnish (SI/40C) is an imported item of stores used in the manufacture of power coils for electric locomotives. The shelf life of imported varnish is 2 years when stored in an air-conditioned room. This varnish had been out of stock in Traction Motor Shop, Kanpur since October 1981. In pursuance of a recoupment sheet placed by the Assistant Controller of Stores (Traction Motor Shop) in January 1982 for recoupment of this item by procuring 400 kgs. of Metroak silicon varnish (F. 140), the Controller of Stores placed an order in August 1982 on a firm of Calcutta for the supply of 396 kgs. of silicon varnish F. 140. In the meantime, 300 kgs. of imported varnish were received in the shop through Chittaranjan Locomotive Works in April 1982 against an indent placed earlier in August 1979. Although the Controller of Stores had not till then placed the order on the Calcutta firm, the recoupment sheet was not withdrawn on receipt of adequate quantity of imported silicon varnish. The material was also supplied by the Calcutta firm in November 1982 and was found suitable. Only 36 kgs. of this varnish had been issued to the Shops in February/June 1983. The balance quantity of 360 kgs. costing Rs. 1.09 lakhs was proposed to be scrapped in September 1985.

Against indents placed in March 1980, further supplies of 900 kgs. of imported varnish (SI/40C) were received in January/October 1983. Out of the total quantity of 1200 kgs. received, only 825 kgs. were consumed upto 4 February 1986, leaving a balance of 375 kgs costing Rs. 1.65 lakhs. Since the average annual consumption of silicon varnish in the Shops was 225 kgs., the procurement of 1200 kgs. of imported varnish during the period April 1982 and October 1983 was excessive. Further, the shelf life of 375 kgs of silicon varnish having already expired, these may not be of use.

The unnecessary placement of order for silicon varnish (F. 140) in August 1982 despite receipt of 300 kgs. of imported varnish in April 1982 resulted



in an avoidable expenditure of Rs. 1.09 lakhs. Besides, there had been an excessive procurement of imported varnish costing Rs. 1.65 lakhs which could not be used within its shelf life.

### 32. Northeast Frontier Railway—Non-recovery of railway dues from a private firm

In paragraph 24 of the Report of the Comptroller and Auditor General of India for the year 1967—Union Government (Railways), it was mentioned that the Railway Administration had made on-account payment of Rs. 7.29 lakhs from November 1962 to June 1965 to a private firm for the supply of eighteen fabricated bridge girders. Subsequently the Railway Administration decided in January 1966 to reduce the number of girders and the consequent adjustment of the excess payment of Rs. 1.57 lakhs. The Public Accounts Committee (1967-68), Fourth Lok Sabha, in para 2.64 of their 23rd Report observed that they would like to be apprised of the final settlement with the firm in this case. The Ministry of Railways (Railway Board) in their Action Taken Note on the Public Accounts Committee's observations stated in December 1968 that the on-account payments made to the firm against raw materials not utilised for fabricated steel supplied to the Railway would be refunded to the Railway (cf. pages 27 and 28 of sixty second Report of the Public Accounts Committee). The net amount refundable by the firm was assessed at Rs. 2.64 lakhs by the Railway Administration in December 1970.

Thereafter, the matter remained in correspondence between the Railway Administration and the firm without any legal action having been taken to enforce recovery of Railway dues. In the meantime, the firm was taken over by the Central Government in December 1973 and subsequently nationalised with effect from April 1975. In terms of the Nationalisation Act, a Commissioner of Payments was appointed before whom a claim should have been lodged by the Railway within the specified date. The Railway Administration, however, did not take due notice of the notification appointing the Commissioner and consequently failed to prefer the claim before him before the specified date viz., 30 April 1978. Subsequently, the Railway Board approached the Commissioner of Payments/the Ministry of Industry in April 1981/March 1983 for consideration of the Railway's claim, but the claim was rejected due to non-fulfilment of the aforesaid requirement.

The Railway Board finally decided to abandon the claim and after adjusting Rs. 10,010 against pending bills of the firm accorded write off sanction for Rs. 2.54 lakhs in March 1985. However, staff

responsibility for the loss is still (October 1986) to be fixed.

The Railway Administration stated in October 1986 that the firm had informed the Railway in June 1977 that notification about the appointment of Commissioner of Payments would be published in the newspapers and that the firm had been addressed in December 1977, March 1978, September 1978 and January 1980; but it became aware only in July 1986 that the Commissioner of Payments was not empowered to entertain any claim preferred after 30 April 1978.

In this case, the Railway's claim for Rs. 2.64 lakhs outstanding from 1967 was lost because of its failure, before nationalisation of the company, to take adequate legal action and, after the nationalisation to present its claim in time before the Commissioner of Payments.

### 33. Diesel Locomotive Works—Loss due to fraudulent supply of stores

In December 1979, Diesel Locomotive Works (DLW), Varanasi placed four different purchase orders on a Calcutta based firm for the supply of copper tubes and admiralty brass tubes.

The firm despatched 169 packages in a covered Railway wagon booked ex-Shalimar Goods Shed, Howrah to DLW siding under four different railway receipts dated 29/30 January 1982. The wagon containing these packages was received at DLW on 9 February 1982 with the seal of Shalimar Goods Shed intact. The consignments were packed in wooden cases which bore only the Railway marking without the names of either consignor or consignee. It was mentioned in the railway receipts that the wooden cases contained copper/brass pipes and the packing condition had been complied with. When the wagon was opened on 23 February 1982, two wooden cases were found with planks damaged and as such the two cases were opened in the presence of siding clerk of Northern Railway and Railway Protection Force Staff of DLW. On opening these cases it was found that the same contained sand in place of copper or admiralty brass tubes as per invoice description. Suspecting that the contents of remaining cases might also be similar, the Deputy Controller of Stores issued telegrams to all concerned on 23 February 1982 demanding, inter alia, open delivery of the entire consignment. When open delivery was given on 2 and 3 March 1982 in the presence of the Divisional Commercial Superintendent, Northern Railway and the representative of the supplying firm, it was found that all the packing cases contained sand only. The matter was reported by the DLW



Administration to the Chief Commercial Superintendent, South Eastern Railway and a FIR dated 2 March 1982 was lodged with the Police Station, Manduadih, Varanasi under section 406/420 Indian Penal Code.

Meanwhile the firm had claimed payment of Rs. 9.91 lakhs on the basis of inspection report and proof of despatch and an amount of Rs. 9.47 lakhs had been released in favour of the firm on 11 February 1982. A preliminary investigation report on this case was sent to the Railway Board on 9 March 1982.

During preliminary investigation, it was noticed that :—

- (a) in one of the four purchase orders, the inspection had been carried out by an agency other than that nominated in purchase order ;
- (b) quantity in excess of that stipulated in purchase order had also been inspected and payment was made for that excess quantity ;

- (c) the Inspector concerned did not affix his seal on the material inspected ; and
- (d) the wagon was received at DLW on 9 February 1982 but the same was placed in proper siding for unloading only on 23 February 1982.

The Inspector, who inspected the materials before despatch, the dealing clerk and the Section Officer of the Accounts Department who passed the supplier's bill for advance payment were suspended in March 1982 but before any charge sheet could be issued, the suspension orders were revoked in April—May 1984. Disciplinary proceedings against the defaulting officials are still to be finalised and the investigation of the case has not been completed.

Though a period of more than four years has elapsed no action has been taken against the Supplying firm.

The draft paragraph was issued to the DLW Administration on 16 October 1986; its reply is still (December 1986) awaited.



## CHAPTER VI

### EARNINGS

#### 34. Northern Railway—Haulage of private saloons by normal train services for tourist traffic

In October 1976, the Ministry of Railways (Railway Board) approved the proposal of Northern Railway to run for tourist traffic two first class 12-wheeler saloons (marked carrying capacity 10 passengers per saloon) owned by an ex-Maharaja of a state. The saloons were to be run between Jodhpur and Jaisalmer by normal train services. Keeping in view that some extra profit might be earned by the Railways from the haulage of these privately owned saloons put to commercial use, the Northern Railway proposed a haulage charge of Rs. 2.50 per km. for 8-wheeler (Rs. 3.75 for 12-wheeler) on adhoc basis as against the then public tariff rate of Rs. 2.20 per km. for 8-wheeler and haulage cost of Rs. 1.24 per km. for 4-wheeler or Rs. 2.48 per km. for 8-wheeler (1976-77). This *ad hoc* rate was tentatively approved by the Railway Board in October 1976. However, in November 1976 the Railway Board fixed the haulage charges of these saloons at the public tariff rates, that is, first class fare per adult passenger subject to minimum charges of Rs. 1.10 per km. for 4 wheeler saloon, Rs. 2.20 per km. for 8 wheeler and Rs. 3.30 per km. for 12 wheeler saloon. In addition, repair and maintenance charges were recoverable from the ex-Maharaja as per codal procedure in order to bring the saloons to normal working conditions.

The two saloons were attached to the normal train services between Jodhpur and Jaisalmer with effect from November 1976. These used to remain in seasonal operation during each year from 1976-77 and onwards from July to next April.

There had been a general revision of the public tariff rates for the haulage of tourist cars and saloons with effect from 1 June 1981 due to upward revision of passenger fares. According to the revised public tariff rates, the fares for tourist cars and saloons were to be charged for the actual number of persons travelling or for double the marked carrying capacity, whichever was more, fares being computed on point to point basis. However, the Railway Administration did not revise the rates of haulage charges of these two saloons in step with the revised Public tariff rates effective from 1 June 1981.

The fact of non-revision of the tariff was detected in a test check of special tickets issued for the tourist

cars undertaken by Audit in August 1984. When the matter was brought to the notice of the Railway Administration in September 1984, debits for the undercharges amounting to Rs. 1.83 lakhs for the period from October 1983 to April 1984 were raised against the stations concerned in October 1984. However, these debits were subsequently withdrawn by the Railway Administration in February 1985 on the plea that the haulage charges for the running of private saloons were fixed in November 1976 on adhoc basis and that the revised public tariff rates effective from 1 June 1981 were applicable only to Railway owned saloons|tourist cars.

The Railway Administration approached the Railway Board in September 1985 to fix the basis of charges for these private saloons but their decision is still (November 1986) awaited. In the meantime, the Railways have been incurring loss of revenue as the haulage cost had gone up from Rs. 1.24 per km. per 4-wheeled vehicle in 1976-77 to Rs. 2.10 in 1981-82 and Rs. 3.48 in 1984-85 or Rs. 2.48 per km. per 8 wheeler in 1976-77 to Rs. 4.20 in 1981-82 and Rs. 6.96 in 1984-85. The saloons being 12-wheelers the cost of haulage in 1984-85 would work out to Rs. 10.44 per km.

The non-realisation of haulage charges of these two saloons between Jodhpur and Jaisalmer at revised public tariff rates from June 1981 resulted in undercharges of Rs. 6.83 lakhs approximately for the period of their operation upto May 1985.

The Administration stated in January 1987 that the Railway Board had decided to allow a rebate of 10 per cent over the normal tariff retrospectively from 1 June 1981 as the saloons are owned by the ex-Maharaja of Jodhpur and repairs and maintenance charges were paid by him and that the charges at the revised rate would be worked out and recovered from the party.

#### 35. Western, Northern and North Eastern Railways—Incorrect computation of passenger fares

Rule 203(4) of Indian Railway Conference Association (IRCA) Coaching Tariff No. 22-Part I for calculation of passenger fares provide that second class combined fares for Mail/Express and Ordinary passenger trains should be calculated by first taking fares at the ordinary rate for the entire distance and



then adding the difference between the Ordinary and Mail/Express fares for the distance to be travelled by Mail/Express trains. In August 1981, the Railway Board revised the rounding off rules for passenger fares (effective from 1 October 1981) laying down that the second class ordinary fares upto 200 kms. should be rounded off to the next higher multiple of 10 paise and second class ordinary fares for 201 kms. and above and second class Mail/Express fares should be rounded off to the next higher multiple of 50 paise. Revised passenger fare tables were however, not prepared and supplied by the IRCA to the Railway Administrations/stations immediately thereafter.

However, the Western Railway Administration issued instructions to the stations in September 1981 that the existing fares appearing in the passenger fare table in force from 1st April 1981 should be rounded off as per the revised rules.

A test check of the records of Sawai-Madhupur station held in December 1981 and of Indore station in April 1983 by Audit revealed that the second class combined fares chargeable from 1st October 1981 had not been worked out in the manner laid down in the aforesaid Rule but were arrived at by rounding off the combined fares in force from 1st April 1981 to the next higher multiple of 50 paise. This resulted in short recovery of fares aggregating to Rs. 2,243 at Sawai Madhopur and Rs. 13,444 at Indore station. This irregularity existed at all the stations over Western Railway till the next revised passenger fares tables effective from 1st April 1982 were published by the IRCA and were supplied to the stations.

In December 1983, the Western Railway Administration brought to the notice of the Railway Board that the method of rounding off of fares as adopted by the Railway Administration in September 1981 had been objected to by Audit. The Railway Board clarified in September 1984 that combined fares should be worked out on the basis of the fares arrived at after rounding off the fares with effect from 1st October 1981. The Railway Administration thereupon assessed the loss of earnings at Rs. 10.76 lakhs which is yet to be written off. The incorrect method of rounding off of fares adopted by booking clerks was not detected either by the Accounts staff during internal check or by the Commercial and Accounts Inspectors during local inspection of the stations.

As a result of test check of the records of 17 stations of Northern Railway and 6 stations of North-Eastern Railway undertaken by Audit during 1986, similar irregularity has been noticed resulting in short realisation of fares amounting to Rs. 13,206 on Northern Railway and Rs. 7,443 on the North Eastern

Railway during the period from October 1981 to March 1982. The Northern Railway Administration has since raised debits for Rs. 6,295 only against the stations concerned. The position obtaining at other stations on this Railway is still to be reviewed (November 1986) with a view to determining the total amount of short recovery of fare for regularisation.

### 36. Western, Central, Northern, North Eastern, Southern, South Central and South Eastern Railways—Loss due to incorrect levy of surcharge

In August 1981, the Ministry of Railways (Railway Board) issued instructions for the levy of an extra surcharge of 50 per cent on articles of high value viz., examination answer books, cinema films, etc., and a surcharge of 20 per cent in the case of perishable traffic booked as parcel for carriage by a fast train. The surcharges were to be levied with effect from 1 October 1981.

A test check of the records of Mehsana station of the Western Railway undertaken by Audit in July 1982 disclosed that the above mentioned percentage surcharges on cinema films and perishable traffic carried by mail/express trains had not been levied correctly in cases where freight (before adding surcharge) for the consignment was less than the prescribed minimum charge. The Western Railway Administration, did not accept the Audit view stating (December 1982) that supplementary charges are not to be levied on minimum charges.

When it was reiterated by Audit that the surcharge was leviable on the minimum charge also as otherwise the prescribed surcharge would not be collected in cases where the freight was less than the minimum charge, the Railway Administration referred the matter to the Railway Board in May 1983. The Railway Board thereupon issued circular instructions to all Railways in March 1984 that wherever the normal freight recoverable is the minimum charge, the surcharge would be leviable on such minimum charge. These instructions were notified by the Commercial Department of the Western Railway in March 1984 itself but the surcharge on the minimum charge was not levied by the stations till February 1986. The short recovery of freight charges for different periods between March 1984 and February 1986 at 33 stations of Western Railway amounted to Rs. 1,13,471. In addition, the undercharges in respect of 21 stations for the period from October 1981 to March 1984 have been assessed by Audit at Rs. 1,57,895. These undercharges are still (November 1986) to be realised.



The Western Railway Administration stated in November 1986 that out of the undercharges of Rs. 1,13,471 for the period from March 1984 onwards debits has been raised against the stations for Rs. 62,335 relating to parcel traffic booked from Western Railway and for the balance amount of Rs. 51,136 pertaining to inward paid traffic it is in touch with other Zonal Railways to ascertain the extent of debits already raised by them against the stations.

Test check of the position has disclosed that similar irregularities occurred on Central, Northern, North Eastern, Southern, South Central and South Eastern Railways resulting in short realisation of freight charges amounting to Rs. 4.52 lakhs spread over different periods from March 1984 to June 1986.

### **37. Western and Northern Railways—Short recovery of freight charges**

The rationalisation scheme General Order No. 1 of 1984 was partially amended by the Railway Board in June 1984. According to the amended order all goods traffic coming via Central and Western Railways and moving via Tuglakabad|Okhla for stations on Saharanpur-Ambala-Ludhiana (Excl) sections and stations on its branch lines and vice versa were to be booked and routed via Tuglakabad/GAL (Goods Avoiding line) Ghaziabad-Meerut-Saharanpur-Ambala with effect from 1st July 1984 and the chargeable distance was to be increased by 58 kilometres.

During an Audit inspection of Kankaria station undertaken in November|December 1984, it was noticed that the distance for charge via the rationalised route had not been correctly worked out resulting in short recovery of freight charges amounting to Rs. 3.14 lakhs. When this was brought to the notice of the Railway Administration in February 1985, the Western Railway Administration informed Audit in August 1985 that undercharges of Rs. 2.82 lakhs had also been detected in internal check during the period from July 1984 to October 1984. However, corrective action was not taken by the Railway Administration and Audit pointed out further cases of undercharge of Rs. 8.6 lakhs during subsequent inspection undertaken during February 1985 to March 1986 of 15 stations covering the period upto November 1985.

The Northern and Western Railways issued instructions belatedly in September 1985 and October 1985 respectively to all the stations to add 58 kms. to the existing distance for levy of freight by the above Rationalised route. In spite of the above instructions, Asarva station on Western Railway continued (February 1986) to adopt incorrect distance for charge.

A test check again by Audit carried out during the months from January 1985 to January 1986 disclosed further undercharges of Rs. 1.81 lakhs (inclusive of under-charges amounting to Rs. 1,33,977 detected in Internal check).

The Western Railway Administration stated in October 1986 that out of the total undercharges of Rs. 13.55 lakhs pointed out by Audit, undercharges amounting to Rs. 11.74 lakhs had been detected in internal check of invoices and included by the Accounts Office in the incorrect statements of the respective months and that out of the remaining undercharges of Rs. 1.81 lakhs Northern Railway had been advised to recover Rs. 1.65 lakhs and a sum of Rs. 16,131 had been debited to stations on Western Railway; of which Rs. 7,110 have since been recovered.

They further stated that Vadodara Division had been directed to take up with the staff at fault at Asarva for their failure to levy correct charge and that instructions had been repeated to all concerned in May 1986 to observe rules and ensure correct levy/recovery of freight and other charges according to instructions issued from time to time and to avoid recurrence of similar lapses in future.

### **38. Western Railway—Undercharges of freight on vegetable oil carried in tank wagons**

The freight on vegetable oil carried in tank wagons is to be charged on the carrying capacity (in weight) marked on the tank wagon as also notified in the rate circulars or the weight arrived at on the basis of conversion ratio which is 1109 litres to 1 tonne, whichever is more.

In paragraph 33 of the Report of the Comptroller and Auditor General of India for the year 1978-79—Union Government (Railways) it was mentioned that freight on vegetable oil booked in tank wagons from Indira Dock and Grain Depot stations of Bombay Port Trust (BPT) Railways was charged on the basis of weight declared by the senders in the forwarding notes instead of on the converted weight|carrying capacity of the wagons as notified in the rate circulars, resulting in short realisation of freight amounting to Rs. 3.35 lakhs during the period from January 1974 to September 1979.

The Railway Administration thereupon reviewed the position and advised Audit in November 1979 that there were no other cases of undercharge of freight on such consignments. However, during Audit inspection of Bombay Port Trust Railway stations, Kandla Port and old Kandla stations undertaken between June 1980 and April 1982, it was noticed that



the irregularity persisted, resulting in undercharges of freight amounting to Rs. 5.46 lakhs.

Thus, the Railway Administration not only furnished incorrect information to Audit, but also failed to take adequate remedial action to prevent recurrence of the irregularity.

The Railway Administration stated in October 1986 that (i) undercharges amounting to Rs. 72912 were detected in internal check during the regular check of invoices (ii) further undercharges of Rs. 71247 were detected by the Railway Administration as a result of review conducted at Bombay Port Trust Railway stations, Kandla Port and Old Kandla for the period January 1981 (BPT stations), November 1981 (Kandla Port) and September 1982 (old Kandla) onwards and that out of the total undercharges of Rs. 5.46 lakhs (including Rs. 4.74 lakhs detected by Audit) Rs. 1.19 lakhs had been recovered leaving a balance of Rs. 4.27 lakhs (October 1986). It also stated that staff responsibility for furnishing incorrect information to Audit had been fixed and two sets of Railway passes of the concerned employee had been withheld and that the disciplinary cases against 4 officials of Kandla Port stations had also been finalised withholding their one year increment without future effect. All Divisional Railway Managers had also been instructed in August 1985 to undertake review of similar transactions and send statement of undercharges to the Accounts Office for raising debits, if due.

### **39. North Eastern Railway—Incorrect levy of freight on consignments of firewood booked to sugar factories**

In the Indian Railway Conference Association's Goods Tariff No. 37—Part-I Vol-II (in force from 1st July 1982) "Firewood for domestic use" was given a lower classification than "Timber NOC" (i.e., other timber) for the purpose of charging freight for wagon load consignments. With effect from 1 July 1983 the description of the former was changed to "Firewood".

The booking of "Firewood" was subject to Special Condition No. 10 since January 1974 which stipulated that the consignment would be charged at the rates applicable to firewood only when the consignor gave a declaration on the forwarding note that it was meant for use as fuel and this fact was also reproduced on the invoice/railway receipt. The Railway Board partially modified the above Special Condition No. 10 in May 1982 (effective from 1 July 1982) and the word "Firewood" was substituted by the words "Firewood for domestic use only." However, when the description of such consignments was changed from "Firewood for domestic use" to "Fire wood" (effective

from July 1983) corresponding change was not made in the special condition No. 10.

A test check by Audit at six stations during September to December 1983, revealed that firewood consignments had been booked to sugar factories during the period from July 1982 to June 1983 giving the declaration on the forwarding note to the effect that these were meant for use as domestic fuel. Further review undertaken in August 1986 at the above six stations disclosed that similar declaration had been made for consignment booked during the period from July 1983 to April 1986. Sugar factories use firewood generally to heat the boilers for commercial production of sugar. However, the consignors took advantage of the benefit of lower rates by giving the declaration as per Special Condition No. 10 referred to above.

The improper description of the purpose for which the consignments had been booked resulted in undercharge of freight amounting to Rs. 2.04 lakhs during the period from July 1982 to June 1983 in respect of consignments booked to the sugar factories served by these six stations only. A further undercharge of freight amounting to Rs. 2.75 lakhs occurred on such consignments booked to the same sugar factories during July 1983 to April 1986.

The magnitude of the undercharge would be more than twice as much if the freight charges were recovered at double the highest classification as required under Tariff rules in case of commodities which were found on arrival at destination to have been improperly described in order to obtain the benefit of lower classification.

### **40. Western Railway—Construction of a railway siding and peripheral yard by a private party**

Prior to conversion of Viramgam-Okha metre gauge section into broad gauge with effect from April 1984, a chemical factory located at Mithapur (Gujarat) was served by a metre gauge siding. In the original project estimate for Viramgam-Okha-Porbandar conversion, a sum of Rs. 18.67 lakhs was provided for creating facilities at Mithapur for handling BG traffic of the above factory. This provision was raised to Rs. 42 lakhs in the revised estimate sanctioned in June 1981. The cost of additional facilities arising out of future expansion of the factory was to be borne by the party.

After considering various alternative plans in consultation with the factory owners, it was decided by the Railway Administration in October 1983 to construct a peripheral yard taking off from a new station Bhimarana, that emerged between Varavla and Mithapur stations, in order (a) to improve the



mobility of rolling stock and (b) to dispense with the need of a Railway's shunting engine.

The Railway Administration prepared a detailed estimate in November 1983 for Rs. 293.54 lakhs based on the agreed plan against which the factory owners were requested to deposit Rs. 50 lakhs. However, the party neither deposited this amount nor did it accept and sign the estimate till September 1984. On the other hand, it informed the Railway Administration in January 1985 that it had carried out the work of peripheral yard including laying of certain lines and fuel siding and claimed Rs. 79.89 lakhs from the latter.

Paragraph 1828 of the Indian Railway Code for the Engineering Department lays down inter alia that if the party concerned so desires, it may be permitted to carry out a portion of work relating to private and assisted siding provided the Railway Administration is satisfied that the party is capable of doing the work satisfactorily according to Railway's specification and the work is carried out under Railway's supervision. Items like laying of track, construction of bridges and provision of signals should however, invariably be done by the Railways.

In August 1984, the Railway Board accorded ex post facto sanction permitting the siding owners of Viramgam-Okha-section to construct bridges and lay track in their sidings in relaxation of the above codal provisions. Even before that, the party had constructed the siding and the peripheral yard which started functioning with effect from April 1984. There is no evidence to show that the use of materials like stone ballast, permanent way and other building materials and the work done by the party were supervised by the Railway officials to ensure that these were strictly in accordance with Railway's specifications.

A review of the functioning of the BG siding and the peripheral yard during 1984-85 and 1985-86 (upto December 1985) revealed the following :—

- (i) No agreement for the construction, maintenance and operation of the BG siding and peripheral yard has been executed so far nor have the terms been settled and got accepted (December 1986) in advance. The claim for the reimbursement of Rs. 79.89 lakhs preferred by the party in January 1985 still remains to be settled (December 1986).
- (ii) Detention to BG wagons in the peripheral yard increased in comparison with the de-

tion prior to April 1984. The demurrage charges raised but waived as a matter of course without any application from the party were as indicated below :

Period	(Rs. in lakhs)			
	Amount accrued	Amount waived	Amount recovered	Percentage of waiver
1984-85	45.64	40.02	5.62	87.68
1985-86 (Upto September 1985)	18.13	10.52	7.61	58.03

- (iii) Diesel locomotives bringing loads had been detained in the yard for more than half an hour.
- (iv) Average detentions to sick wagons varied between 7 hours and 108 hours mainly because of non-availability of party's shunting engines for detachment of sick wagons from the rake and their placement on sick lines.
- (v) There were heavy left overs of the wagons on account of inadequate tippler facilities and also because the company's shunting engine did not have sufficient hauling capacity.
- (vi) As against 7 lines required to be laid in the yard only 5 lines had been laid by the party. Absence of adequate holding capacity caused overflow of sick wagons on the sick line.
- (vii) As per orders of the Railway Board issued in April 1977, siding charges recoverable from the party had to be fixed and notified within 3 months from the date of its opening (April 1984) but this has not been done so far (December 1986). According to a survey done by the Railway Administration in February 1985, 2 hours and 12½ minutes were being taken for a round trip but siding charges were being recovered on the basis of the following timings :—
  - (a) When light engine goes from Bhimarana station to the siding and brings loaded or empty wagons therefrom —15 minutes
  - (b) When engine goes from Bhimarana station to the siding with empty or loaded wagons and returns light. —20 minutes



- (c) When engine goes from Bhimarana station to the siding with empty or loaded wagons and brings empty or loaded wagons from there. —35 minutes

The above resulted in short recovery of siding charges amounting to Rs. 17.87 lakhs during the period from April 1984 to December 1985.

The draft paragraph was issued to the Railway Administration in September 1986; its reply is still awaited (December 1986).

#### **41. Southern Railway—Detention to wagons in a private siding**

At the request of the Bharat Heavy Electricals Ltd. (BHEL), a private siding (7 kms) at Mukundarayapuram station (between Arakkonam and Katpadi junction stations) was constructed by the Railway Administration at an estimated cost of Rs. 1.12 crores. The entire cost of the work executed by the Railway was borne by the BHEL. The agreement for operation and maintenance of the private siding executed on 20 July 1985, provided inter-alia that the trip time of locomotive used for placement and removal of wagons would be calculated from Mukundarayapuram station to the siding and back (14 kms.). The instructions issued by the Railway Board in September 1975 envisaged that when a light engine was brought from another station exclusively for the above operation at the siding, the trip time should be calculated from that station to the siding and back.

The siding was opened for traffic in wagon loads with effect from 23 April 1983. As shunting engines were not available at Mukundarayapuram for placement and removal of wagons from the siding, this operation was being done by diesel locomotives sent from Arakkonam junction station. A test check by Audit revealed that during 1985-86 only on 4 occasions consignments in wagon loads booked for the party were brought in through trains; on 184 occasions locomotives were deployed from Arakkonam or more distant stations. Nevertheless, the siding charges were fixed with reference to trip time from Mukundarayapuram station to the siding and back instead of from the junction station to the siding (44 kms) and back, which resulted in loss of revenue. Though this practice had been continuing since April 1983, the siding charges have not been revised taking into account the extra operation cost incurred by the Railway exclusively for the party. On the basis of 420 trips made by locomotives to and from the siding, the amount of siding charges short collected has been assessed by audit at Rs. 5.26 lakhs upto March 1986.

Further, there were delays in supply of locomotives by Arakkonam station which caused detentions to loaded wagons at the siding. During a test check undertaken by Audit in May 1986, it was noticed that between July 1983 and March 1986, 1856 wagons suffered detentions to the extent of 9.45 days on an average (excluding the days of arrival and completion of loading). In monetary terms, the loss of earning capacity has been assessed by Audit at Rs. 24.73 lakhs.



## CHAPTER VII

### OTHER TOPICS OF INTEREST

#### **42. North Eastern Railway—Non-adjustment of advances of travelling allowance paid to Railway Territorial Army Personnel**

Rules provide that no bill for travelling allowance other than permanent travelling allowance shall be paid unless it is signed or countersigned by the Controlling Officer of the railway servant concerned. A railway servant proceeding on long tour may, however, be granted by the Controlling Officer an advance sufficient to cover, for the duration of the tour, his personal travelling expenses and contingent charges such as hiring of conveyances, etc. Such advances should be adjusted immediately upon the railway servants return to headquarters. A note of advances is required to be kept by the bill drawing officer for watching their adjustment. Besides, the amount passed in internal check is required to be noted in the relevant registers in the Accounts Office to watch their subsequent recoveries.

A test check undertaken by Audit in July 1981 of the initial documents of the Office of Assistant Mechanical Engineer (Diesel), Kanpur Anwarganj revealed that advances of travelling allowance amounting to Rs. 10,500 paid by Northeast Frontier Railway Administration at the request of the Officer Commanding, Territorial Army Unit to 10 non-gazetted employees deputed on Territorial Army duty to the Northeast region during October 1979 to January 1981 had not been adjusted as the employees concerned had not submitted their T.A. Journals to the bill drawing officer after their disembodiment.

Further review of the position undertaken by Audit during April-May 1984 revealed that 2078 railway personnel of different offices of the Railway had been deputed for Territorial Army duty to the Northeast region under the Officer Commanding (TA), Muzaffarpur in each of the three spells from October 1979 to February 1980, October 1980 to January 1981 and February 1983 to May 1983. Advances of travelling allowance had been paid to these personnel every month during their deputation, as a matter of course, through salary bills prepared by the concerned bill drawing officers of Lucknow, Varanasi, Sonpur and Samastipur Divisions of the Railway. The amount was neither noted by the bill drawing officer nor by the Accounts Office after passing the claim in internal check for watching its subsequent adjustment.

In the absence of a systematic record of such payments, the actual amount of advances paid, that adjusted and the balance was not ascertainable in Audit. However, a test check of the office copies of salary bills of the concerned employees of Lucknow and Varanasi Divisions disclosed that a sum of Rs. 1.49 lakhs drawn in favour of 74 Territorial Army personnel as advances of travelling allowance for the period February 1983 to May 1983 had not been adjusted/recovered (July 1986). The actual amount involved in the case of 2078 employees is yet to be assessed and adjusted by the Railway Administration.

It was noticed in Audit that, in addition to the advances of travelling allowance drawn and disbursed through salary bills, such advances were also paid to Territorial Army personnel by the Northeast Frontier Railway Administration during their deployment in Northeast region on the authority of sanctions issued by the Commanding Officer of the Territorial Army units. This was done without prior consent of North Eastern Railway and without ensuring that payment is not being made by that Railway also. The amount of such advances awaiting adjustment has been assessed at Rs. 24.55 lakhs on the basis of certificates issued by the Commanding Officer (TA) in 2368 cases at the time of their disembodiment. Out of the sum of Rs. 24.55 lakhs paid by the Northeast Frontier Railway Administration acceptance of debits by the North Eastern Railway could be verified in Audit for Rs. 15.02 lakhs till November 1986. The concerned employees have not so far (December 1986) submitted the requisite T.A. Journals after their disembodiment. Consequently, the advances amounting to Rs. 24.55 lakhs also remained to be adjusted.

The irregularity was pointed out to the North Eastern Railway Administration in July 1984; its reply is still awaited (December 1986). A reply to the draft paragraph issued to the Railway Administration on 3 September 1986 has also not been received so far (December 1986).

#### **43. Central Railway—Avoidable expenditure due to promotion of a junior person ignoring the seniority of others**

Promotion of railway employees to non-selection posts is made on the basis of seniority-cum-suitability, suitability being judged by the competent authority.



The only exception to this rule is that for administrative convenience, which should be recorded in writing, a railway employee other than the senior most could be appointed to officiate in a short term vacancy not exceeding two months as a rule and four months in any case. This rule was not, however, observed in the case of a Junior Draftsman 'P' (scale of pay Rs. 150-240) working in the office of the Executive Engineer (D), Jabalpur, who was promoted to officiate as temporary Senior Draftsman in the scale of pay Rs. 205-380 in the same office with effect from 24 December 1962 against a workcharged post, purely as a local arrangement temporarily ordered in the exigencies of service, ignoring 17 persons senior to him. He was subsequently transferred and posted at Katni with effect from 28 March 1963. He continued to officiate as Senior Draftsman till 18 March 1965 when his own turn for promotion came as per common seniority.

The 17 affected Draftsmen, after their promotion as Senior Draftsmen in the order of common seniority during the period from 9 December 1963 to 3 March 1965, demanded rate of pay equal to the pay drawn by 'P' as Senior Draftsman under the extant orders of the Railway Board. The Railway Administration rejected their claims in August 1978 mainly on the ground that the promotion of 'P' in December 1962 as Senior Draftsman against a temporary post was fortuitous. Thereupon, all the 17 persons senior to 'P' filed an application in September 1978 in the Central Government Labour Court, Bombay claiming stepping up of their pay. In its judgement dated 5 April 1983 the Labour Court, inter-alia, observed that while a temporary officiating arrangement at Jabalpur could be understood, at least at the time of transfer of 'P' to Katni (March 1963) it was necessary on the part of the Railway to make "the posting according to the seniority". The court ordered that the Railways should fix the pay of each applicant stepping up to a figure equal to the pay as fixed for 'P' and pay the arrears as due within three months. A writ petition filed against this judgement by the Railway Administration in the High Court of Bombay in June 1984 was rejected by the court on 21 August 1984.

The affected draftsmen themselves filed "due and drawn" statements in the court in December 1983 and on that basis arrears of Rs. 1,37,898 (including interest) were paid to them in November/December 1984.

The Railway Administration has not so far (December 1986) formally refixed their pay in the light of court judgement and determined the amount of

arrears actually payable to them and the recurring expenditure being incurred by the Railway due to stepping up of the pay on the dates of their regular promotion equivalent to the pay being drawn by 'P'.

#### **44. South Eastern Railway—Irregular appointment and retrenchment of casual labourers**

In July 1973, the Railway Board issued orders that casual labourers other than those employed on 'projects' should be treated as 'temporary' after continuous employment for four months.

During an inspection undertaken by the Assistant Engineer, Kharagpur in August 1975, it was noticed that 54 casual labourers had been engaged by some engineering subordinates during the years 1973 and 1974 without obtaining the sanction of the competent authority. The wages of some of these labourers had been drawn through labour pay sheets of permanent staff against vacant posts. As their engagement was not regular, on 8 September 1975, retrenchment notices were served to 38 casual labourers who were then in service, offering one month's wages in lieu of notice period and retrenchment compensation. They were retrenched with effect from 24 September 1975 (forenoon).

Out of the retrenched casual labourers, 11 filed writ petitions in Calcutta High Court on 3 October 1975 inter alia, on the grounds that (i) the relevant provisions of Industrial Disputes Act 1947 had not been followed, (ii) they had not been treated as temporary railway servants though they had rendered continuous service for more than 4 months, (iii) the principle of "last come first go" as contained in Section 25G of the Industrial Disputes Act 1947, had not been followed, (iv) they were retrenched without considering their seniority position, (v) retrenchment notice was violative of Article 311 of Constitution of India, and (vi) no opportunity of re-employment was given though new hands were recruited in the Engineering Department.

While the writ petitions were pending in the High Court, the Railway Administration discovered in January 1977 that the reasons for retrenchment had not been indicated in the retrenchment notices in terms of section 25F of the Industrial Disputes Act 1947. The Railway Administration offered re-engagement to all the 54 retrenched casual labourers in batches between April 1976 and July 1978; but 8 out of 11 casual labourers who had filed writ petitions did not join. A fresh retrenchment notice was issued to 5 of them in July 1977 on grounds of "shrinkage of cadre". No reasons were recorded for not serving similar notices on the remaining 6 casual labourers.



The Railway Administration failed to file a counter reply before the Honourable Court as the Railway advocate did not draft the same. The Hon'ble Judge delivered judgement on 17 July 1980 *ex parte* directing that the petitioners be reinstated with effect from the respective dates of their retrenchment and paid wages from the dates of their illegal retrenchment.

The Railway Administration filed an appeal against the judgement on 31 March 1981 seeking stay of the operation of the judgement. The Court rejected the application on 7 April 1981 and ordered compliance with the orders already passed. As 3 petitioners had already joined, the remaining 8 petitioners were reinstated in November 1981 and the 11 petitioners were paid arrears of wages amounting to Rs. 2.31 lakhs from the dates of their retrenchment to the dates of their reinstatement. Thus irregular engagement of casual labourers, their retrenchment without assigning any reasons in the notices served on them, non-observance of the provisions of Industrial Disputes Act and failure of the Railway Administration to file a counter reply before the Court resulted in an avoidable expenditure of Rs. 2.31 lakhs on arrears of wages of 11 casual labourers without getting any service from them.

In reply to an audit query in February 1984 the Railway Administration stated in July 1984 that action had been taken under Discipline and Appeal Rules against the staff responsible and after prolonged enquiry some of them were transferred to other stations and that at this distant date it was very difficult to reopen the issue and that no tangible action could be taken particularly because the Disciplinary Authority could not fix responsibility on any particular individual.

#### **45. Chittaranjan Locomotive Works—Non-realisation of licence free from an oil company**

A strip of railway land measuring 10.05 acres was leased to Indian Refineries Limited, Pipe Line Project in 1964 for laying a pipe line between Barauni Refinery and Haldia port. The licence fee was fixed at Rs. 36,180 per annum at the rate of 6 per cent of the land cost of Rs. 60 thousand per acre prevailing at that time, but bills for licence fee had not been preferred on the party.

The Railway Board's instructions of June 1962 and June 1971 provided, *inter-alia*, for revision of rent quinquennially in the case of land situated in large towns, commercial centres, and at an interval of 10 years in the case of other locations, and in order to

avoid complaints against recovery of higher rent with retrospective effect, six months notice in advance of the proposed revision was required to be given to the parties. The revision of licence fee was due in 1974; but the Administration did not initiate action for revision of licence fee for 18 years till July 1983. It was only in August 1983 that based on the land cost of Rs. 3.60 lakhs per acre as furnished (June 1985) by the local revenue authorities, the licence fee was revised to Rs. 2.17 lakhs per annum, to be effective from July 1983. Bills for the railway dues at the revised rates were also not preferred on the party. This resulted in accumulation of arrears and non-recovery of licence fee amounting to Rs. 12.84 lakhs for the period January 1964 to March 1985. Prospects of recovery are bleak as the party had not been served with the notice of six months in advance as required under the extant rules. If the revision due in 1974 is also taken into account, the outstanding dues against the party would be still more.

A draft paragraph was issued to the Chittaranjan Locomotive Works Administration in September 1986; its reply is still awaited (November 1986).

#### **46. Eastern Railway—Loss due to theft of permanent way materials from a Railway Line not in use**

The Bangaon-Petrapol section (5-10 kms) of Sealdah Division is contiguous with Bangladesh border. Passenger services used to ply on this section upto the year 1965. It remained out of traffic use from the year 1955 to 1969 and was used for sometime in 1970-71. The section again fell into disuse since 1971 but was not dismantled as it had assumed strategic importance. The sanctioned posts of Engineering, Operating and Commercial Departments for the maintenance and operation of this section were, however, continued. According to the Railway Administration, staff of Engineering Department were utilised against vacancies elsewhere in Sealdah Division and the posts of Commercial and Operating Departments were not operated, no Railway Protection Force staff were posted since 1973 as there was no sanction. The area is stated to be highly theft prone. The line having fallen into disuse, thefts and pilferages of track materials including girders of bridges and building materials occurred during the period from 1980 to 1983. From March 1982, thefts were on a large scale and Railway track materials, etc., over a total distance of about 6 kms. between Bangaon and Petrapol were stolen. The total loss of track and other materials has been assessed by the Railway Administration at Rs. 26.01 lakhs. In June 1985, the cost of restoration of the line was estimated to be Rs. 1.80 crores.



#### 47. Eastern Railway—Non-utilisation of Rafamet Outer Journal and Burnishing Lathe Machine

On a demand from the Railway Administration, the DGS&D placed an order on a firm of Bombay for the supply of one double axle journal turning and burnishing lathe machine costing Rs. 2.67 lakhs to the Carriage and Wagon Depot, Mughalsarai. In March 1972, the Administration advised the DGS&D to arrange the supply of the machine at Kanchrapara workshop. On its receipt in January 1973, the machine was installed at a cost of Rs. 8 thousand in Kanchrapara workshop in March 1973 and commissioned in October 1973. Efforts made by the Workshop to use the machine were of no avail as it proved to be unfit for working on loco wheels. In July 1979, the machine was transferred to Andal where it was kept idle for three years. Thereafter it was sent to carriage and wagon wing, Dhanbad in April 1982. The machine with its accessories was not accepted by that wing and was sent back to Andal in May 1983. In the process of shifting from one place to the other, four accessories were reported stolen. Finally, in September 1985 the machine was sent back to Kanchrapara Workshop. On arrival the machine was jointly inspected by the officials of the Workshop and it was found that it was heavily rusted and pitted, several components were deficient, it required complete rebuilding and that even after rebuilding, the accuracy

of the machine could not be achieved. Incidentally, the machine had been kept in an open traffic wagon from April 1982 to August 1985.

No action has been taken so far (August 1986) either for rebuilding of the machine or for its disposal.

Though, Kanchrapara Workshop required a lathe for electric loco wheels, a lathe designed for conventional carriage and wagon wheels was procured at a cost of Rs. 2.75 lakhs. Eventually it had proved unfit for use.

Besides, the immobilisation of two wagons loaded with the machine from April 1982 to August 1985 resulted in a loss of earnings amounting to Rs. 3.65 lakhs.

The draft paragraph was issued to the Railway Administration on 7 October 1986; its reply is still (December 1986) awaited.

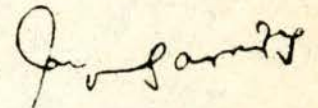
#### 48. Recoveries at the instance of Audit

During the year 1985-86, Rs. 4.61 crores were recovered or agreed to be recovered at the instance of Audit. Further, an amount of Rs. 1.02 crores was also recovered as a result of review made by the Railway Administrations of these and similar cases.

New Delhi,

Dated the

29th April 1987  
9 Vaisakha 1989



(M. PARTHASARATHY)  
Additional Deputy Comptroller and  
Auditor General of India  
(Railways)

Countersigned

T.N. Chaturvedi

(T. N. CHATURVEDI)  
Comptroller and Auditor General of India

New Delhi,

Dated the

29th April 1987  
9 Vaisakha 1989



ANNEXURE I

(cf. Para 1.1)

Statement showing details of subsidy under specific heads received from General Revenues on account of various concessions in the payment of dividend during the year 1985-86

(In units of Rupees)		
	Commercial	Strategic
1. Capital cost of strategic lines		8,26,61,441
2. Capital cost of Ore Lines	1,06,70,098	
3. Capital-at-charge of non-strategic portion of N.F. Railway	17,63,35,406	
4. Capital cost of unremunerative branch lines	13,50,60,708	
5. Capital cost of New Lines constructed on or after 1-4-55 on other than financial consideration	7,17,90,912	
6. Capital cost of New Lines other than those mentioned in (5) above	27,02,44,304	
7. Outlay on Works-in-Progress for a period of three years	45,80,37,566	4,41,760
8. Capital cost of Ferries	22,69,481	
9. Capital cost of Welfare buildings	71,73,710	
10. Arrear adjustment	6,66,80,406	
Total :	1,19,82,62,591	8,31,03,201
Grand Total (Commercial & Strategic)	1,28,13,65,792	



## ANNEXURE II

(cf. Para I.1)

Summary of the salient indicators of the financial and operating performance of the Railways for each of the years 1981-82 to 1985-86

	1981-82	1982-83	1983-84	1984-85	1985-86	
1	2	3	4*	5	6	7
1. Capital-at-charge at the end of the year (Rupees in crores)@	6698.05	7251.09	7567.80	8285.65	9078.07	
2. Total Block assets (Rupees in crores) —	8164.30	8832.20	9401.4	10377.15	11931.03	
3. Revenue Receipts (Rupees in crores)	3627.76	4483.32	5089.06	5469.09	6590.67	
4. Revenue Expenditure (of which amount appropriated to Funds is indicated in brackets) (Rupees in crores)	3224.70 (461.06)	3929.03 (715.89)	4710.11 (1044.26)	5198.99 (1084.09)	5904.80	
5. Net Revenue (Gross surplus before dividend) (Rupees in crores)	403.16 (325.31)*	554.29 (457.64)*	378.95 (285.95)	270.10 (169.67)	685.87 (557.73)	
6. Revenue surplus after providing for due dividend (Rupees in crores)	(+)46.59	(+)118.31	(-)44.75	(-)195.59	+178.83	
7. (a) Return on Capital-at-charge (Percentage of item 5 over item 1)	6.01 (4.95)*	7.64 (6.31)*	5.01 (3.78)*	3.26 (2.05)*	7.56 (6.73)	
(b) Return on Block assets (percentage of item 5 over item 2)	4.93 (4.06)*	6.08 (5.02)*	3.91 (2.95)*	2.52 (1.58)*	5.75 (4.67)*	
8. Total indebtedness for want of adequate revenue surplus of the year (Rs. in crores) :						
(a) On account of shortfall in dividend liability	376.77	304.82	349.57	545.16	428.44	
(b) On account of deferred dividend payable in respect of new lines which have completed moratorium	47.73	58.61	60.05	63.49	58.48	
(c) On account of shortfall in Development Fund	224.16	224.16	273.75	336.36	336.36	
Total (a to c)	648.66	587.59	683.37	945.01	823.28	
9. Revenue earning Goods traffic in million tonnes (Total traffic in brackets)	221.20 (245.80)	228.76 (256.0)	230.12 (258.0)	236.44 (264.17)	258.55 (286.38)	
10. Passenger km. in millions	220787	226930	222935	226582	240614	
11. (a) Earnings from Goods Traffic (Rs. in crores)	2357.14	2972.12	3353.50	3602.42	4376.38	
(b) Earnings from Passenger traffic (Rs. in crores)	988.56	1161.65	1353.55	1458.82	1719.68	
12. Fuel consumption by locos (per 1000 GT km.)						
(a) Passenger Services (i) Coal (Kg.)	79.0	79.2	77.3	82.3	81.9	
(ii) Diesel (litre)	5.3	5.3	5.40	5.25	5.27	
(b) Goods Services : (i) Coal (Kg.)	92.4	95.0	98.5	97.0	99.8	
(ii) Diesel (litre)	3.7	3.6	3.6	3.6	3.5	
13. No. of staff (in thousands)	1575	1584	1593	1603	1613	
14. Average annual wage per employee (Rupees)	9263	10846	12390	14797	16883	
15. Operating ratio (percent)	89.40	88.34	93.5	96.3	90.6	

\*Excluding subsidy.

@Excludes expenditure on Metropolitan Transport Projects.



ANNEXURE III

(cf. Para 6.3)

*Details of Grant No. 16—Assets—Acquisition, Construction and Replacement*

(Rs. in thousands)

	Budget Estimate 1985-86	Supplementary Grant (including reappropriations)	Final Grant	Actual Expenditure	Excess(+) Saving(-)
1	2	3	4	5	6
<b>Capital</b>					
Voted	29341239	3101496	32442735	31539108	-903627
Charged	23500	—	23500	21112	-2388
<b>D.R.F.</b>					
Voted	9629200	1134171	10763371	11330173	+566802
Charged	1300	-260	1040	1116	+76
<b>D.F.</b>					
Voted	399900	61140	461040	421584	-39456
Charged	100	260	360	199	-161
<b>A.C.S.P.F.</b>					
Voted	252700	33200	285900	271789	-14111
<b>O.L.W.R.</b>					
Voted	149900	—	149900	135811	-14089
Charged	100	—	100	36	-64
<b>Total</b>					
Voted	39772939	4330007	44102946	43698465	-404481
Charged	25000	—	25000	22463	-2537



## ANNEXURE IV

(cf. Para 6.3)

*Statement showing savings in Grants*

(Rs. in crores)

Number and name of the Grant	Original Grant	Supple- mentary Grant	Final Grant	Actual Expenditure	Savings	Percentage
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Railway Board	5.39	0.39	5.78	5.57	0.21	3.63
2. Miscellaneous Expenditure (General)	34.52	—	34.52	30.80	3.72	10.78
3. General Superintendence and Services	258.47	4.68	263.15	259.15	4.00	1.52
14. Appropriation to Funds	1275.53	3.66	1279.19	1274.55	4.64	0.36
16. Assets—Acquisition, Construction and Replacement	3977.29	433.00	4410.29	4369.85	40.44	0.92
<b>Total :</b>	<b>5551.20</b>	<b>441.73</b>	<b>5992.93</b>	<b>5939.92</b>	<b>53.01</b>	



## ANNEXURE V

(cf. Para 6.3)

## Statement showing excess over Grants

Number and name of the Grant	(Rs. in crores)					
	Original Grant	Supplementary Grant	Final Grant	Actuals	Excess	Percentage
(1)	(2)	(3)	(4)	(5)	(6)	(7)
4. Repairs and Maintenance of Permanent Way and Works.	532.69	30.21	562.89	568.23	5.34	0.95
5. Repairs and Maintenance of Motive Power	412.24	18.83	431.07	452.18	21.11	4.90
6. Repairs and Maintenance of Carriage and Wagons.	593.37	3.23	596.60	600.34	3.74	0.63
7. Repairs and Maintenance of Plant and Equipment.	294.03	26.82	320.85	322.04	1.19	0.37
8. Operating Expenses Rolling Stock and Equipment	470.19	3.68	473.87	474.88	1.01	0.21
9. Operating Expenses—Traffic	526.43	15.98	542.41	545.58	3.17	0.59
10. Operating Expenses—Fuel	1028.28	58.16	1086.44	1087.24	0.80	0.07
11. Staff Welfare and Amenities	179.76	8.33	188.09	189.29	1.20	0.64
12. Miscellaneous Working Expenses	264.48	26.59	291.07	296.82	5.75	1.98
13. Provident Fund, Pension and other Retirement benefits.	280.67	68.58	349.25	360.94	11.69	3.35
15. Dividend to General Revenues, Repayment of loans taken from General Revenues and Amortisation of over-capitalisation	546.85	17.52	564.37	648.14	83.77	14.84
Total :	5128.99	277.93	5406.91	5545.68	138.78	



## ERRATA

Page No.	Col. No.	Line No.	For	Read
(i)		15	Northeast Forntier	Northeast Frontier
(i)		8 from bottom		Delete . after billets
(ii)		3 from bottom	Refamet	Rafamet
1		Table Col. 5	+173.83	178.83
9	1	13	Rs. 39.21 crores	Rs. 30.21 crores
9	1	19 from bottom	Rs. 30.21 crores	Rs. 18.83 crores
13	2	Table in para 6.3.12	3134.91	3153.91
14	2	Table in para.6.4.1	0.3	0.36
14	2	10 from bottom	68.00 crores	60.00 crores
32	1	19	2867	2865
39	1	17 from bottom	(July 1986	(July 1986)
55	1	19 from bottom		insert , after department



