REPORT OF

THE COMPTROLLER AND AUDITOR GENERAL

OF INDIA

FOR THE YEAR ENDED 31 MARCH 1989

NO. 10 OF 1990

UNION GOVERNMENT (RAILWAYS)

सत्यमेव जयते

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3. Assisted Siding

   Siding constructed to serve a factory, mill or other industrial premises, other than a colliery or mining area. The incidence of the cost of the sidings between the Railway Administration and the applicant is decided in accordance with certain general principles.

4. B L T

   Ballastless Track

5. B G/M G/N G

   Broad Gauge/Metre Gauge/Narrow Gauge

6. Capital-at-charge

   Book value of the capital assets of Railways

7. Crossing Stations

   Stations opened by Railways on operating considerations

8. E M U

   Electrical Multiple Unit

9. F O R

   Free on Rail

10. Flag station

    Flag station is opened by the Railway for public conveyance when there is financial justification and the proposed site is at least three miles from the stations on either side in the case of non-suburban areas.

11. Gross earnings

    The true earnings in an accounting period exclusive of unrealized earnings put under 'suspense' and represent the total of passenger earnings, other coaching earnings, goods earnings and other miscellaneous (sundry) earnings.

12. Gross receipts

    Gross earnings inclusive of suspense.

13. Gross tonne-kilometre

    Transportation of one tonne of goods over one kilometre including the weight of the motive unit, vehicle and contents.

14. Halt Station

    Halt station is opened by the Railway for public conveyance when there is financial justification for opening a train halt but not for a flag station.

15. I R F C

    Indian Railway Finance Corporation

16. Incorrect Statement

    Statement of incorrect invoices, i.e., invoices on which there is an overcharge or there is under charge.

17. Net revenue

    Excess (surplus) of gross traffic receipts on total working expenses inclusive of ordinary working expenses, Depreciation Reserve Fund, Pension Fund, Payments to worked lines and net miscellaneous transactions.

18. Net tonne-kilometre (N T K M)

Transportation of one tonne of goods over one kilometre.

19. Non-revenue traffic

Traffic conveyed free by rail for the working of the Railways.

20. N R U C C

National Railway Users' Consultative Committee

21. Operating ratio

The relation of working expenses excluding suspense and payments to worked lines to gross earnings, expressed as a percentage.

22. Passenger kilometre

Transportation of one passenger over one kilometre.

23. Parcel siding

Siding for working of parcel services.

24. Private Siding

Siding constructed to serve a factory, mill or other industrial premises entire cost of which is borne by the party concerned.

25. Revenue-earning traffic

Traffic for the transportation of which Railway is paid by either the consignor or the consignee.

26. R I T E S

Rail India Technical & Economic Services

27. Route-/running-/track-kilometre

Route kilometre indicates the distance between two points on a Railway treating all lines on the section as a single line. The extra distance of multiple tracks, i.e., double, treble, etc., is taken as two or three or more as the case may be, in running-track-kilometres. The total track-kilometres also include the track in sidings, yards and crossing stations.

28. Smalls

Goods consignments whose weight and dimensions do not require the exclusive use of a wagon. Several small consignments are consequently conveyed in one wagon.

29. Station-to-station rates

A special reduced rate applicable to a specific commodity booked from one specified station to another specified station.

30. Suburban traffic

Passenger traffic moving in metropolitan areas of Bombay, Calcutta and Madras where special concessional rates for season tickets are applicable.

31. Suspense

Difference between true earnings/working expenses whether or not actually realized/disbursed and earnings/working expenses actually realised/disbursed during an accounting period.

32. Tourist siding

Siding for stabling tourist saloons.

33. Train-kilometre

Movement of a train over one kilometre.

34. Train load rate

The rate chargeable for booking a full train load consignment fulfilling certain minimum weight condition.

35. Wagon load rate

The rate chargeable for exclusive use of a wagon.

36. Working expenses

Expenditure on account of administration, operation, maintenance and repairs, contribution to Pension Fund and Depreciation Reserve Fund.

PREFATORY REMARKS

This Report for the year ended 31 March 1989 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 1988-89 together with other points arising from test audit of the financial transactions of the Railways.

The report includes audit reviews on the following:

(a) Inventory Control;

(b) Passenger Amenities;

(c) Human Resource Planning in the Indian Railways;

(d) Working of the Personnel Department;

(e) Review of Efficiency, Workstudy and Staff Inspection studies; and

(f) Construction of new Broad Gauge line between Wani-Pimpalkutti.

Included in this report are also comments on topics related to purchases, stores, works, establishment, other expenditure and earnings.

The cases included in this Report are from among those which came to notice in the course of audit during 1988-89 as well as from among those which had come to notice in earlier years but could not be dealt with in previous Reports. Some matters relating to the period subsequent to 1988-89 have also been included, wherever considered necessary.

Audit Report for the year ended 31 March 1989 contains 75 paragraphs including six reviews. The points highlighted in the Report are:

1. Financial Results

The net surplus of the Railways for 1988-89 was Rs.21.67 crores against Rs.28 crores anticipated in the Budget Estimates. If contribution to the Pension Fund had been made commensurate with liabilities on this account, the working results would have ended with a deficit of Rs.133.45 crores. The contribution to the Pension Fund was Rs.550 crores against withdrawals of Rs.744.15 crores from the fund.

The declining trend in the effective rate of dividend on the capital-at-charge continued during 1988-89. This represented 3.91 per cent of the capital-at-charge as against 4 per cent in 1987-88 and 4.19 per cent in 1986-87. The amount of dividend paid was Rs.715.66 crores. The Railways received a subsidy of Rs.207.40 crores from the General Revenues.

Indebtedness of Railways to General Revenues at the end of 1988-89 was Rs.1018.44 crores which comprised loans from General Revenues (Rs.529.29 crores) and deferred dividend (Rs.489.15 crores) kept outside the Railway Accounts.

The percentage of working expenses to earnings representing the operating ratio showed a marginal improvement over the previous year. This is, however, to be viewed in the context of insufficient contribution to the Pension Fund. Further, the operating ratio rose from 88.3 in 1982 to 92.5 in 1987-88 due to faster growth of expenditure as compared to that of Revenue Receipts.

Against Rs.1759.39 crores raised by Indian Railway Finance Corporation (IRFC) during 1987-88 and 1988-89 Railways utilised a sum of Rs.1630 crores leaving a balance of Rs.129.39 crores as unutilised.

The average life of various items of rolling stock ranges between 30 and 36 years. As against this, the existing arrangement of payment of lease rental to IRFC, which seeks to redeem the cost of acquisition of rolling stock over a period of 10 years, results in inflating the operating expenses and reducing the net surplus available to Railways. The maintaining of the revenue surplus at levels not affected by the disturbance caused by the excessive burden of lease charges may call for steps to augment revenues.

While operating expenses of the Railways would go up as indicated above, there would be relief to General Revenues which is not to bear the burden of interest and other charges on raising resources for Railways and, in return, getting only a dividend on General Revenues.

The lease rental of 16 per cent includes 6 per cent towards redemption of capital cost over a period of 10 years. For the next 20 years of the life of rolling stock, the burden on the operating expenses of Railways would be negligible. Operating expenses of the Railways would not, therefore, be bearing an uniform charge over the life span of the rolling stock. Further, as the value of the rolling stock is not reflected in the Block Account and the Balance Sheet of the Railways as ownership thereof vests with IRFC, the accounts of the Railways would not be portraying a true and fair picture.

(Para 1)

2. Inventory Control

The percentage of stores balances at the end of the year to the total issues during the year represents the turn over ratio on inventory. The ratio achieved was 32 at the end of 1987-88 against the target of 27 which itself has to be viewed as high representing nearly three and half months balance in terms of consumption. The ratio varied significantly from zone to zone; from 79 and 45 in Northeast Frontier and North Eastern Railways to 26 and 25 in the Central and Southern Railways.

Inventory norms were yet to be fixed for Production Units.

There was a tendency to overstate issues at the end of the financial year to exhibit a low turn over ratio vitiating the true state of affairs.

There were considerable delays in taking procurement action after receipt of requisitions. Delays in finalisation of tenders ranged from three to twenty four months in some of the cases test checked.

Due to lack of coordination and delay in procurement action, the Railways suffered a loss of Rs.142.16 lakhs.

The percentage of imported stores had been increasing over the years with a markedly sharp increase in the three Production Units.

Unplanned excess production of steam loco components by CLW resulted in inactive inventory of Rs.1.25 crores.

There were 2749 stock sheets pointing out excesses (Rs.6.84 crores) and shortages (Rs.9.78 crores) awaiting clearance in three Railways and two Production Units.

Effective steps were not taken for speedy disposal of scrap resulting in its accumulation.

Computerisation of inventory has not been comprehensive covering all aspects of inventory management.

(Para 2.1)

3. Passenger Amenities

Expenditure on passenger amenities remained static at an average of Rs.5 crores per annum during the Sixth Five Year Plan. While earnings during the first four years of the Seventh Plan increased by 41.3 per cent over total passenger earnings of the previous plan, there was only a meagre increase of 0.2 per cent in the ratio of expenditure on passenger amenities over earnings.

The proposed scale of acquisition of new coaches would not be adequate to replace even the overaged coaching stock. Against 12914 coaches and 1390 EMUs to be replaced acquisition of only 6900 coaches and 950 EMUs had been planned.

Instead of augmenting lower class services like Second Class 3-tier Mail/Express coaches and AC Chair Cars on long distance trains, the number of AC sleeper coaches is being disproportionately increased.

Compensation is paid only for train accidents and not for dacoities and stabbings that take place in trains. The desirability of ensuring timely compensation to victims now excluded deserves consideration.

Items that constitute 'Passenger Amenities' had not been laid down in clear terms despite the recommendations of the Railway Convention Committee and Estimates Committee.

A test check in three Railways revealed that basic amenities had not been provided in -

366 out of 693 on Central,

378 out of 796 on Eastern, and

258 out of 851 stations on South Eastern Railways.

On the above Railways, there were as many as 875 stations without arrangements for drinking water, 718 stations without latrines and 604 stations without waiting sheds/halls.

There were delays of two to eight years in completing passenger amenity works on some Railways. In a test check, Audit noticed extra expenditure of Rs.2.02 crores in this regard.

A large number of halt stations sanctioned for public conveyance long ago had not yet been opened.

(Para 2.2)

4. Human Resource Planning in the Indian Railways

A definite approach and application of the concept of human resource planning was not taken till 1985.

Staff cost as a percentage to working expenses has been increasing steadily and in 1987-88 it constituted 46 per cent of total working expenses.

Staff productivity varied significantly from one Zonal Railway to the other. The average productivity of Indian Railways, as a whole, was 218 thousand traffic units per employee in 1986-87 as against 289, achieved by the Central Railway.

Non-surrender of surplus gangs due to non-implementation of the recommendations of the Special Committee resulted in an avoidable expenditure of Rs.14.76 crores on Western, Central and Northern Railways during 1986-89. Not only gang strengths were not reduced, casual labour was engaged over permanent gangs and the avoidable expenditure on Central and Northern Railways during 1984-85 to 1988-89 was Rs.140.05 crores. The required quantum of reduction of gang strength on uneconomic branch lines was not given effect to resulting in avoidable expenditure of Rs.0.21 crore.

Despite a marked reduction in the work relating to maintenance of steam locomotives and closure of steam sheds, there was no corresponding reduction in staff in loco sheds leading to avoidable expenditure estimated at Rs.1.39 crores during 1982-89.

Non-surrender of surplus posts based on the reommendations of Staff Inspection Unit, resulted in non-realisation of savings of Rs.5.35 crores during 1985-86 to 1988-89.

Training facilities to improve the skills of staff were not fully utilised and shortfall in training ranged from 25 to 66 per cent.

The payment of Productivity Linked Bonus (PLB) in terms of number of days wages is measured on the basis of revenue earning net tonne kilometres (NTKMs). The output value of one bonus day had declined in successive revisions from 6400 million NTKMs in 1979 to 5502 million NTKMs in 1986.

(Para 2.3)

5. Working of the Personnel Department

A well organized Personnel Department, supported by an internal audit system provided by the Financial Adviser and Chief Accounts Officer is expected to ensure that administration of personal claims is managed well and that recoveries due from employees are effected promptly. The results of an audit review, based on a test check on a limited sample, revealed deficiencies in the system as enumerated below:

Leave accounts were not maintained properly which resulted in excess payment of leave salary of Rs.43.99 lakhs.

Failure to undertake periodical revision of assessed rent of railway quarters on time led to arrears of rent of Rs.267.90 lakhs remaining outstanding.

The amount on account of non-recovery/short recovery of rent/penal rent for unauthorised occupation of railway quarters, loss of rent due to delay in allotment of railway quarters and payment of house rent allowance to the employees occupying railway quarters was Rs.95.06 lakhs.

Non-maintenance of relevant records and failure of internal checking units in not ensuring proper maintenance of the records resulted in the short recovery of electricity charges amounting to Rs.252.69 lakhs during 1970-1989.

Arrears in recovery in respect of scooter advance, advance of pay on transfer/tour, flood advance, bicycle and other advances amounted to Rs.647.83 lakhs. Even after expiry of the permissible period of instalments for recoveries, an amount of Rs.505.64 lakhs was outstanding for more than three years on Central, Eastern, Northern, Northeast Frontier, South Central and South Eastern Railways.

(Para 2.4)

6. Efficiency, Workstudy and Staff Inspection studies

Work studies on various topics are undertaken for bringing about economy, rationalisation of deployment of staff, efficient methods of operation for effecting savings and, above all, improvement of the image of the Railways. A review by Audit revealed that there were delays in undertaking studies and in processing them. There were instances where the recommendations were not implemented. In some cases, the recommendations were implemented after considerable delays leading to additional expenditure. These instances are mentioned below:

Delay in surrendering 42 posts identified as surplus in Goods Office, New Delhi led to extra expenditure of Rs.0.21 crore. Recommendation for surrender of 100 posts of clerks following computerisation of documentation was not implemented.

A recommendation to revise the existing ratio of engine kilometre/day/engine in use and wagon kilometre/day was not implemented. The study undertaken had identified a saving of Rs.40.77 crores.

Delays in surrendering surplus staff as recommended by various workstudy teams resulted in extra expenditure of

Rs.0.51 crore.

There is recurring loss in operating services in the Kalka-Shimla section: in 1987-88 the loss amounted to Rs.4.42 crores. A study carried out to reduce operating costs in this section did not prove effective as most of the recommendations were found to be not acceptable and, hence, not implemented.

Similarly, work study team conducted techno-economic studies in respect of uneconomic branch lines incurring losses in excess of Rs.20 lakhs and recommended measures, the implementation of which was expected to yield savings. The measures, however, did not prove effective and the losses increased from Rs.4.06 crores in 1985-86 to Rs.8.38 crores in 1986-87 and Rs.10.67 crores in 1987-88.

(Para 2.5)

7. **Construction of new Broad Gauge line between Wani-Pimpalkutti**

Indecision of the Railway to go ahead with the project led to an inordinate delay of ten years in the completion of the project after it was conceived and to a cost overrun of Rs.12.26 crores.

The Project, though financially not viable, was taken up at the instance of a State Government. The branch line costing Rs.17.56 crores had become unremunerative entailing a total deferred dividend liability to General Revenues of Rs.7.73 crores up to 1987-88, adding yet another uneconomic line to the network. The project cost would have been less by Rs.98 lakhs if, instead of first class CST-9 sleepers, second class sleepers as provided in the estimates had been used.

(Para 2.6)

8. A Project was set up at Ponmalai for reclamation of cylinder blocks at a cost of Rs.5.35 crores in 1988 although the capacity available with DLW was adequate to meet the requirements of all Zonal railways. Delay in the completion of the Project resulted in a cost overrun of Rs.2.65 crores.

(Para 3.1)

9. A third bridge across the river Krishna near Vijayawada, though taken up on an urgency certificate in December 1978, and planned for completion by December 1984, was completed and commissioned in July 1989. There were delays in awarding the contract and supply of steel by the Railway. This led to avoidable escalation in cost by Rs.2.37 crores.

(Para 3.2)

10. Major modifications to the original design in the construction of two parallel tunnels by the Metro Railway, Calcutta seven years after the award of the contract led to changes in method of operation contributing to délays and consequential additional payment to contractor for claims as under:

on account of losses	Rs.2.70 crores
compensation	Rs.0.56 crore
escalation	Rs.0.93 crore

(Para 3.4)

11. Despite having been cautioned by RDSO and the Railway Board, ballastless track was provided by Metro Railway for the whole length in the expectation of low maintenance cost. These expectations were belied in view of large expenditure of Rs.1.18 crores on maintenance and upkeep of track during the first three years after opening.

(Para 3.5)

12. Development of a continuous automatic train protection type of signalling system for the underground Metro Railway entrusted to Electronic Corporation of India Limited (ECIL) was foreclosed after the prototype was developed and found to meet the fail-safe requirements. Specifications were upscaled later from fail-safe tests of single component to that of multiple component tests. The foreclosure of the contract with ECIL resulted in the investment of Rs.1.93 crores including grants-in-aid and value of equipments supplied going idle. Further, this had the effect of virtual abandonment of indigenous research in this area.

(Para 3.15)

13. An incorrect projection of requirements of wheelsets without a fresh review of the production in the Wheel and Axle Plant and the stock

and dues position led to avoidable import of 4000 wheelsets costing Rs.5 crores.

(Para 3.16)

14. There was failure on the part of a Zonal Railway to collect sales tax in respect of auctions though it was obligatory on its part to do so in terms of notifications/amendments issued under the State's Sales Tax Act. This resulted in a loss of Rs.82.97 lakhs.

(Para 3.18)

15. Delay in the disposal of an abandoned track resulted in a loss of Rs.90.42 lakhs. Scrap worth Rs.0.15 lakh could be salvaged.

(Para 3.19)

16. Failure to transport a camshaft grinding machine after it was imported in Calcutta Port for as long as seven months resulted in extra expenditure of Rs.24.22 lakhs due to damage to the machine and a further delay of five years in its installation. On account of the delayed installation of the imported machine, camshafts had to be arranged through imports for Rs.1.01 crores and through indigenous sources for Rs.0.58 crore.

(Para 3.21)

17. Instructions are issued from time to time for carriage and freighting of traffic by specified routes for securing rational movement aimed at optimising utilisation of available routes.

A review by Audit revealed routing of traffic other than by the rationalised routes resulting in loss of revenue of Rs.72.76 lakhs on the South Central (Rs.35 lakhs), Northern (Rs.10.03 lakhs) and Western (Rs.27.73 lakhs) Railways.

(Paras 4.6 and 4.7)

18. Instances were also noticed of cargo being carried by a longer route though charged for by a shorter route.

Foodgrains traffic, booked from Broad Gauge stations on Northern Railway to Broad Gauge/Metre Gauge destinations on the North-east Frontier Railway continued to be routed via longer route by transhipment at Garhara instead of via Malda for transhipment at New Bongaigaon resulting in loss of revenue of Rs.4.80 crores.

(Para 4.1)

19. Train load consignments of coal and cement, on the South Central Railway, and diesel traffic on the South Eastern Railway, though booked by shorter routes, were carried by longer routes involving loss of earnings of Rs.4.31 crores.

(Para 4.3)

20. Concession was granted on freight rates for carriage of rock phosphate in open wagons although concession was admissible only to such cargo which were transported in closed wagons. Grant of concession in freight on rock phosphate traffic traditionally carried in open wagons on Western Railway, resulted in loss of Rs.43.29 lakhs.

(Para 4.5)

21. North Eastern and South Eastern Railways realised freight charges of Rs.4.74 crores 6 to 182 days after loading and despatch of goods instead of at the time of booking thereby granting financial accommodation to consignors.

(Para 4.2)

22. Consignments booked 'To Pay' to private sidings served by Raniganj, Japla and Shyamnagar stations on Eastern Railway were delivered to siding owners without realisation of freight and other charges amounting to Rs. 48.36 lakhs. Instructions were also not issued to originating stations not to book cargo 'To Pay' to these sidings.

(Para 4.4)

CHAPTER I

FINANCIAL MANAGEMENT AND AUDIT

Financial Results

1.1.1 The Financial results for 1988-89 showed a surplus of Rs. 21.67 crores which was less than the surplus of Rs. 28 crores anticipated at the budget stage. Revenues fell short of the budgeted receipts by Rs. 134.72 crores and decrease in expenditure from budgeted level was Rs.108.06 crores.

1.1.2 The Ministry, which had budgeted for transportation of 303 million tonnes of originating revenue earning goods and 3834.75 million passengers had at the Revised Estimate stage reduced passenger traffic to 3633.75 million and kept the estimate of goods traffic at the budgeted level. The actual materialisation of traffic was 302.01 million tonnes and 3500.3 million passengers. The rates of goods traffic, excluding certain essential commodities, were increased by six per cent to net an additional revenue of Rs. 241 crores in 1988-89. Passenger fares, including rates of monthly season tickets, and parcel and luggage rates, were also raised during the year to yield an addtional revenue of Rs. 381 crores.

1.1.3 The Budget Estimate of revenue expenditure was Rs. 8899.35 crores and the Revised Estimate was Rs.8892.15 crores. The ordinary Working expenses were estimated at Rs. 6675 crores for 1988-89 which showed an increase of Rs. 672 crores (11 per cent) over the actual expenditure for 1987-88. The additional requirement of funds under Ordinary Working Expenses was largely attributable to annual increments to staff, payment of Dearness Allowance, increase in coal and steel prices and rentals payable on assets taken on lease from the Indian Railway Finance Corporation. The actual expenditure (Rs. 8791.29 crores) was, however, less than the Budget Estimate by Rs. 108.06 crores and the Revised Estimate by Rs. 100.86 crores. There was thus an over estimation of funds required at the Budget as well as at the Revised Estimate stage.

1.1.4 The dividend of Rs. 715.66 crores paid to General Revenues was less as compared to Rs. 736 crores and Rs. 719 crores provided at Budget and Revised Estimate stage, and formed 3.91 per cent of the capital-at-charge after taking into account the subsidy of Rs.207.40 crores obtained from General Revenues. The dividend paid in 1986-87 and 1987-88 represented 4.19 and 4 per cent return on the capital-at-charge respectively.

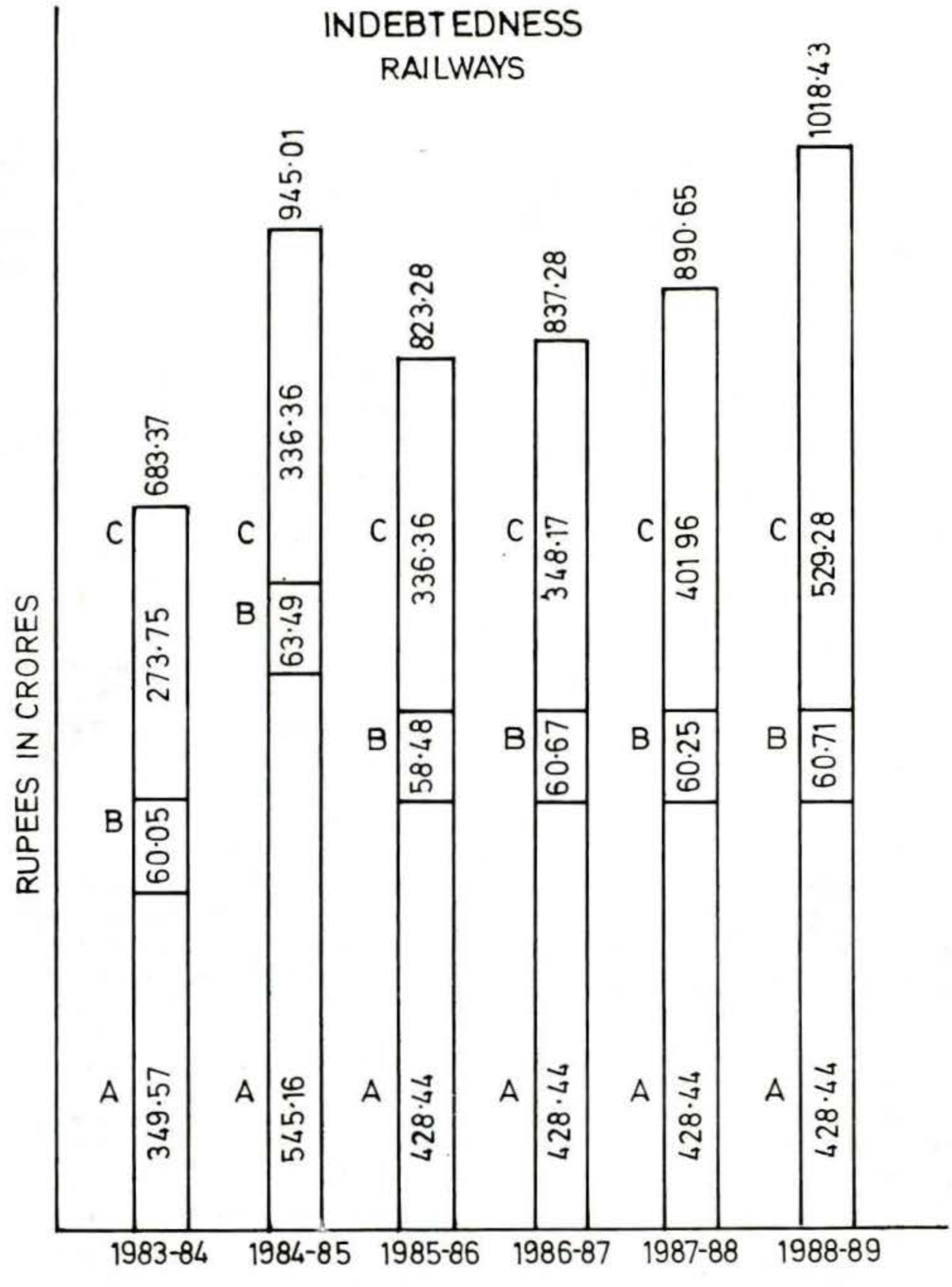
1.1.5 Pending submission of detailed memoranda by Ministry of Railways, the Railway Convention Committee (1985) had recommended in February 1986 that the existing six per cent on the adjusted capital invested up to 31 march 1980 and 6.5 per cent on capital invested thereafter may be adopted provisionally as rates of dividend for 1985-86 to 1987-88. Based on the interim memorandum submitted by the Ministry, on 28 December 1987, the Committee in its report dated 23 February 1988 permitted Railways to compute provisionally the dividend payable for 1988-89 in the same manner as adopted in the earlier three years. In July 1987, the Ministry submitted two separate memoranda containing proposals for payment of dividend to General Revenues for the entire quinquennium 1985-86 to 1989-90. The accepted recommendations of the Committee thereon, when announced, will have to be applied to the accounts of 1985-86 to 1988-89 which stand closed and certied by the Comptroller and Auditor General of India.

Indebtedness

1.2.1 Total indebtedness, at the end of March 1989, amounting to Rs. 1018.44 crores was outside the accounts (including Balance Sheet) maintained by Railways.

1.2.2 The Railways did not discharge in full its liability for payment of dividend to General Revenues and had accumulated a deferred liability which up to the end of 1988-89 increased to Rs. 489.15 crores.

1.2.3 Indebtedness to the Development Fund stood at Rs. 529.29 crores at the end of March 1989. During the year a loan of Rs. 127.33 crores for financing the Fund was taken from General Revenues (chart below):



A. **ON ACCOUNT OF SHORTFALL IN DIVIDEND LIABILITY**

B. **ON ACCOUNT OF DEFERRED DIVIDEND PAYABLE IN RESPECT OF NEW LINES WHICH HAVE COMPLETED MORATORIUM.**

C. **ON ACCOUNT OF SHORTFALL IN DEVELOPMENT FUND. FIGURES ON THE TOP INDICATE TOTAL INDEBTEDNESS.**

Comparative Position

1.3 Salient indicators of Financial results for the five years from 1984-85 onwards are given in Annexure-I. The surplus of Rs.21.67 crores for 1988-89 is less than the surplus of Rs.84.29 crores, Rs.101.99 crores and Rs.178.83 crores for 1987-88, 1986-87 and 1985-86 respectively.

The revenue surplus of Rs.21.67 crores has to be seen in the context that the contribution to the pension fund was much less than the liability assumed on this account. Despite the recommendations made by the Railway Convention Committee for making sufficient appropriations to the pension fund keeping in view the increased number of pensioners and consequential withdrawals from the fund the contribution to the fund during the year was Rs.550 crores against withdrawals which amounted to Rs.744.15 crores. The balance of the fund had been further depleted by Rs.155.12 crores. If the actual liabilities on this account had been charged to Revenue, the Railways would have had a deficit of Rs.133.45 crores instead of a surplus of Rs.21.67 crores.

Railway Funds

1.4.1 Development Fund

This fund is financed by appropriation from surplus and/or loans from General Revenues. The corpus is utilised to meet expenditure on works relating to amenities for all users of railway transport, labour welfare works and un-remunerative operating improvement works and also for paying interest on loans taken from General Revenues. During 1988-89, out of Rs.149.06 crores met from the fund, the component for financing development works was only Rs.106.03 crores and the balance or 29 per cent of the expenditure from the fund, was used for interest payment. The balance in the fund as on 31 March 1989 was Rs.0.27 lakh. No repayment of loans to General Revenues had been made in the last 21 years, ever since the fist loan was taken in 1967-68.

1.4.2 Depreciation Reserve Fund (DRF)

For replacement of assets, the Railways maintain a Deprectiation Reserve Fund (DRF), which is financed by transfers from Revenue.

In para 2 of Chapter 1 of the Report of the Comptroller and Auditor General of India-Union Government (Railways) for 1979-80, it was inter alia brought out that the quantum of contribution to the Depreciation Reserve Fund (DRF) was not adequate and did not take into account the needs of replacement of over-aged assets. This had resulted in the accumulation of arrears in replacement of assets, increase in the percentage of overaged plant and machinery in the workshops/production units and continued retention of locos and wagons on line. Railways had to incur more expenditure on repairs and maintenance and imposed speed restrictions which in turn affected their financial position.

The Railway Reforms Committee, May 1981 cautioned against scaling down the contribution to DRF and advised the Railways to conduct a detailed review of the precise effects of past policies, identify the policy changes and seek the Railway Convention Committee's approval for the special measures required.

In response to these recommendations, the allocation to DRF in the last five years was increased and Rail India Technical and Economic Services (RITES) were appointed to carry out the recommended review. This review was completed in September 1987. The salient recommendations are :

(a) Instead of the present method of ad hoc annual appropriations to DRF to meet replacements as considered necessary, the DRF provision should be made with reference to current cost of assets, updated each year.

(b) Annual withdrawals from DRF should be related solely to the present day cost of the assets due to be replaced in a given year though it might lead to greater demands on DRF in certain years and might leave some unspent balance in other years.

(c) The historical cost of structural assets-buildings and bridges, need not be updated to their current cost, but should be amortized over a fixed period, say, 40 years.

(d) Asset registers should be introduced with the help of computers. Until this is done, Indian Railways should use the current replacement works of all assets as worked out in the report (with reference to the physical quantum and unit prices as of March 31, 1986) in order to arrive at the depreciation contribution for each subsequent year.

(e) Arrears in replacement of overaged assets estimated at Rs. 6,200 crores (9 per cent of Indian Railways total asset value at current costs) as on March 31, 1986 should be eliminated over a ten year period, under special financing arrangements to be agreed to by the Central Government.

These recommendations have not yet been considered and the views of Government not placed before the Railway Convention Committee.

The appropriation from Revenue to this fund was increased from Rs. 1350 crores in 1987-88 to Rs. 1500 crores in 1988-89. The total withdrawals from the fund was Rs. 1477.62 crores consisting of Rs. 472.79 crores for replacement/renewal of Rolling Stock and the balance for replacement of other assets. The fund closed with a balance of Rs. 520.10 crores at the end of March 1989. The balance in the fund constituted 3.01 per cent of the value of Block assets of Rs. 17239.42 crores and represented about 35 per cent of the replacement expenditure during 1988-89

Pension Fund

1.4.3 The fund, constituted in 1964,for meeting expenditure on pensionary benefits of retiring railway employees was to be financed on the basis of actuarial calculations so that the fund has adequate balances to meet the estimated liability on this account. After 1974,there was no actuarial assessment and the contribution to the fund continued to be with reference to the trend of actual withdrawals. Even though the pension scheme has been liberalised in the recent past, the appropriations to the fund had not been commensurate with the actual expenditure resulting in withdrawals exceeding accruals to the Fund. There was a net depletion of Rs.155.12 crores in the balance during 1988-89. The balance as on 31 March 1989 was Rs.52.90 crores equivalent to 7.10 per cent of the withdrawal of Rs.744.15 crores during 1988-89.

Accident Compensation, Safety and Passenger Amenities Fund.

1.4.4 This fund was set up on 1 April 1974 to meet payments necessitated by Accident Compensation and expenditure on works of passenger amenities and operational improvements connected with safety of travel. During 1988-89 withdrawals were Rs. 52.16 crores as compared to Rs. 43.96 crores during 1987-88.

Passenger Earnings

1.5.1 The Budget envisaged a growth of three per cent in passenger traffic and two per cent in luggage, parcels and other receipts and provided for certain increases in fares, reservation fees, platform tickets and parcel and luggage rates to yield an additional revenue of R.381 crores.

1.5.2 Passenger traffic declined by 7.70 per cent but earnings (Rs.2455.50 crores) exceeded the Budget Estimate by Rs.9.50 crores. Other coaching earnings of Rs. 270.74 crores fell short of Budget and Revised Estimates by Rs. 28.26 crores.

Goods Earnings

1.6.1 The Budget Estimate (Rs.6529 crores) took into account a six per cent increase in the rates of goods traffic to yield an additional revenue of Rs.241 crores. The earnings were scaled down to Rs.6461 crores in the Revised Estimate. Actual earnings Rs.6343.11 crores fell short of the Budget and Revised Estimates by Rs.185.89 crores and Rs.117.89crores respectively.

The movement in low rated commodities 'Coal' and 'Fertilizers' increased while traffic in high rated commodities had not shown the increase necessary to compensate the deficit attributable to movement of the former. The originating loading of total traffic (Revenue Earning) had improved on all the Railways except Northern and Northeast Frontier Railways whose loading performance did not touch even the level attained in the previous year. The loading of 'other goods', which yields a high profit margin, declined reflecting poorer performance on all the Railways except North Eastern, South Central and South Eastern Railways.

1.6.2 The unrealised Railway earnings of all types rose from Rs.250.70 crores at the end of March 1988 to Rs. 268.23 crores at the end of March 1989. Freight outstanding (including that 'on consignments yet to be received and delivered') rose by Rs.6.49 crores. Major portion of the freight of Rs. 185.52 crores related to Central (Rs.46.44 crores), Western (Rs.40.11 crores), Eastern (Rs.34.39 crores), Northern (Rs.24.49 crores), Southern (Rs.16.79 crores) and South Eastern (Rs.13.53 crores) Railwlays. Factors such as large scale diversion of coal wagons to stations or power stations other than those originally mentioned in the invoices, non-payment of freight by parties due to disputes relating to lesser weight of coal in wagons, payment of freight at train-load-rates instead of wagon-load-rates mainly contributed to the outstandings.

1.6.3 Out of Rs.245.72 crores of demurrage/wharfage charges due, Rs.90.42 crores were recovered and Rs.106.52 crores waived leaving a balance of Rs.48.78 crores at the end of March 1989.

Revenue Expenditure

1.7.1 The increase in Revenue expenditure to Rs. 8791.29 crores in 1988-89 from Rs.7956.31 crores in the previous year was mainly due to increase in appropriation to the railway Funds viz. Depreciation Reserve Fund (Rs.150 crores), Pension Fund (Rs.100 crores), Miscellaneous Expenditure, including contribution to Accident Compensation, Safety and Passenger Amenities Fund (Rs.4.94 crores) and more expenditure (Rs.580.04 crores)on Ordinary Working Expenses. The increase in working expenses was due to increase in salaries and allowances, prices of coal and steel and rentals paid to Indian Railway Finance Corporation on the assets leased from them. The working expenses have risen by 13.25 per cent and 9.66 per cent in 1987-88 and 1988-89 respectively as detailed in the table 1 below :

Table 1

-No. and	name of the Grant	(Rupees in crores)			(percentage increase/decrease)	
		1986-87	1987-88	1988-89	1987-88	1988-89
3	General Superintendence and Services	312.74	363.40	391.07	16.20	7.61
4	Repairs and Maintenance of Permanent Way and Works	643.25	737.11	806.98	14.59	9.48
5	Repairs and Maintenance of Motive Power	506.53	553.44	602.29	9.26	8.82
6	Repairs and Maintenance of Carriage and Wagons	660.27	747.15	804.83	13.15	7.20
7	Repairs and Maintenance of Plant and Equipment	356.30	388.69	419.21	9.09	7.85
8	Operating Expenses-Rolling Stock and Equipment	518.60	629.46	657.84	21.38	4.50
9	Operating Expenses-Traffic	630.31	774.81	933.48	22.93	20.48
10	Operating Expenses-Fuel	1183.35	1238.57	1339.73	4.67	8.16
11	Staff Walfare and Amenities	221.91	256.19	283.39	15.44	10.63
12	Miscellaneous Working expenses including Suspense-excluding Accident Compensation	258.53	308.53	340.55	19.34	10.38
13	Provident Fund, Pension Fund and other retirement benefits (Net)	8.77	5.60	3.62	(-)36.15	(-)35.35
Total Ordinary Working Expenses (Grants No.3 to 13 - including suspense)		5300.56	6002.95	6582.99	13.25	9.66

Leasing of Rolling Stock from the Indian Railway Finance Corporation

1.7.2 A reference is invited to Para 3.37 of the Report of the Comptroller and Auditor General of India - Union Government (Railways) 1987-88, wherein a mention was made regarding :

- Setting up of Indian Railway Finance Corporation (IRFC) - a wholly owned Government Company -under the Ministry of Railways for mobilising resources through floatation of bonds for the purpose of acquiring the rolling stock required by the Railways and leasing the same to Railways on payment of leasing charges.
- Absence of any lease agreement clearly defining the liabilities and obligations of both the parties.
- Certain features, (such as, inability of the Railways to utilise the funds raised by the IRFC, etc.) arising out of the above referred arrangements.

The succeeding paragraphs bring out the impact of leasing arrangements on the operations of the Railways :

- During 1987-88 and 1988-89 IRFC raised total resources of Rs.1559.3954 crores;

-The lease rental paid to IRFC is charged to Grant No.9 - Operating Expenses - Traffic. The Operating Expenses - Traffic for three years including the element of lease rental are indicated below:

		(Budget Estimates)	
	1987-88	1988-89	1989-90
		(Rupees in crores)	
1.Total expenditure (Gross)	783.92	943.99	1147.21
2. Lease charges included in (1) above	25.26	123.20	271.00

The incidence of expenditure on account of lease charges is bound to be much higher in the ensuing years owing to IRFC floating further bonds for augmenting Railways resources.

The average life of various items of rolling stock ranges between 30 and 36 years. As against this, the existing arrangement of payment of lease rental which seeks to redeem the cost of acquisition of rolling stock over a period of 10 years, results in inflating the operating expenses of the Railways and reducing the net surplus available to Railways. The maintaining of the revenue surplus at levels not affected by the disturbance caused by the excessive burden of lease charges, may call for increase in tariff unless other avenues are available to absorb the same.

While operating expenses of Railways would go up as indicated above, there would be relief to General Revenues which is not to bear the burden of interest and other charges on raising resources for Railways and, in return, getting only a dividend on General Revenues.

The lease rental of 16 per cent includes 6 per cent towards redemption of capital cost over a period of 10 years. For the next 20 years of the life of rolling stock, the burden on the operating expenses of Railways would be negligible. Operating expenses of Railways, would not, therefore, be bearing a uniform charge over the life span of the rolling stock. Further, value of the rolling stock are not reflected in the Block Account and the Balance Sheet of Railways as ownership thereof vests with IRFC. Thus the accounts of Railways would not be portraying a true and fair picture of the value of rolling stock held and utilised by Railways as well as that of Revenue Operations.

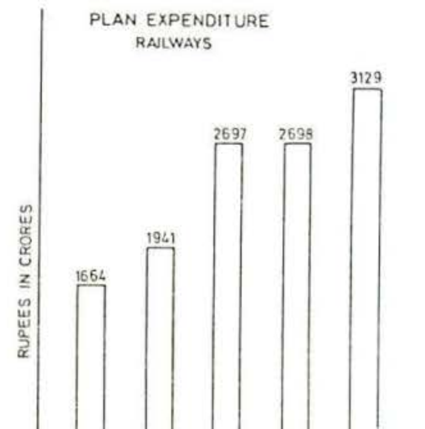
Operating Ratio

1.8 The percentage of working expenses to earnings is the operating ratio worked out for each Railway. It is an index of profitability of railway operations and a ratio above one hundred indicates losses. The overall ratio deteriorated from 88.3 in 1982-83 to 93.05 in 1988-89 due to faster growth of expenditure as compared to that of revenue receipts. Out of nine Railways, 5 showed profits, while others continuously incurred losses.

Plan (Capital) Expenditure

1.9.1 The year under review (1988-89) was the fourth year of the Seventh Five Year Plan (1985-90) at the end of which it was anticipated to develop requisite capacity to meet a projected traffic of 340 million tonnes of originating traffic. Only 302.01 million tonnes were handled by 1988-89.

1.9.2 Plan expenditure (capital) over a period of five years had nearly doubled from Rs.1664.30 crores in the year 1984-85 to Rs.3129.36 crores in 1988-89 (chart below):



The Plan (Capital) expenditure for 1988-89 was Rs.3129.36 crores, as against the approved outlay of Rs.3050 crores. An analysis of the expenditure showed that Railways spent more on acquisition of new assets out of borrowed Capital from General Revenues, besides obtaining of Rs.860 crores, during the year from Indian Railway Finance Corporation for acquisition of rolling stock assets for lease to Railways. More was spent on renewals and replacements charges to the Depreciation Reserve Fund. These details are given in Table 2.

Table 2

(Rupees in crores)

Sources of finance	Budget Estimate 1988-89	Actual Expenditure 1988-89
1) Borrowed capital from General Revenues	1390.00	1458.87
2) Internal Resources		
i) Depreciation Reserve Fund	1450.00	477.62
ii) Development Fund	110.00	106.03
iii) Accident Compensation Safety and Passenger Amenities Fund	60.00	49.98
iv) Open Lines Works Revenue	40.00	36.86
Total	1660.00	1670.49
Grant Total	3050.00	3129.36

Significant shortfall occured in workshop including Production Units for which only Rs.233.70 crores were spent as against the provision of Rs.325.32 crores. Expenditure against the Plan Head, 'Doubling', 'Bridge Works' and 'Traffic facilities fell short of the provision by Rs.11.01, Rs.17.24 and Rs.17.83 crores respectively.

Provision of Rs.195.01 crores for new lines in the Budget was augmented by Rs.41.03 crores. The actual expenditure, however, in the final grant exceeded by Rs.19.30 crores. The Physical target achieved was 307 route kilometres as against the target of 255 route kilometres for the year.

Under the Plan Heads "Rolling Stock", "Track Renewals", "Machinery and Plant", "Stores Suspense" and "Computerisation", the actual expenditure was Rs.570.87, 936.19, 90.48, 95.78 and 47.98 crores as against the provision of Rs.552.60, 862.74, 75.00, 27.34 and 35.00 crores respectively.

Budgetary Control

1.10.1 The number of Demands voted was sixteen and the number of charged Appropriations was twelve. The number of supplementary demands voted was seven and Supplementary appropriations six.

1.10.2 Gross expenditure was less than the amount approved by the Parliament. Particulars of grants and charged appropriations of 1988-89 together with supplementary grants/appropriations and expenditure incurred are given in table 3 below:

Table 3

(Rupees in crores)

	1987-88		1988-89	
	voted	charged	voted	charged
Original Grants/ Appropriations	14761.96	13.48	16818.85	18.27
Supplementary Grants/ Appropriations	483.55	3.99	176.66	1.75
Total Grants/ Appropriations	15245.51	17.47	16995.51	20.02
Total Disbursement	15171.45	10.09	16862.28	11.64
Saving (-)/Excess (+)	(-)74.06	(-)7.38	(-)133.23	(-)8.38
Percentage of Saving/ Excess	0.49	42.24	0.78	41.86

Excess Over Grants

1.10.3 The aggregate saving of Rs.133.23 crores in the voted grants was the net result of excess of Rs.104.24 crores under three Grants and saving of Rs.237.47 crores under fourteen. However, the excess requiring regularisation under Article 115 of the Constituion was Rs.104.24 crores. Grantwise analysis of excess is given in the succeeding paragraphs:

Grant No.10 Operating Expenses - Fuel

Original Grant	Rs.1328,52,27,000
Supplementary Grant	Rs. 30,82,36,000
Final Grant	Rs.1359,34,63,000
Actual expenditure	Rs.1363,17,37,30
Excess	Rs. 3,82,74,306
Percentage	0.28

A Supplementary Grant for Rs.30.82 crores was obtained in March 1989 for meeting the increased expenditure in price and quantity of coal (Rs.38.30 crores), increased requirement of fuel under 'Diesel Traction' (Rs.8.11 crores), partly offset by less contractual payments (Rs.4.48 crores), fluctuation in adjustment under transfer debit/credit (Rs.8.31 crores) and other miscellaneous factors (Rs.2.80 crores). The Supplementary Grant proved inadequate by Rs.3.83 crores.

The excess of Rs.3.83 crores occurred under the sub-head Diesel Traction (Rs.9.02 crores) offset by savings under sub-heads 'Steam Traction' (Rs.3.10 crores) and 'Electric Traction' (Rs.2.10 crores). The excess of Rs.9.02 crores on 'Diesel Traction' was attributable to incorrect estimation of requirement of diesel. The excess mainly occurred on Central (Rs.9.27 crores), North Eastern (Rs.1.62 crores) and Southern (Rs.1.28 crores) Railways offset by aggregate of savings/excesses on other Railways (Rs.3.15 crores).

(ii) Grant No.13 - Provident Fund, Pension and other Retirement Benefits.

Original Grant	Rs.575,43,88,000
Supplementary Grant	Rs. 80,34,29,000
Final Grant	Rs.655,78,17,000
Actual expenditure	Rs.749,08,51,414
Excess	Rs. 93,30,34,414
Percentage	14.23

A Supplementary Grant of Rs.80.34 crores was obtained in March 1989 to provide for payment of arrears to pensioners on account of implementation of 4th Pay Commision's recommendations. The Supplementary Grant proved to be grossly inadequate.

The excess of Rs.93.30 crores was mainly under the sub-heads.

(a) Superannuation and Retiring Pension (Rs.56.11 crores) (b) Commuted Pension (Rs.13.26 crores) (c) Death-cum-Retirement Gratuity (Rs.8.38 crores), (d) Family Pension (Rs.16.14 crores) partly offset by aggregate of excesses/savings under other sub-heads (Rs.0.59 crore).

The excess was attributed mainly to more pension cases settled than anticipated and increase in pension cases.

Central Railway accounted for the maximum excess (Rs.22.60 crores) under sub-heads (a) Superannuation and Retiring Pension (Rs.13.46 crores), (b) Death-cum-Retirement Gratuity (Rs.3.86 crores), (c) Commuted Pension (Rs.3 crores), (d) Family Pension (Rs.2.45 crores) over their final allotment. Northern Railway recorded excess (Rs.19.92 crores) under sub-heads (a) Superannuation and Retiring Pension (Rs.12.33 crores), (b) Commuted Pension (Rs.4.44 crores). Southern Railway exceeded the provision (Rs.12.91 crores) under the sub-heads (a) Superannuation and Retiring Pension (Rs.9.28 crores), (b) Family pension (Rs.1.44 crores).

Persistent excesses

Mention was made in paragrph 6.3 of the Report of the Comptroller and Auditor General of India, Union Government (Railways) for the year ending 31 March 1986 about the excess under this Grant. During the subsequent four years, including 1988-89, excess under this Grant persisted. The extent of excess under the main sub-heads of this Grant for the last four years is shown in Table 4 below:

Table 4

(Rupees in crores)

Grant	1985-86			1986-87			1987-88			1988-89		
	Final Grant	Actual Expenditure	Excess	Final Grant	Actual Expenditure	Excess	Final Grant	Actual Expenditure	Excess	Final Grant	Actual Expenditure	Excess
13- Provident Fund, Pension and other Retirement Benefits												
(a) Superannuation and Retiring Pension	155.67	166.47	10.80	181.88	215.21	33.12	273.94	338.33	64.39	303.86	359.97	56.11
(b) Commuted Pension	69.06	72.17	3.11	84.55	97.98	13.43	120.93	141.37	20.44	128.71	141.97	13.26
(c) Family Pension	35.64	34.88	(-)0.76	42.22	46.80	4.58	68.80	82.52	13.72	75.48	91.62	16.14
(d) Death-cum-Retirement Gratuity	75.29	75.48	0.19	97.07	101.57	4.50	129.43	143.64	14.20	133.22	141.60	8.38

(iiii) Grant no.16 - Assets Acquisition, Construction and Replacement-Railway Funds.

Original Grnat	Rs. 1785,49,90,000
Supplementary Grant	Rs. 32,14,19,000
Final Grant	Rs. 1817,64,09,000
Actual Expenditure	Rs. 1824,75,88,107
Excess	Rs. 7,11,79,107
Percentage	0.39

Supplementary grants of Rs.32.14 crores were obtained in August 1988 (Rs.1.50 crores) and March 1989 (Rs.30.64 crores) for providing additional facilities at 'Attari' station and for meeting increased expenditure under Rolling stock (Manufacture of 150 Broad Gauge First Class coaches) and Track Renewals.

An analysis of the excess in some components offset by savings in others is given below:

(i) Track Renewals (excess Rs.22.05 crores). The excess of Rs.22.05 crores is due to escalation in the cost of labour and material and also speedier progress of works - on Central (Rs.5.43 crores), Northern (Rs.2.52 crores), Southern (Rs.2.47 crores), South Central (Rs.5.20 crores) and Western (Rs.6.82 crores) Railways. The actual coverage was 3858 as against the target of 3750 kilometres.

(ii) Machinery and Plant (excess Rs.4.61 crores)

The excess of Rs.4.61 crores was due to procurement of more machinery than anticipated. The excess was mainly on central (Rs.1.06 crores), Northern (Rs.1.35 crores), South Eastern (Rs.1.10 crores) Railways and ICF (Rs.1.46 crores).

(iii) Rolling Stock (Saving Rs.6.96 crores)

A supplementary grant of Rs.18.52 crores was obtained in March 1989. The Supplementary Grant proved excessive to the extent of Rs.17.69 crores (including surrender of Rs.10.73 crores at Final Modification stage). The saving was attributed to less receipt of debits for 'Bulk Order' items. The largest saving occurred on Western Railway (Rs.25.93 crores) followed by Eastern (Rs.16.96 crores), South Eastern (Rs.4.11 crores), South Central (Rs.3.33 crores) and Northern (Rs.1.39 crores) offset by excesses on Central (Rs.17.45 crores), Southern (Rs.12.49 crores), North Eastern (Rs.7.25 crores) and Northeast Frontier (Rs.7.56 crores) Raiways.

(iv) Computerisation (Saving Rs.2.89 crores)

The saving was mainly due to less expenditure under cost of materials and freight. The largest saving occurred on Central (Rs.1.29 crores) followed by Western (Rs.0.83 crore) and South Central (Rs.0.50 crore) Railways.

Excess over Appropriations

1.10.4 An excess of Rs.50.94 lakhs attributable to more decretal payments requires regularisation under Article 115 of the Constitution, as detailed below:

No. and name of the Appropriation		Final Appropriation	Actual Expenditure	Excess	Percentage
			(Amount in Rs.)		
3	General Superintendence and Services on Railways	2,42,000	2,58,575	16,575	6.85
4	Repairs and Maintenance of Permanent Way and Works	2,86,000	52,03,665	49,17,665	1719.46
7	Repairs and Maintenance of Plant and Equipment	2,97,000	3,39,347	42,347	14.26
9	Operating Expenses Traffic	5,07,000	5,68,807	61,807	12.19
11	Staff Welfare and Amenities	67,000	1,22,110	55,110	82.25
				50,93,504	

Savings

1.10.5 In 14 Grants, the actual expenditure amounted to Rs.12925.27 crores against the provision of Rs.13162.74 crores leading to a saving of Rs.237.47 crores or 1.8 per cent of the final provision as shown in Table 5 below:

Table 5

Statement showing savings in Grants - 1988-89

(Rs. in crores)

No. and Name of the Grant		Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Savings	Per cent
1	Railway Board	8.54	--	8.54	8.35	0.19	2.22
2	Miscellaneous Expenditure (General)	55.51	0.01	55.52	50.82	4.70	8.47
3	General Superintendence and Services	398.66	--	398.66	393.09	5.57	1.40
4	Repairs and Maintenance of Permanent Way and Works	820.43	8.53	828.96	819.82	9.14	1.10
5	Repairs and Maintenance of Motive Power	658.30	--	658.30	626.80	31.50	4.79
6	Repairs and Maintenance of Carriage and Wagons	869.41	--	869.41	838.06	31.35	3.60
7	Repairs and Maintenance of Plant and Equipment	442.59	--	442.59	425.98	16.61	3.75
8	Operating Expenses - Rolling Stock and Equipment	702.37	--	702.37	685.51	16.86	2.40
9	Operating Expenses - Traffic	926.46	19.00	945.46	943.99	1.47	0.16
11	Staff Welfare and Amenities	287.29	--	287.29	283.93	3.36	1.17
12	Miscellaneous Working Expenses	429.91	5.79	435.70	429.37	6.33	1.45
14	Appropriation to Funds	2149.00	--	2149.00	2135.25	13.75	0.64
15	Dividend to General Revenues, Repayment to loans taken from General Revenues and Amortization of Overcapitalisation	778.94	--	778.94	758.70	20.24	2.60
16	Assets-Acquisition, Construction and Replacement Capital	4561.99	0.02	4562.01	4488.69	73.32	1.60
	Revenue	39.99	--	39.99	36.91	3.08	7.70
	Total	13129.39	33.35	13162.74	12925.27	237.47	1.80

Major savings occurred in the following Grants

(i) Grant No.5 - Repairs and Maintenance of Motive Power

Against the Budget provision of Rs.658.30 crores, the actual expenditure incurred amounted to Rs.626.80 crores. The Original Grant proved excessive to the extent of Rs.31.50 crores (4.78 per cent). The Ministry had surrendered funds to the extent of Rs.24.88 crores only in March 1989.

The savings were mainly under the sub-heads "Electric Locomotive" (Rs.10.47 crores), "Rail Cars and Ferry Steamers" (Rs.9.16 crores), "Diesel Locomotives" (Rs.5.03 crores), 'Steam Locomotives' (Rs.4.08 crores) and "Establishment in Offices" (Rs.2.76 crores). South Central Railway accounted for the maximum saving (Rs.11.79 crores) followed by Southern Railway (Rs.5.81 crores), Central Railway (Rs.5.43 crores) and Western Railway (Rs.5.40 crores).

(ii) Grant No.6 - Repairs and mainte nance of Carriages and Wagons

Against the Budget provision of Rs.869.41 crores, the actual expenditure incurred amounted to Rs.838.06 crores. The Original Grant proved excessive to the extent of Rs.31.35 crores (3.4 per cent). Rs.15.52 crores were surrendered only in March 1989.

The savings were mainly under the sub-heads "Miscellaneous Repairs and Maintenance" (Rs.9.85 crores), Carriages (Rs.6.18 crores), Electrical Multiple Units (Rs.7.50 crores), Wagons (Rs.3.6 crores) and Electrical General Services (Rs.2.88 crores). The Western Railway accounted for the maximum saving (Rs.14.01 crores) followed by Northern Railway (Rs.10.43 crores) and Southern Railway (Rs.7.19 crores).

(iii) Grant No.8 - Operating Expenses - Rolling Stock and Equipment

Against the Budget Provision of Rs.702.37 crores, the actual expenditure incurred amounted to Rs.685.51 crores. The Original Grant proved excessive to the extent of Rs.16.86 crores (2.4 per cent). Even after meeting the excess expenditure of Rs.5.60 crores under the sub-head "Traction-other than Rolling Stock and General Electrical Services", the Ministry had surrendered Rs.12.86 crores only in March 1989.

Central Railway accounted for the maximum saving (Rs.4.94 crores) followed by Southern Railway (Rs.4.12 crores), Western Railway (Rs.2.52 crores), Northern Railway (Rs.2.60 crores) and South Central Railway (Rs.1.84 crores).

Persistent savings

Since 1986-87 savings in some Grants persisted as shown in Table 6.

Table 6

(Rupees in crores)

No. and Name of the Grant	1986-87 Final Grant	1986-87 Actual Exp.	1986-87 Savings	1987-88 Final Grant	1987-88 Actual Exp.	1987-88 Savings	1988-89 Final Grant	1988-89 Actual Exp.	1988-89 Savings
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
3 General Superintendence and services	323.26	314.22	9.04	370.50	365.24	5.26	398.66	393.09	5.57
4 Repairs and Maintenance of Permanent Way and Works	660.40	651.95	8.45	758.57	746.86	11.71	828.96	819.82	9.14
6 Repairs and Mainte- of Carriages and Wagons	703.01	690.65	12.36	758.16	778.66	6.50	896.41	838.06	31.35
7 Repairs and Maintenance of Plant and Equipment	369.43	361.63	7.80	403.52	395.29	8.23	442.59	452.98	16.61

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
8 Operating Expenses Rolling Stock and Equipment	552.53	541.25	11.28	654.57	653.93	0.64	702.37	685.51	16.86
11 Staff Welfare and Amenities	226.14	222.74	3.40	262.74	256.76	5.98	287.29	283.93	3.36
12 Miscellaneous Working Expenses	328.07	308.26	19.81	380.49	379.26	1.23	435.70	429.37	6.33

Control Over Expenditure

1.10.6The following are some instances where budgetary control was defective:

(i) Reappropriation

Some of the instances where reappropriations made were wholly or partially unnecessary are furnished in Table 7 below:

Table 7

(Rupees in crores)

Grant No. and sub-head		Sanctioned grant	Amount reappropriated	Final grant	Actual expenditure	Excess(+) Savings(-)
6	Repairs and Maintenance of Carriages and Wagons					
	(b) Carriages	285.37	2.02	287.39	279.20	(-) 8.19
	(c) Wagons	343.00	1.77	344.77	339.92	(-) 4.85
7	Repairs and Maintenance of Plant and Equipment					
	(g) Rental to P&T for S&T circuit	15.87	6.26	22.13	16.14	(-) 5.99
12	Miscellaneous Working Expenses					
	(b) Compensation Claims (V)	103.13	7.32	110.45	103.23	(-) 7.22
	(C)	6.89	0.72	7.61	3.23	(-) 4.38
13	Provident Fund, Pension and Retirement Benefits					
	(b) Commuted Pension	130.49	(-) 1.78	128.71	141.97	(+)13.26
	(c) Death-cum-Retirement Gratuity	134.59	(-) 1.37	133.22	141.60	(+) 8.38
16	Assets-Acquisition, Construction and Replacement Capital					
	(h) Rolling Stock	23.88	(-) 8.17	15.71	41.31	(+)25.60
	(w) Store Suspense	1484.77	(+)15.77	1500.54	1461.83	(-)38.71
	(x) Manufacture Suspense	1522.07	(-)65.16	1446.91	1487.19	(+)40.28

(ii) Supplementary Grants

Supplementary Grants (voted) aggregating Rs.176.66 crores were obtained in August 1988 and March 1989 as indicated below:

Grant No.		Original	Supple-mentary	Total	Actual expenditure	Excess (+) Saving (-)
		Amount of Grant				(Rupees in crores)
2	Miscellaneous Expenditure	55.51	0.01	55.52	50.82	(-) 4.70
4	Repairs and Maintenance of Permanent Way and Works	820.43	8.53	828.96	819.82	(-) 9.14
9	Operating Expenses Traffic	926.46	19.00	945.46	943.99	(-) 1.47
10	Operating Expenses Fuel	1328.52	30.83	1359.35	1365.17	(+) 3.82
12	Miscellaneous Working Expenses	429.91	5.79	435.70	429.37	(-) 6.33
13	Provident Fund Pension and Retirement Benefits	575.44	80.34	655.78	749.08	(+)93.30
16	Capital	4561.99	0.02	4562.01	4488.69	(-)73.32
16	Railway Funds	1785.50	32.14	1817.64	1824.76	(+) 7.12

The Supplementary Grants obtained in respect of Grants 10, 13 and 16 (Railway Funds) proved inadequate to the actual requirement, whereas the funds obtained in respect of grants 2, 4, 12 and 16 (capital) remained unutilised.

(iii) Surrender of funds

At the Final Modification stage there were surrenders amounting to Rs.161.15 crores in ten Grants out of a total budget provision of Rs.8763.59 crores for sixteen grants. Out of the ten Grants, the actual expenditure exceeded the final Grants in respect of the following two Grants:

(Rs. in crores)

Grant No.	Original Grant	supple-mentary Grant	Surrender	Final Grant	Actual Expenditure	Excess
3 General Superintendence and Services on Railways	398.66	--	6.15	392.51	393.09	00.58
16 Assets - Acquisition, Construction and Replacement - Capital	4561.99	0.02	81.18	4479.84	4488.69	8.85

The requirement of funds was not assessed on a realistic basis and the surrender of funds was injudicious.

Other topics

1.11.1 Outstanding Audit Objections

Financial irregularities and defects noticed during central and local Audit are included in the Test Audit Notes/Inspection Reports/ special letters issued to the Departmental Officers for necessary action. The Financial Adviser and Chief Accounts Officers to whom copies of such communications are endorsed watch the expeditious settlement of these audit objections. Settlement of 3579 audit objections issued up to 31 March 1989 was pending on 31 August 1989. The money value of the objections was Rs.513.04 crores. The details are given in Annexure II. Objections pending settlement for over three years as on 31 August 1989 were 853 with a money value of Rs.140.14 crores. Some of the objections were outstanding since 1971.72.

1.11.2 Cheques and Bills

The system of Railway accounts provides for credit to a suspense head 'Cheques and Bills' as soon as cheques for payment are issued. Later when banks make payment against the cheques, the head is debited. The balance under this head should, therefore, represent mainly the total value of uncashed cheques. The system also envisages that the balance under 'Cheques and Bills' should be reviewed and reconciled half-yearly and the amounts relating to uncashed cheques remaining for more than six months after the dates of issue should be cleared from this suspense head treating them as Railway earnings.

A review of the balances under this suspense head disclosed the following:

- the outstanding at the end of March 1989 included substantial balances which pertained to earlier years as per details given in Annexure III.

- reconciliation procedures which would have brought to light fraudulent payments on railway cheques were not followed on Northern Railway, for the period December 1977 to March 1982.

- in production unit Varanasi, the account of this suspense head was maintained inefficiently as the balance under this head showed (-) Rs.3.99 crores as on 31 March 1989.

1.11.3 Recoveries at the instance of Audit

During 1988-89, Rs.8.82 crores were recovered or agreed to be recovered at the instance of Audit. Further, an amount of Rs.0.20 crore was also recovered as a result of review on the basis of audit objections.

1.11.4 Non-production of documents to Audit for scrutiny

(i) Vouchers

Requisition for vouchers are made by Audit from time to time. Unless the vouchers and the connected records, as requisitioned, are made available in time for scrutiny, the correctness of the payments and receipts in respect of transctions and the accuracy of the accounts compiled connot be vouched and certified by Audit.

Following the Report of Comptroller and Auditor General of India, Union Government (Railways) - 1982-83 on non-availability of vouchers for Audit scrutiny instructions were issued in November 1984 to Zonal Railways/ Production Units to ensure speedy availability of vouchers and connected records to Audit. The arrears in Audit work are persisting due to non-availability of vouchers.

A large number of requisitions for vouchers have not been complied with in spite of several reminders. The number of vouchers not made available at the end of 31 March 1989 was 19839 with money value of Rs.183.94 crores (Annexure IV). Some of these vouchers (170) were pending for over five years. The maximum number of vouchers not made availble pertained to Eastern Railway (6932).

(ii) Tenders and contract documents

There was considerable delay in making available to Audit tenders/contracts placed by the Railway Administration for supply of stores. Mention of this too was made in para 7.2 of the Report of the Comptroller and Auditor General of India for 1982-83. It was seen that as on 31 March 1989, 13355 tender/contract files (total value Rs.688.66 crores) were to be made available to Audit (Annexure IV).

1.11.5 On-going Railway line projects

The Public Accounts Committee (Seventh Lok Sabha) in their 73rd Report had observed that inordinate delays in completion of major projects undertaken by Railways and the consequent heavy escalation in costs called for a policy decision for starting only such projects as could be completed within the available funds so that the benefits of the projects could reach the Public at the earliest. Again in their 137th Report, (Seventh Lok Sabha) the Committee recommended that the Railways should take a policy decision to start only such projects which could be completed within the available funds and the target date of projects should be strictly adhered to.

Instances of delays in the execution of projects resulting in time and cost overrun and non-achievement of benefits envisaged in the Project Reports were mentioned in Para 2 of the Advance Report of Comptroller and Auditor General of India for the year 1983-84 - Union Government (Railways) and also in para 5 of the Report of the Comptroller and Auditor General of India for the year 1984-85 - Union Government (Railways).

28 New lines, for which foundation stones were laid since 1974 are still under construction. Their progress varied between 3 and 95 per cent. In respect of 3 lines sanctioned in 1974-75, the progress varied between 9 to 59 per cent. The original cost of these projects (28) was revised (from time to time) from Rs.975.66 crores to Rs.2154.48 crores.

Similarly, eight Gauge conversion Projects sanctioned since 1973-74 and onwards are still under execution by four Zonal Railways. The progress in respect of three projects sanctioned long ago (two of 1974-75 and one of 1984-85) was nil. The progress in respect of other projects varied between 6 and 78 per cent. The cost of these projects had increased from Rs.163.22 crores to Rs.523.91 crores.

1.11.6 Punctuality

Out of a total of 7243 (Broad Gauge - 5209, Metre Gauge - 1751 and Narrow Gauge - 283) passenger trains run by Indian Railways, 690 are Mail/Express trains. The targets for their punctuality are 85 per cent and 95 per cent for Broad Gauge and metre Gauge trains respectively. The target fixed for Broad Gauge and metre Gauge (combined) is 90 per cent. The Railway Board monitors the movement of a few prestigious trains numbering 244 (122 pairs). The targets fixed were not achieved in the case of the selected few important trains during the last five years as shown in Table below:

Table 8

	1984-85	1985-86	1986-87	1987-88	1988-89
Broad Gauge	75.6	78.2	82.3	80.8	83.2
Metre Gauge	88.9	88.9	91.3	93.4	93.9
Combined	80.7	82.5	85.4	84.8	86.6

CHAPTER-II

APPRAISALS

2.1 Inventory Control

1. Introduction

The prime object of inventory control is to keep down investment on inventory and minimise its carrying cost without detriment to the requirements of production, operation and maintenance. Inventory control helps in the maintenance of inventory at an optimum level without sacrificing service to the users. For efficient inventory control, it is essential that the procurement cycle for all the items is put on a sound footing whereby each item of inventory is reviewed periodically and further procurement action decided.

Integral to inventory control are budgetary control, performance targets and reduction in multiplicity of equipment, reduced dependence on imports which have attendant problems like long lead time and consequential excess stocking, and obsolesence, rationalisation and standardisation of items and pragmatic budgeting.

The Railway Reforms Committee (1983) laid considerable stress on the effect of high inventory balance on Railway finance and observed that at the rate at which Railways were paying dividend on their capital base, the Railways paid Rs.5.23 crores pro rata extra compared to 1978-79 (the best year) because of change in the efficiency index. The Committee also observed that the tempo of inventory control relaxed considerably after 1979 and the efficiency index rose from 33 per cent in 1978-79 to 42 per cent in 1981-82.

2. Organisation

Responsibility for materials management on the Railways rests with the Stores Directorate which functions under Member (Mechanical) and Member (Electrical). The Controller of Stores (COS), coordinates the purchase activities on Zonal Railways/Production Units in consultation with the Financial Adviser and Chief Accounts Officers.

Purchases are made for the Indian Railways/Production Units at three different levels, viz.,

- The Railway Board for centralised procurement;
- Directorate General of Supplies and Disposals(DGSD) for Zonal Railways/Production Units; and
- Direct purchases by Zonal Railways and Production Units.

The Railway Board have reserved to themselves the right to call for tenders and let contracts for supply of the following items:

- Indian Railway Standard Locomotives, carriage under-frames and wagons;
- Coal including steam coal and soft coke;
- rails and fish plates;
- cast iron sleepers, PSC sleepers; and
- wheels, tyres, axle, bearings, bogies and other inputs of rolling stock.

For common user items, both industrial and non-industrial, purchase is centralised through D.G.S.D. as for other Central Government Departments. These items include mainly air compressors, grinding wheels, electrodes, x-ray films, lubricating oil, lathes, paper, C.I. pipes, storage batteries, textiles, aluminium cables, paints, office equipments, etc.

Direct purchase by the Railways/Production Units is arranged by the Stores Department under the Controller of Stores. The object of centralised stores organisation is to assess the requirements of materials required by various branches and initiate action for procurement, stock and issue to the consuming units.

3. Scope of Review

Indian Railways purchase inventory worth Rs.3200 crores on an average every year. Inventories account for about 41 per cent of the operating cost of Railways and hence any economies effected by scientific inventory management have a significant impact on Railways funds. During 1983-84 to 1987-88 stores balances registered a steep increase from Rs.352.31 crores in 1983-84 to Rs.518.19 crores in 1987-88 with the turn over ratio ranging between 31 and 35 per cent.

With a view to assessing the efficiency of the inventory control system, various aspects like the system of indenting by consuming departments, purchase procedures, stocking and issue of stores, over stock/surplus stocks, accountal and disposal of scrap, balances in purchase Accounts were reviewed.

4. **Highlights**

- **The efficiency of inventory management is judged by the turn over ratio which represents the percentage of store balances at the end of the year to the total issues during the year. The target by the end of Seventh Plan i.e. by 1989-90 was 27 per cent which itself is a low target. The ratio achieved for all Railways was 32 at the end of 1987-88 much lower than the target. The ratio varied significantly from 79 and 45 in Northeast Frontier and North Eastern Railways to 26 in the Central and 25 in the Southern Railways.**

- **Inventory norms recommended by the Committee on Inventory Management on Railways in 1977 were yet to be fixed for two Production Units. There was a tendency to exhibit a low turn over ratio by over stating issues at the end of the financial year vitiating the true state of affairs.**

- **There were considerable delays in taking procurement action after receipt of requisitions. There were delays in finalisation of tenders ranging from three to twenty four months in some of the cases test checked.**

- **Due to lack of co-ordination and delay in procurement action, Railways suffered a loss of Rs.142.16 lakhs. Working of some of the stores depots was not satisfactory. There had been delays in placing orders and recouping the stores.**

- **The percentage of imported stores had been increasing over the years with a markedly sharp increase in the three production units.**

- **Unplanned excess production of steam loco components by Chittaranjan Locomotive Works resulted in inactive inventory of Rs.1.25 crores.**

- **There were several stock sheets issued after verification by stock verifiers of Accounts Department indicating a total difference of Rs.16.62 crores and still outstanding in three Railways and two Production Units.**

- **Effective steps were not taken for speedy disposal of scrap resulting in accumulation. Instances were also noticed in one Railway where the unit value of sale of scrap metal was declining although there was a steady upward trend in the prices of iron and steel.**

- **Computerisation of inventory control has not been exhaustive covering all aspects of inventory management.**

5. **Budgetary Control**

The requirement of funds for purchase of stores for general purposes are budgeted under Demand No.16 along with the requirement of funds for Works, Workshop Manufacture Suspense and Miscellaneous Advance (Capital) account. Materials are procured by the Railways to cater to the needs of

- operation and maintenance of rolling stock and other assets on the divisions;
- manufacturing and repairing activities in the Railway Production Units and workshops; and
- acquisition/construction of new assets under the works, machinery and rolling stock programmes.

While the materials required for the first two are mostly kept in stock in stores depots and issued on demand, the materials purchased for the third are generally consigned direct to the indentors and charged to the final heads of accounts wherever identifiable ab initio. These purchases are, therefore, termed as direct delivery purchases. The stores in stock are charged to Capital (stores suspense) and on issue to the consumers, are debited to the concerned final Revenue/Capital head of account.

6. **Inventory Turn Over Ratio**

The main criterion for judging the efficiency of inventory management is the turn over ratio i.e., the percentage of store balances at the end of the year to the total issues during the year. The Committee on Inventory Management on Railways recommended in 1977 that inventory norms should be progressively reduced to 50 per cent of the total output level in the course of two years by 1979. It also recommended that Production Units should fix norms separately for stores suspense and workshop manufacture suspense. No such norms had been fixed for Chittaranjan Locomotive Works (CLW) and Diesel Locomotive Works (DLW) (August 1989).

The Railway Reforms Committee (1983) decried the practice of suppliers being asked to postpone delivery, purchase orders being delayed or not placed unless the users were willing to accept the materials directly under Revenue heads, thus bypassing Stores Suspense, and user departments being encouraged to submit requisition for large amounts of materials not needed etc. officially and openly to depress the inventory accountal for the last day of financial year. The Railway Reforms Committee recommended (in para 4.10) that inventory ratio should be based on the average inventory held during the year and not on the figure of 31 March. The Railway Board, however, continue to exhibit the ratio on the balances at the end of the financial year. In December 1985, the Railway Board desired that the Railways should improve the inventory turn over ratio and achieve an all Railway figure of 27 per cent by the end of the Seventh Plan i.e. by end of 1989-90. The turn over ratio achieved by the Railways at the end of 1988 was 32. (Details in Annexure-V.)

Turn over Ratio worked out with reference to the closing balance under 'Stores' as at the end of the year did not reveal the correct position in some Railways as considerable quantities of stores shown as issued during the later quarters of the year were either still in stock in stores depots or lying unused on the shop floor, being much in excess of requirement as evidenced in the succeeding paragraphs.

Northern Railway:

To keep the inventories at a low level at the end of 1986-87, 105 items of stores valued at Rs.3.2 crores were shown as issued to Electric Loco Shed, Kanpur on 31 March 1987 but actually these were lying under the custody of Assistant Controller of Stores, Kanpur.

The turn over ratio of Diesel and Electric Loco spares ranged between 33 and 79 per cent during 1983-84 and 1987-88 which was due to reluctance on the part of the stores officer of Diesel Shed to part with the items in excess of requirement and offer them to other needy Railways.

Southern Railway:

Steel items valued at Rs.1.05 crores were shown as issued on 31 December 1988 to Engineering Workshops at Arakkonam and Signal and Telecommunication workshop at Podanur without ascertaining the stock position. The issues to the workshops only added to the excess stock already existing in the workshops and brought down the turn over ratio to achieve the prescribed target fixed by the Railway Board.

South Central Railway:

While the overall turn over ratio at the end of 1986-87 and 1987-88 was within the limit prescribed by the Railway Board, the turn over ratio in respect of some (eleven) group of stores viz., Diesel and Electric Loco parts, Roller Bearings, etc., was as high as 72.42 per cent. Reasons for the high ratio were receipt of stores from DLW/Varanasi without any indents by the Railway and reluctance of the Mechanical Department for disposal of overstocks.

Chittaranjan Locomotive Works:

The turn over ratio for this Production Unit rose from 30.24 in 1983-84 to 70.78 per cent in 1987-88. The reasons were:

- heavy outstandings of stores-in-transit valued at Rs.1.37 crores;
- heavy outstandings over one year in Purchase Account on account of advance payment - Rs.5.70 crores as debit and Rs.6.38 crores as credit; and
- heavy outstandings in Miscellaneous Advance(Capital) on account of fabrication charges and issues to fabricators (Rs.2.25 crores as debit and Rs.1.10 crores as credit).

Diesel Locomotive Works:

The turn over ratio worked out by the Production Unit in each year did not include the value of electrics received from Bharat Heavy Electricals Limited (BHEL) as they were not routed through stores but sent straightaway to workshop. Had the value of these electrics been taken into account, the turn over ratio would have been between 70.98 in 1983-84 and 65.92 per cent in 1987-88 instead of 36.45 and 29.51 per cent respectively worked out by the DLW.

7. A B C analysis

The system of indenting is based on annual requirements. The stores in stock items are categorised as A, B1, B2 and C to effectively implement inventory measures by bestowing greater attention on a few high value items.

According to norms, items having 70 per cent of annual consumption value will fall in category A, items having 20 per cent of annual consumption value will fall under categories B1 and B2 and the remaining will come under category C. Items falling under category A are required to be reviewed monthly at the highest level on Zonal Railways. The review should cover provisioning, indenting, ordering, staggering of supplies, revision of the quantity and cancellation of the ordered quantities. Similarly, items falling under categories B and C are to be reviewed at appropriate levels.

Analysis of stores in stock held on 31 March 1988 by the South Central Railway with reference to their consumption pattern revealed that the value of stores in stock held on 31 March 1988 in respect of 1672 items of A, B1 and B2 categories was Rs.15.68 crores against the total value of Rs.23.33 crores in respect of 14869 items of all categories. A ceiling limit of 3 months holdings was prescribed for A items and 6 months for B1 and B2 items. However, in respect of 27 per cent of the stores of A category, 25 of B1 category and 22 of B2 category, stores held exceeded the ceiling limits. The value of such excess stock was Rs.6.29 crores. The value of excess stock held over 12 months consumption even in respect of 125 items of A, B1 and B2 categories amounted to Rs.2.04 crores.

The excess stock in all these cases had accrued mainly on account of procurement during 1987-88 in excess of the anticipated annual consumption and issues much less than those anticipated. This would indicate that inventory control was not effective and with better control and by adhering to the ceiling limits of holdings prescribed by the Railway Board the excess stock of Rs.2.04 crores at least could have been avoided.

On Diesel Locomotive Works the value of overstock items under categories A and B as on 31 March 1988 held for more than 3 months and 6 months respectively was Rs.8.76 crores. Overstock resulted on account of excess procurement of steel plates and sheets and diesel loco components during 1983-84 to 1985-86.

On Chittaranjan Locomotive Works 2276 items did not move for three to five years. The value of overstock items was Rs.37.60 lakhs.

On the South Eastern Railway the value of overstock items ranged between Rs.3.46 crores and Rs.0.97 crore during 1983-84 to 1987-88.

On the Northern Railway, though instructions for condemnation of steam locomotives were issued in 1982, procurement of steam loco components continued and value of inactive components rose from Rs.109.94 lakhs in 1983-84 to Rs.133.33 lakhs in 1987-88.

On the Eastern Railway the value of overstock items which did not move for 12 months and more was Rs.2.52 crores as on 31 March 1988.

On the Central Railway, value of non-moving items had increased from Rs.13.37 lakhs in 1983-84 to Rs.34.45 lakhs in 1987-88.

In the Wheel and Axle Plant at Yelahanka, Bangalore value of overstock items stood at Rs.2.21 crores as on 31 December 1988.

8. Procurement of Stores

8.1 Delays in procurement action

The provisioning time in Headquarters office for issue of orders in respect of indents received was fixed at a maximum of 39 days pursuant to the recommendations contained in the first Report of the Committee on Inventory Management. This was, however, not followed in all cases.

Mention was made in Para 8 of the Report of the Comptroller and Auditor General of India - Union Government (Railways) for 1984-85 about large scale stabling of BOXN wagons due to non-availability/delayed receipt of inputs for wagons resulting in financial loss to Railways.

In Para 3.2 a comment has been made on abnormal delay in the finalisation of tenders for procurement of high tensile and rivet bars for construction of superstructure of the bridge on the river Krishna on the South Central Railway.

A test audit conducted in the Central Railway of 155 requisitions, selected at random, out of the requisitions received in the Office of Controller of Stores during 1985-86 to 1987-88 revealed considerable delays in taking procurement action after receipt of requisitions.

	percentage to total reviewed	
Orders placed within 3 months	3	1.94
Orders placed from 3 to 6 months	33	21.29
Orders placed from 6 to 9 months	64	41.29
Orders placed from 9 to 12 months	22	14.19
Orders placed from 1 year to 2 years	33	21.29
	155	100.00

Procurement action was thus delayed in respect of more than 76 per cent of the cases reviewed. This was particularly in the context that majority of purchases made direct by COS during 1983-84, 1984-85, 1985-86, 1986-87 and 1987-88 were on limited tender basis requiring less provisioning time than in the case of open tenders. The percentage of the number of such cases was 73, 66, 56, 58 and 60 respectively. Open tenders were invited only in 4.3, 1.47, 3.19, 2.40 and 5.40 per cent respectively of the total number of cases. The development of new sources of supply and obtaining competitive rates were thereby considerably reduced.

On the South Central Railway the time fixed from the date of receipt of indents for placing purchase orders is 70 days and 90 days after invitation of limited/open tenders respectively. Out of 20,661 requisitions received by the COS during 1987-88, only in 6562 (31.8 per cent) cases purchase orders were placed within a period of three months and for the rest there were delays in placing purchase orders. A test check of 529 purchase orders issued by one particular section of the COS during 1987-88, revealed delays ranging over 60 days to 510 days in 311 cases.

Procurement of boiler flue tubes required during POH of steam locos is done by the Railway Board through rate/running contracts. The indent of 1237 tubes for the Parel workshop, Central Railway for the year 1985 was sent to the COS office in October 1983 where the quantity was reduced to 320 in October 1984. The delay in the submission of indent and coverage of an inadequate quantity and delay in supply of the material necessitated local purchase of 1042 tubes during 1985 at a higher rate resulting in an extra expenditure of Rs.6.50 lakhs.

In a subsequent indent to the Railway Board, the Central Railway projected a higher requirement of material by indenting more number of boiler tubes than actually required, which led to overstocking of 1005 tubes valued at Rs.15.16 lakhs (February 1988).

The requirement of Servogen - (grease) of the Jhansi Depot of the Central Railway for the period 1 July 1987 to 30 June 1988 was covered by D.G.S.D's rate contract. The COS reduced the requirement of the Depot from 60,000 to 28,600 kgs. and took a long time to send the indent to the D.G.S.D. Delay in placing the indent forced the Depot to make emergency purchase of the material at a higher rate resulting in an extra cost of Rs.12.58 lakhs during 1987-88 and 1988-89.

On the South Eastern Railway lack of planning and co-ordination between Stores Department and consumer departments resulted in accumulation of stores worth Rs.87.22 lakhs in Stores Depots.

8.2 Delay in finalisation of tenders

There were cases where on account of delay in the finalisation of tenders, within the period of their validity, tenderers refused to accept the orders and the Railways had to incur extra expenditure/loss for procurement of stores. The number of instances noticed in Audit and the consequential extra expenditure were :

Railways	no. of cases	extra expenditure/loss (in lakhs of Rs.)
South Central	34	13.13
Central	3	5.99
Southern	1	0.98
Western	1	0.60
	39	20.70

8.3 Avoidable imports

On Northern Railway it was observed that though rotor assembly for Diesel Locos was indigenously available at cheaper rate, 44 rotor assemblies were imported at a higher rate resulting in an extra expenditure of Rs.53.71 lakhs.

Due to failure to manufacture spares and components for the diesel locomotives by DLW heavy imports had to be resorted to:

	(Rs. in crores)		
	imported for DLW	**imported for Zonal**	**Total**
1983-84	19.15	36.10	55.25
1984-85	11.66	43.34	55.01
1985-86	9.29	49.18	58.47
1986-87	21.16	70.00	91.16
1987-88	17.25	50.00	67.75

Though import for DLW's own production had not shown any large variation, import for Zonal Railways rose from Rs.36 crores in 1983-84 to Rs.70 crores in 1986-87 and then came down to Rs.50 crores in 1987-88. Large imports of components resulted in overstocking in the Railways.

Anticipating certain orders from the Railway Board for manufacture of MG wheelsets for the ICF, the Wheel and Axle Plant (WAP) at Bangalore imported 120 Graphite Mould Blanks 43.5" dia from a foreign firm at a cost of Rs.1.06 crores against an order placed in May 1986.

Order for manufacture of MG wheels had not so far been placed on WAP and no infrastructure facilities were created. The import of MG Blanks was thus injudicious and premature.

The Committee on Inventory Management on Railways recommended in 1977 that concerted efforts should be made by the Railways and Production Units to reduce dependence on imports. The Railways especially Production Units, failed to reduce their imports and the value of imports continued to increase rapidly. Total imports made by the Zonal Railways and Production Units and separately for the three Production Units during the last five years were:

(in crores of Rs.)

	1983-84	1984-85	1985-86	1986-87	1987-88
1. Railways including Production Units					
(a) Stores purchased	2052.70	2181.90	2716.70	3235.40	3332.70
(b) Imported stores	168.80	124.70	225.30	333.60	334.40
(c) Percentage of imported stores	8.22	5.71	8.29	10.31	10.03
2. C.L. Works					
(a) Stores purchased	58.04	50.83	61.93	101.34	135.96
(b) Imported stores	18.39	13.97	11.76	37.88	53.47
(c) Percentage of imported stores	31.68	27.48	18.98	37.37	39.32
3. D.L. Works					
(a) Stores purchased	106.93	92.55	121.14	133.22	141.21
(b) Imported stores	55.25	55.01	58.47	91.16	67.75
(c) Percentage of imported stores	51.66	59.43	48.26	68.42	47.99
4. I.C.Factory					
(a) Stores purchased	56.62	65.14	86.22	76.65	104.58
(b) Imported stores	12.84	12.48	27.37	14.77	23.73
(c) Percentage of imported stores	22.67	19.15	31.74	19.26	22.69

The percentage of imported stores has been increasing over the years with a markedly sharp increase in the three Production Units. Failure on the part of the Production Units to manufacture components for locomotives/coaches resulted in large imports of components particularly by the Diesel Locomotive Works.

8.4 Procurement of defective stores

Western Railway

Brake blocks are usually manufactured in Railway workshops and supplied to the Stores Department for issue to consuming departments. 7627 brake blocks valued at Rs.3.58 lakhs were procured from a firm in September 1981, but due to manufacturing defects the materials were not found suitable and had not been utilised so far.

North Eastern Railway:

In respect of five cases for procurement of stores viz., paints and coupling draw bars, the Railway spent Rs.13.96 lakhs during 1980 to 1988. The stores were defective and could not be utilised for the purpose for which these were obtained.

Wheel and Axle Plant:

A weigh bridge costing Rs.6.92 lakhs procured in December 1981 commissioned in June 1984. It went out of order frequently and from January 1985 it stopped working and was lying idle for the last four years.

Diesel Locomotive Works:

During 1984-85 to 1987-88 stores and components worth Rs.2.91 crores were found defective at the shop floors and replacements were made on M-13 - M-14 (4590 cases) vouchers. But no action for replacement under warranty clause was taken by DLW. These losses were neither analysed nor debited to the final head under Workshop Manufacture Suspense.

South Eastern Railway:

South Eastern Railway procured 15900 mild steel bearing plates at Rs.2.03 lakhs in May 1987 after inspection by RITES. It was detected after receipt that the material did not conform to the required specification and the stock was lying unutilised. No formal rejection memo was issued by the Railway.

8.5 Excess production of steam loco castings

The steel Foundry of Chittaranjan Locomotive Works was established in 1963 for production of steam locomotive components and Co-Co bogies both for diesel and electric locomotives. Although production of steam loco was phased out in 1971-72, production of components for steam loco continued without actual demands/indents from Railway. This unplanned production resulted in surplus castings worth Rs.1.25 crores. Despite attempts made by the CLW with the intervention of the Railway Board progress made in disposing the components was negligible. The castings are lying in an open yard.

For expansion of the steel foundry and extension of the Alloy Iron Foundry, CLW procured steel materials worth Rs.24.39 lakhs during 1980-81 to 1982-83. The work was entrusted to a construction organisation of the Eastern Railway. But no steel material was used. CLW, therefore, diverted the steel materials, worth Rs.7.31 lakhs, to other works and the balance worth Rs.17.08 lakhs were lying unutilised since their procurement (September 1989).

8.6 Unnecessary/excess procurement of stores

A test check by Audit revealed that stores were purchased in excess of requirements which resulted not only in inflation of stores balances but also in blocking up of capital. These show that proper care was not taken in assessing the requirement of stores.

Northern Railway

(a) 12,301 metres of power cable were procured by the Diesel Shed, Charbagh, Lucknow in October 1986. 1100 metres were issued up to February 1988 leaving a balance of 11,201 valued at Rs.30.37 lakhs. The average annual consumption of the material worked out to about 550 metres.

Similarly 5820 springs, received in 1983 were lying idle since their receipt. The value of stores was Rs.3.52 lakhs. 43 needle bearings costing Rs.3.16 lakhs received in September 1983, were also lying idle since their receipt. 1225 metres of NICCO single case power cable, costing Rs.2.46 lakhs, were lying since July 1986 without any use. The average annual consumption worked out to 90 metres. A total quantity of 1485.500 kgs of bending wire was received during 1982 to 1987 out of which 60 kgs only were issued up to March 1983. There was no further consumption of this material after March 1983. The value of stores was Rs.3.76 lakhs.

Southern Railway:

Despite low consumption during the past five years, 110 wheel tyres were procured for Ponmalai workshop at a cost of Rs.4.94 lakhs in October 1983. Five fire box inners costing Rs.1.66 lakhs were procured in 1986-87 for steam locomotives. The stores, being defective could not be put to use. Besides, components like ball head unit, wheel disc axle pulley, costing Rs.11.63 lakhs were lying in the workshop without use.

Diesel Loco Shed, Erode was holding excess stock of 896 nos. brush holder valued at Rs.7 lakhs without any possible use in the immediate future.

Signal Stores Depot, Podanur was holding a balance of 2803.910 kgs. of copper wire at the end of 31 March 1989. In addition, a further quantity of 457.086 kgs. was lying on the shop floor. The consumption of material during 1988-89 was only 793.224 kgs. The balance stock would last for another five years. The value worked out to Rs.3.02 lakhs.

South Central Railway:

The value of certain items of stores had been written down by Rs.1.38 crores during 1985-

86, 1986-87 and 1987-88 as the materials procured had deteriorated and could not be put to use . The loss was due to unnecessary procurement.

Central Railway:

197.604 metric tonnes of steel billets valued at Rs.10.16 lakhs were lying in the stores for more than five to six years in the Currey Raod Depot. DCOS in charge was unable to ascertain the source of supply and the name of the works for which the billets were procured. The balance on hand at the end of February 1989 was 163.998 metric tonnes valued at Rs.8.43 lakhs.

North Eastern Railway:

Wheels, tyres and axles worth Rs.3 crores were bought in 1980-81 but as the facility for overhauling BG locomotives could not be developed these were lying idle since procurement. In July 1986, the help of the Railway Board for disposal was sought but the items were yet to be disposed of fully (August 1989).

Western Railway:

Check rails are used with 'points and crossings' and are procured in sets of 'points and crossings'. In Bombay Division there had been heavy accumulation of check rails at the end of 31 March 1988. 751 check rails costing Rs.9.50 lakhs were lying in stock and 135 out of them were in stock since 1953.

Chittaranjan Locomotive Works(CLW):

Hard coke grade I was mainly required for use in CLW works canteen and hospital kitchen, works foundries. Owing to installation of LPG in hospital in 1980 and in works canteen in 1986 the consumption of coal came down from 60 MT per month in 1980-81 to 20 during 1988-89 (up to September 1988), but procurement of hard coke continued up to March 1987. The stock of hard coke at the end of October 1988 (costing Rs.17.49 lakhs) was 2985 MT which was sufficient for 10 years.

8.7 Avoidable purchase of non-stock items

As per Railway Board's instructions purchase of non-stock items especially those which are regularly purchased or charged off by direct supply to consignees were to be brought under regular purchase-suspense. Frequent physical verification of charged off stores lying 0n the shop floor and critical investigation of surplus are required to be conducted. Items mainly consist of small tools, spares, cutting tools, tractors, contingent items for office use. A review in Audit indicated that the instructions were not followed by the Railways/Production Units.

Chittaranjan Locomotive Works:

Due to non-revision in time of requirement of quota of tools for old machines there had been accumulation of huge stock of tools valued at Rs.29.16 lakhs on the shop floors since 1982.

Diesel Locomotive Works:

The limit fixed for purchase of non-stock items for DLW was Rs.two crores per annum. The limit was not, however,adhered to by DLW during 1983-84 to 1987-88. Non-stock items purchased ranged from Rs.4.13 crores in 1983-84 to Rs.8.49 crores in 1987-88. Purchases included materials like cement, steel and pipes. Besides, machinery and spares valued at Rs.82.68 lakhs were lying with the shops without proper use. Action for their disposal to other Railways was also not initiated.

Eastern Railway:

In February 1986, materials worth Rs.32.51 lakhs were shown as issued to one shop only on books though not requisitioned by the depot. This had adversely affected workshop manufacture suspense balance of the Loco Mechanical Shop.

North Eastern Railway:

In connection with gauge conversion work of Bhatni-Varanasi section, non-stock items worth Rs.2.39 lakhs were procured on single tender basis though there was no indent.

8.8 Materials for specific works

Materials required for specific works are procured by Stores Department and placed at the disposal of the consuming departments concerned. Since the cost finally debited to either Capital or Revenue do not form part of the stores balances these are kept as material-at-site and the balances at the close of the year are exhibited in Annexure-B to the statement of stores transactions for the year.

Balance of the stores for special works at the end of the last five years valued at:

	(In crores of Rs.)
March 1984	Rs.12.96
March 1985	Rs.11.32
March 1986	Rs.12.48
March 1987	Rs.17.39
March 1988	Rs.21.42

A test check conducted on Northern Railway indicated that after completion of works, balance stores were not transferred to other works or to the stores Depots. By not transferring the left over stores of the completed works, the inventory position was shown at a level lower than it should have been. The value of left over stores at the end of the last five year was:

(In lakhs of Rs.)

	no. of works completed	cost of stores not transferred to Depot/other works
March 1984	22	103.70
March 1985	14	319.84
March 1986	44	346.25
March 1987	13	366.87
March 1988	22	129.85

9. Working of Stores Depots

9.1 Delay in despatch to wards

Materials ordered by the Controller of Stores are first received in the Receipt sections of the depots. After inspection they are accounted for and Receipt Notes are issued.

A test check by Audit of the daily receipt Register of one of the Depots of Central Railway from 1985 to March 1988 revealed that there was delay in receipt and inspection section in transferring materials to stocking wards. On a test check of the registers it was seen that out of 590 cases reviewed, the time taken for sending the materials, after inspection from Receipt Cell to Stores wards, was as under:

extent of delay	no. of cases	Percentage of total cases reviewed
delay up to 15 days	286	48.47
between 16 days to 1 month	170	28.82
between one month to 2 months	76	12.88
between two months to three months	31	5.25
over 3 months	27	4.58
	590	100.00

9.2 Delay in compliance of demands

The extent of delay on a test check of 3581 requisitions received during April 1987 to September 1987 in one Depot of the Central Railway was as under:

extent of delay	no. of cases	percentage of total
time taken up to 15 days	260	7.26
between 16 days and one month	421	11.76
between one month and two months	694	19.38
between two months and three months	469	13.10
over three months	1737	48.50

9.3 Accounts stock verification sheets

Stock verification by stock verifiers of Accounts Department is one of the methods of effective control of inventory on Railways. This verification is required to be carried out by the stock verifier under the general supervision of Stores Accounts Officers. The Committee on Inventory Management of Railways (1977) recommended verification of stock held under "Works-in-Progress" inventory as a first step towards reducing the works-in-progress inventory. The reasons behind the recommendations were (i) to check the unhealthy practice of drawing stores particularly at the end of the year; and (ii) to identify the imbalances in various load centres including rejections at various stages, non-moving and obsolete stores lying on the shop floor, etc.

A test check conducted by Audit on some Railways and Production Units indicated that large number of stock sheets were outstanding and no steps were taken for their clearance.

(In lakhs of Rupees)

As on 30 June 1988	excess	shortage	stock sheet outstanding
Central Railway	486.59	670.57	1311
Northern Railway	86.65	118.31	457
South Central Railway	15.75	6.52	36
Chittaranjan Locomotives Works	32.50	36.17	945
Diesel Locomotive Works (31.3.1988)	63.12	146.24	-
Total:	684.61	977.81	2749

A total differnece of Rs.16.62 crores in stores on three Railways and two Production Units was yet to be reconciled.

10. Suspense Balances

Stores Balances on Railways mainly fall under :

miscellaneous advance (Revenue)

miscellaneous advance (Capital)

purchases

The Railway Reforms Committee (1983) in their report (chapter V) recommended that outstandings under the suspense heads, particularly old outstandings, inefficient balances and claims should be constantly watched and monitored to ensure prompt clearance. The Committee further recommended that inter-Railway debit should be raised and settled within a period not exceeding twelve months from the date of transfer of materials. Any abnormal delays in the acceptance of inter-Railway debit must receive the General Manager's personal attention. Review of suspense balances on Railways indicated steep increases.

Balances under the following heads as on 31 March 1988 compared to 31 March 1982 were as under :

(in lakhs of Rupees)

suspense heads	balance outstanding (31.3.88)		balance outstanding (31.3.82)		increase	
	CR	DR	CR	DR	CR	DR
Misc. Advance (Revenue)	452	7286	213	3256	239	4030
Misc. Advance (Capital)	6720	76420	1683	22074	5037	54346
Purchases	51060	60053	45607	53116	5453	6937

Analysis of the balances revealed inadequate clearance of risk purchase claims, short receipt of materials, non-adjustment of transactions for want of adequate particulars and correct allocation, failures to link debits and credits received, delays in connecting transactions etc. as indicated below:

failure to furnish adequate particulars and correct allocation-

Eastern Railway	Rs. 15.52 crores
Diesel Component Works, Patiala	Rs. 0.15 crore
Metro Railway, Calcutta	Rs.387.77 crores
Total	Rs.403.44 crores

failure to link the debits and credits received

(In crores of rupees)

Railways/ProductionUnits	Credits	Debits
Central	3.21	3.86
Northeast Frontier	8.01	1.63
Northern	30.29	1.35
Southern	1.09	0.31
South Eastern	10.09	9.29
Western	7.41	5.91
South Central	2.06	0.88
C.L. Works	7.97	5.85
D.L. Works	33.21	26.09
Wheel and Axle Plant,	1.11	1.13
Total	104.45	56.30

Extant rules of the Accounts Department provide that reconciliation of balances under Suspense Heads at the end of the financial year must be completed in all respects. In order to clear the items under suspense heads, when the items are placed under suspense heads due to absence of particulars, allocation and acceptance or similar reasons, Accounts Officer/Stores should at the time of passing the bills or vouchers, take prompt measure to obtain necessary information/acceptance for removal of the items from the suspense heads. Increasing balances under suspense heads are only indicative of the fact that necessary action by the Accounts Department was not taken for removal of the items from suspense heads.

11. Workshop Manufacture Suspense of Production Units

Balance under this head consists of (a) Labour suspense (b) Development suspense (c) Works in Progress. While Labour suspense is credited with salaries and wages for March which are paid in the next financial year, Development Suspense represents financial results as to profit or loss on completed transactions of manufacture.

A review of Workshop Manufacture Suspense (WMS) balances of DLW indicated minus balances during the last five years. As on 31 March 1988 there was an unreconciled difference of Rs.83.83 crores for works in progress not completed and accounted for. Heavy differences were also noticed between issues made to WMS account in the Stores Account and corresponding debits taken in the WMS Account. Difference of Rs.83.83 crores was attributed to (i) less outturn of shop manufacture items (ii) credit taken to outturn was much higher than the cost of production and spares transferred to zonal railways (iii) uncleared and heavy debit balances under batch orders and special work orders valued at Rs.71.93 crores; and (iv) surplus materials left after completion of a job not returned to stores by credit to WMS.

Workshop Manufacture Suspense balances

(In crores of rupees)

Year	DLW
1983-84	(-) 2.80
1984-85	(-) 6.83
1985-86	(-) 19.26
1986-87	(-) 12.93
1987-88	(-) 3.67

12. Accountal and disposal of scrap

The Railways accumulate a large quantity of scrap of different kinds like turnings, borings, cut odds and ends of metals, foundry ashes etc. which accumulate in Railway Workshops. Scraps are classified as ferrous, non-ferrous and miscellaneous scrap and exhibited in the books under two heads "Ordinary Scrap" and "Dead."

The Committee on Inventory Management on Railways in their first report recommended (in paras 16-17) the following steps for disposal of surplus and scrap:

(i) at the time of the periodical review for provisioning the railways should throw up the surpluses and arrange for circulation of the lists of surplus items to the internal user departments as also to other railways giving them a time of 60 days for indicating what they could use.

(ii) on the expiry of the aforesaid period, the disposable items should be put up to the Survey Committee for taking action in line with the existing rules for disposal; and

(iii) instructions should be issued to the railways to follow strictly the procedure given in the Stores Code Chapter XXII to anticipate/indentify the surplus/overstock for prompt disposal in toto to avoid unnecessary building up of surplus stocks.

A review in Audit indicated that effective steps were not taken for speedy disposal of scrap resulting in increase in the quantity of scrap from time to time. Abnormal delays in accountal of scrap resulted in discrepancy between book balances and ground balances. Arrangements for custody of scrap were also not satisfactory.

On the Northern Railway the value of scrap increased from Rs.2.62 crores in 1983-84 to Rs.4.80 crores in 1987-88. Non-disposal of scrap resulted in blocking up of capital. A work study of steel scrap generating areas of Bridge workshop of Charbagh indicated that delay in disposal of scrap resulted in a loss of Rs.94.74 lakhs to Railway.

On the Western Railway, there had been steady increase in the quantity of rails disposed of as scrap arising from 2572 metric tonnes in 1984-85 to 13407 metric tonnes in 1987-88. Average value per metric tonne realised from sale declined though from Rs.4930 per metric tonne in 1985-86 to Rs.3911 in 1986-87 and Rs.4043 per metric tonne in 1987-88. Considering the steady upward trend in the prices of iron and steel, the decrease in sale realisation of scrap was inexplicable.

On the Southern Railway, a large number of crank shafts that were rejected during periodical overhaul of diesel locomotives were lying for a long time. The value was Rs.2 crores. The Railway had not finalised action for either reclamation or action to dispose of the crank shafts to best advantage.

13. Inventory Control and Computerisation

13.1 The Railway Reforms Committee (1983) in its Report recommended that a dedicated computer system should be provided in the head quarters with adequate core capacity, so that a full range of inventory and material control applications could be run.

In Para 2.1 of the Report of the Comptroller and Auditor General of India for the year ended March 1988, a comment on procurement and utilisation of main computers in Headquarters was made and it was highlighted that the performance of main computers was not up to expectation and a large area could not be covered due to delay in the design and implementation of the systems.

The Railway Board, in February 1986, decided that micro processor based computing system should be installed in selected stores depots in a phased manner in all Zonal Railways. Nine locations were identified for installation of these systems in 1986-87 and nine others in 1987-88. Installation of microprocessors in the first phase was yet to be completed (August 1989).

13.2 A review of performance of main frame computers on some Railways revealed a high percentage of rejected vouchers at the end of each month and other irregularities in computer printsout.

(i) In the Central Railway the percentage of rejection of vouchers by computers ranged from 6.75 per cent in 1983-84 to 10.66 per cent in 1987-88 indicating incorrect feeding of data to the computer.

(ii) In the Northern Railway, large scale rejection of vouchers by computer every month due to wrong allocation, irregular vouchers was noticed. Due to non-preparation of Addition, Rectification and Deletion Statements for rectification of errors by Diesel Stores Depot, Ludhiana in March 1988, the amount of stores balance was inflated to the extent of Rs.32.28 lakhs and issues were less by Rs.10.10 lakhs. The Stores Depot, Amritsar pointed out in November 1985 that wrong balance to the extent of Rs.1 crore was shown by the computer in the monthly Transaction Register for May 1985.

13.3 The Committee on Inventory Management on Railways recommended that the computerised system of assessment of vendors should be introduced early in CLW. Even after a lapse of a decade neither the system had been computerised nor the Purchase Order Registers were maintained containing all the required data for the purpose. Advanced Computer installed in February 1987 was utilised only for items processed earlier by IBM 1440 computer.

13.4 The Railway Board decided in July 1968 that a scientific management information system for effective inventory control be completed in five phases as under:

priced ledger
numerical ledgers - stage I
order processing
payment and accountal of bills
numerical ledgers - stage II

The Railway Reforms Committee observed in 1983 that out of five phases only two could be implemented and suggested that some additional items should be brought within the computer scheme viz. Vendor performance and rating, computerisation of liability registers and purchase suspense, listing of approved sources of supply, computerisation of non-stock items, etc.

Though old computers have been replaced by advanced ones in 1987 and accountal of stores had been taken up on computers, vital areas of inventory controls suggested by Railway Reforms Committee were yet to be covered.

14. OTHER TOPICS

14.1 Delay in settlement of Departmental Claims

In order to expedite settlement of outstanding departmental claims in respect of Railway Stores found missing or damaged in transit Railways were directed to arrange a regular review and to furnish quarterly reports to the Board. The progress of settlement of claims was, however, slow despite clear instructions in the matter as indicated below:

	(In lakhs of rupees) Amount
Eastern Railway	18.15
Northern Railway	103.00
North Eastern Railway	56.88
Southern Railway	3.73*
South Central Railway	28.50
Chittaranjan Loco Works	62.09
Integral Coach Factory	34.10
Wheel and Axle Plant	50.32**
	356.77

* as on 28.2.1989
** as on 31.1.1989

14.2 Sea borne consignments

Mention was made in para 22 of the Report of the Comptroller and Auditor General of India - Union Government (Railways) for the year 1985-86 regarding rejection of 2152 wheelsets costing Rs.4.54 crores due to mishandling at the port of despatch or destination.

Import shipments of Diesel Locomotive Works were provided insurance cover by the

General Insurance Corporation (GIC)and claims were lodged with GIC when damages to stores were noticed. A review in audit revealed that the non-observance of procedure for preferment of Insurance Claims by Diesel Locomotive Works had resulted in a loss of Rs.2.00 crores for items destroyed in fire at Khiddorpore Dock in December 1981.

For the Chittaranjan Locomotive Works, Eastern Railway and Central Railway are the clearing agents for all sea-borne consignments. A review in Audit revealed that non-observance of procedures by the Railways resulted in rejection of claims by GIC. Chittaranjan Locomotive Works sustained a loss of Rs.7.55 lakhs on clearance of sea borne consignments. Excess payment of Rs.53.95 lakhs was also made to the Custom Authority in July 1987 for consignments received in October 1987. The Railway had got refund of custom duty in August 1989 after the matter was taken up with the Railway in May 1989.

14.3 Inspection of Stores

The "Rail India Technical and Economic Services" (RITES) undertakes inspection of stores viz., Wheel and Axles, Roller bearing axle boxes, steel castings, brake items except rails and concrete sleepers, vacuum brake systems to ensure conformity with the specifications. 95 per cent/98 per cent payments are released on the basis of despatch documents and inspection certificates.

There were instances of rejection of stores, even though they had been inspected by RITES as mentioned below:

(In lakhs of Rupees)

	No. of cases rejected	Value of rejected stores
Southern	545	77.31
Northern	445	58.47
Central	10	35.91
Northeast Frontier	10	3.20
Railway Production Units	9	14.91
	1019	189.80

2.2 Passenger amenities

1. Introduction

Indian Railways are the nation's principal carriers of goods and passengers. The number of passengers carried increased from 1284 millions in 1950-51 to 3792 millions in 1987-88. The Railway Convention Committee held the view in 1949 that amenities to the travelling public should be provided, particularly to those using the lower class of travel. For this purpose a "Development Fund" was created with a provision of Rs.3 crores per annum. The minimum amenities were specified in 1952 and scope of amenities was enlarged in 1954 . The allotment for passenger amenities was enhanced to Rs.4 crores per annum in 1965. In the Fifth Plan, the Railways spent, on an average, Rs.3.5 crores per annum on passenger amenities. It was stepped up to Rs.5 crores per annum in the Sixth Plan. In the Seventh Plan, in the first three years, the average was about Rs.11.5 crores per annum.

2. Scope of Review

The extent to which Indian Railways met the requirements of the travelling public in providing necessary amenities and facilities to make their journeys comfortable has been reviewed in Audit.

3. Organisation

A separate Directorate with one Executive Director, three Joint Directors and one Deputy Director under the over all supervision of Adviser/Commercial is functioning in the Railway Board for monitoring the works of passengeramenities executed by the individual Railways.

4. Highlights

- **Despite an increase of 76 per cent in passenger earnings during the Sixth Five Year Plan, expenditure on passenger amenities had remained static at an average of Rs.5 crores per annum. During the first four years of the Seventh Plan, the total earnings increased by 41.3 per cent over the total passenger earnings of the previous Plan period but there was only a meagre increase of 0.2 per cent in the ratio of expenditure on passenger amenities over earnings.**

- **The Seventh Plan provided for acquisition of only 6970 passenger coaches and 950 Electrical Multiple Units (EMUs) against the requirement of 12914 coaches and 1390 EMUs. This level of acquisi-**

tion for the Seventh Plan is not sufficient enough to phase out overaged coaching stocks. The magnitude and scale of replacement is such that it cannot be rectified even by the next Plan period.

- **Instead of augmenting the lower class services like Second Class 3-tier Mail/ Express Coaches and AC Chair cars in long distance trains the number of AC sleeper coaches was increased at a rate much higher than what was contemplated.**

- **An element of insurance premium is inbuilt in passenger fares but compensation is paid only for train accidents and not for dacoities and stabbings that take place in trains. The desirability of ensuring timely compensation to all the categories now excluded deserves consideration.**

- **Even after a lapse of more than 15 years and despite the recommendations of Railway Convention Committee and Estimates Committee, items that constitute 'Passenger Amenities' had not been laid down in unequivocal terms.**

- **A test check revealed that out of 693, 796 and 851 stations on Central, Eastern and South Eastern Railways many of the basic amenities were not provided at as many as 366, 378 and 258 stations respectively. There were 875 stations on these Railways that were without drinking water, 718 stations without latrines and 604 stations without waiting sheds/halls, etc. While, minimum basic facilities were not provided at all stations amenities were provided much in excess of norms at a few stations.**

- **Irregular execution of passenger amenity works by some Railways had resulted in an extra expenditure of Rs.2.02 crores. There were delays ranging from two to eight years in completing many passenger amenity works.**

- **A number of halt stations required for public conveyance and sanctioned long ago had not yet been opened.**

- **Out of 2987 stations and 89 pairs of trains where catering facilities were available, departmental catering was provided at only 72 stations and on 60 pairs of trains.**

5. The earnings from passenger traffic vis-a-vis the actual expenditure on 'Passenger Amenities' during the Sixth and Seventh Five Year Plans were as under:

Plan	Year	Earnings (Rs. in crores)	Actual expenditure on Passenger Amenities (Rs. in crores)	Percentage of Col(4) to (3)
(1)	(2)	(3)	(4)	(5)
VI	1980-81	827.5	5.18	
	1981-82	988.6	5.36	
	1982-83	1161.6	5.02	
	1983-84	1351.9	4.95	
	1984-85	1456.8	4.85	
	Total	5786.4	25.36	0.44
VII	1985-86	1719.68	6.75	
	1986-87	1940.96	11.31	
	1987-88	2060.06	17.43	
	1988-89	2455.50	18.14	
	Total	8176.20	53.63	0.65
Percentage			41.30	0.21

While earnings from Passenger traffic during the Seventh Five Year Plan went up from Rs.827.5 crores in 1980-81 to Rs.1456.8 crores in 1984-85, registering an increase of 76 per cent, during the plan period, expenditure on 'Passenger Amenities' remained static at an average of Rs.5 crores per annum i.e. 0.44 per cent of the total earnings. The total Passenger Earnings during the first four years of the Seventh Plan (1985-86 to 1988-89) were Rs.8176.20 crores,i.e., 41.30 per cent more than the total earnings for the Sixth Plan. The ratio of the actual expenditure on Passenger Amenities over earnings during this period increased by a meagre 0.2 per cent.

6. Projection of passenger traffic

The National Transport Policy Committee had observed (May 1980) that the growth of passenger traffic had been faster than what was envisaged in successive five year plans. The Committee recommended planning for a realistic growth to meet the requirements of a growing population and of the new centres of economic activity. The Railway Reforms Committee also observed that passenger transport deserved higher consideration than what had been extended in the past.

The growth of passenger traffic both 'Suburban' and 'Non-Suburban' during the selected years (since 1950-51) is detailed in the following table:

Year	Originating Passenger (Millions)			Passenger Kilometres (Billions)		
	Suburban	Non-Suburban	Total	Suburban	Non-Suburban	Total
1950-51	412	872	1284	6.5	60.0	66.5
1960-61	680	914	1594	11.8	65.9	77.7
1970-71	1219	1212	2431	23.0	95.1	118.1
1979-80	1903	1602	3505	38.7	159.9	198.6
1984-85	1884	1449	3333	44.3	182.3	526.6

The projections for the non-suburban traffic, both in terms of "originating passengers" and "passenger kilometres" for the Seventh Five Year Plan, worked out on the basis of time trend analysis and regression analysis, indicated the lowest increase of 6.1 per cent per annum. Against this estimate, a growth rate of 3.5 per cent over the traffic carried in 1983-84 was adopted. On this basis, the volume of traffic in 1989-90 works out to 218.8 billion passenger kms. The Planning Commission, however, projected a figure of 189 billion passenger kilometres for 1989-90. Railways observed that Suburban traffic was increasing at six per cent a year. Against these projections the Seventh Plan provided for growth in passenger traffic at only 2 per cent per annum and that, within this, priority would be given to long distance passenger traffic and high density suburban traffic. Demand for passenger traffic was proposed to be contained with an appropriate pricing policy.

For the level of passenger traffic projected, the requirement of coaching and E M U stocks both on 'Replacement' and 'Additional' Accounts during the Seventh Plan was assessed in December 1984 as under:-

coaching stocks	BG	MG	Total
replacement A/c	5432	5173	10,605
additional A/c	2217	92	2,309
G,Total	7649	5265	12,914

E M U Stocks;	BG		MG	Total
	D.C.	A.C.		
replacement A/c	232	301	-	533
augmentation of services, strengthening of rakes,etc.	297	508	52	857
G.Total	529	809	52	1390

Indigenous manufacturing capacity available being 800 coaches a year (including 135 EMU coaches) by the Integral Coach Factory (ICF), 350/400 coaches by BEML and 250 coaches (consisting of 72 DC E.M.Us and 180 M.G. coaches) by Jessop, it was proposed to step up production of ICF gradually to 1000 coaches per annum, so that indigenous production would increase to 7950 in the Seventh Plan. This fell short of the requirement of 14,304 for which a one time import of 6178 conventional coaches was suggested.

Against these projections the Seventh Plan provided for acquisition of only 6970 passenger coaches and 950 Electric Multiple Units. This level of acquisition was not sufficient enough even to phase out overaged coaching stocks. The magnitude and scale of replacement is such that it cannot be rectified even by the next Plan period.

Against the above physical targets, the targets fixed for the manufacturing units and their actual outturn from 1985-86 to 1988-89 were:

	ICF		BEML		JESSOP		RCF	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual
1985-86	825	830	300	330	151	115	-	-
1986-87	850	852	350	350	192	99	-	-
1987-88	900	825	350	321	212	107	1	1
1988-89	900	900	400	400	222	153	120	120

targets for (1985-86 to 1988-89) = 5773

actual production (1985-86 to 1988-89) = 5403

percentage of compliance = 94.8 or 95

Against the production of 950 EMUs envisaged, the actual number produced in the first four years of the Seventh Plan worked out to only 491.

Growth of passenger traffic in the Seventh Plan

The growth of passenger traffic during the first three years of the Seventh Plan and growth rate since the last year of the Sixth Five Year Plan were:

	originating passengers (Millions)				total	percentage increase
	suburban	percentage increase	non-suburban	percentage increase		
1984-85	1883.8	-	1449.4	-	3333	-
1985-86	1884.2	0.24	1549.2	6.89	3433	3
1986-87	1969.7	4.54	1610.4	3.95	3594	4.69
1987-88	2155.5	9.43	1636.7	1.63	3792	5.51
	passenger kilometres (Billion)					
1984-85	44.26	-	182.31	-	226.5	-
1985-86	45.44	2.65	195.18	7.05	240.6	6.19
1986-87	48.41	6.54	208.06	6.6	256.5	6.62
1987-88	51.76	6.91	217.63	4.6	269.4	5.01

The number of passenger coaches and EMU stocks procured during the first three years of the Plan did not meet even the requirements of replacement. In contravention of the recommendations of National Transport Policy Committee and Railway Reforms Committee, the growth of passenger traffic is being contained by restricting the procurement of passenger coaches and EMU stocks.

7. Utilisation of coaches

The existing limited resources were also not being properly monitored for manufacturing/augmenting the stocks which would facilitate maximising the service to the travelling public. A few instances are brought out in the succeeding paragraphs.

II Class Mail/Express

This is the most important non-suburban service for which there is virtually no competition either from roadways or airways. This service makes a reasonable profit on BG. During 1980-84, the actual growth was 7 per cent and an annual growth rate of 6 per cent on BG and 3 per cent on MG was assumed during the Seventh Plan. The number of sleeper coaches utilised for this service actually declined during the first three years of the Seventh Plan as under:

	Sleeper Coaches	
	B.G.	M.G.
1985	4500	1314
1986	4299	1239
1987	4352	1193
1988	4544	1173

A.C. Chair Car

This service fills an important gap between I and II Class services, and recorded a growth rate of 3.24 per cent during 1980-84. This is a profit making service and it also makes optimum use of the limited carrying capacity. The Railways proposed for an increase of 7 per cent annual growth rate. Instead of the increase, the number of coaches decreased over the years as shown below:

	No. of A.C. Chair Car Coaches B.G. *
1984	92
1985	91
1986	88
1987	84
1988	86

* No service is provided on MG

The Railway Convention Committee had suggested as back as in 1949 that emphasis should be placed on providing amenities to passengers particularly to those using the lower classes of travel. Instead of increasing the number of Second class 3-tier Mail/Express coaches and A.C. Chair Cars in long distance trains, A.C. Sleeper cars were increased at a rate much higher than that what was contemplated.

	B.G.	M.G.
1984	217	10
1985	207	10
1986	347	10
1987	400	10
1988	418	31
1989	458	40

The annual growth contemplated of AC sleeper coahces were four and two per cent respectively on B.G. and M.G.

8. Accident Compensation, Safety and Passenger Amenities Fund

Accident Compensation, Safety and Passenger Amenities Fund (ACSPF) is financed out of receipts from a surcharge levied on passenger traffic with effect from 1 January 1974. Surcharge credited to ACSPF amount spent for passenger amenities and compensation to passenger during 1983-89 were:

(Rupees in Crores)

	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
surcharge amount credited to ACSPF	7.26	9.09	27.44	30.93	67.91	58.58
expenditure on compensation to passengers	1.04 (14.32 percent)	1.60 (17.6 percent)	2.18 (7.94 percent)	0.64 (2.07 percent)	0.93 (1.37 percent)	2.17 (3.7 percent)
number of train accidents	768	812	717	644	604	NA
expenditure on passenger amenities	0.43	1.38	0.69	0.98	0.60	1.34
expenditure on certain specified safety works like road over/under bridges, footover bridges,etc.	20.64	22.05	26.25	33.92	42.24	48.62

The amount of compensation paid is not related to the number of passengers killed or injured but is on the basis of the number of cases decided through judicial process. From these figures it may be seen that the actual amount spent on compensation to passengers is negligible and bulk of the fund is used for safety works which should normally be provided as part of normal obligation as a public carrier.

No compensation is paid for dacoities and stabbing that take place in running trains. Only for train accidents, compensation is paid. In reply to the Estimates Committee's observation in its 60th report that it would be highly unresonable to deny victims of dacoities and stabbing in running trains, any compensation, the Board stated that the law and order problem is the responsiblity of the respective State Governments. The reply was not accepted by the Committee.

Since an element towards insurance premium is included in the passenger fare the desirability of paying the premium so collected to a general insurance Company and ensuring timely compensation to all the categories viz victims of dacoities, stabbing and accidents may be considered.

9. Non-provision of basic amenities

The Railways decided in 1952 to provide eight items of amenities at 'Regular' and 'Flag' stations and four items of amenities at 'Halt' stations as 'Basic Passenger Amenities'. The Railway Convention Committee enlarged, in 1954, the scope of these amenities and included certain items like provision of coal dumps, conversion of railway lines, etc. But in 1955-56 the Estimates Committee observed that the small amount earmarked for passenger amenities should not be diverted for meeting expenditure on construction projects like 'Conversions'. Hence they advised the Railways to redefine the term 'Passenger Amenity' in conformity with the popular conception. Accordingly, based on National Railway Users' Consultative Committee's (NRUCC) deliberations, certain items like "Over head watering arrangements", "Subways" etc. from the list of passenger amenities were deleted in 1961. In March 1971, items like "extension of platforms", "cost of additional coaches" etc were included. The Estimates Committee in its 10th report (1977-78) directed the Ministry to review the list of passenger amenities, in consultation with NRUCC and place revised list before the Parliament. It also recommended that additions and alterations, whenever made, should also be placed before the Parliament. Even after a lapse of 15 years, the Railway Board has not been able to lay down, in unequivocal terms, items that constitute 'passenger amenities' which the Railways ought to provide to the travelling public.

The Railway Board, however, in March 1970 directed the Zonal Railways to provide "Minimum Basic Amenities" at all the stations by 31 March 1971 as per the norms laid down by the Railway Board in July 1968.

A review of passenger amenities viz. waiting halls, platforms, benches and other facilities like drinking water, bathing facilities, urinals and latrines, foot over bridges, waiting rooms, suburban stations, junction and terminal stations, retiring rooms, booking offices, halts, etc. provided by some Zonal Railways revealed the following:

Central:

The Railway Board continued to receive complaints and representations on lack of amenities. In April 1987, the Railway Board directed the Zonal Railways to review the position of basic amenities provided at the stations and submit their reports within a month. The shortfall in basic amentities (under priority I for small and medium stations) was to be provided within three years from 1987-88.

Central Railway's programme for providing these amenities in the next three years (1987-88 to 1989-90) indicated an expenditure of Rs.182 lakhs. The requirement for providing other passenger amenities was assessed at Rs.1079.7 lakhs. Out of a total number of 693 stations basic and other amenities were lacking in many stations as given below:

		stations including halt stations
absence of adequate seating arrangements		218
provision of drinking water		239(Hand pump)
sanitized latrines		290
shady trees		173
rail level platform		28
waiting sheds		40
waiting hall	(priority I)	142
platform cover	(priority I)	268
raising of platform level	(priority I)	73
coolers where pipe water is available	(priority I)	46
bathrooms	(priority I)	20
privision of retiring rooms	(priority II)	31
provision of enquiry office	(priority II)	26
refreshment rooms	(priority II)	5

Eastern

The Administration had not provided minimum basic amenities as under:

	no. of stations deficient in
adequate seating arrangements	232
provision of drinking water	378
sanitized latrines	285
waiting halls at regular & halt stations	329
booking offices	54
shady trees at regular & halt stations	261
lighting arrangement at regular & halt staions where trains start at night	139

To wipe out the deficiencies the Railway assessed the final requirement of funds at Rs.17.7 crores for 1988-89 to 1990-91. Funds provided and actual expenditure incurred during 1983-84 to 1987-88 were:

(figures in lakh of rupees)

	Requirement	Allotment	Actual Exp.
1983-84	160	94	93
1984-85	180	81	76
1985-86	240	87	91
1986-87	250	140	107
1987-88	200	286	245

It is seen from the above figures that passenger amenity works were undertaken on a low key prior to 1987-88. This had resulted in accumulation of arrears in passenger amenity works.

South Eastern:

The minimum basic amenities for passengers were not provided at all stations of Adra, Bilaspur, Chakradharpur, Kharagpur, Khurda Road, Nagpur and Waltair Divisions. Out of 851 stations those that were lacking in some of the passenger amenities as on April 1988 were:

	number of stations deficient as in April 1988
drinking water	258
waiting hall	95
latrines	143
booking counter	56
foot over bridge	NA
passenger shelters	NA
shady trees (including halt station)	232

While minimum basic amenities could not be provided at all the stations, the amenities at some stations were found to be in excess of the norms prescribed as illustrated below:

Divisions	Waiting Hall			Platform shelter			Benches			Latrine		
	No. of stn.	Area as per norms m^2	Area prov. m^2	No. of stn.	Area as per norms m^2	Area prov. m^2	No. of stn.	Area as per norms m^2	Area prov. m^2	No. of stn.	Area as per norms m^2	Area prov. m^2
Bilaspur	15	754	1,622	10	1,074	16,385	19	596	1,196	15	51	104
Kharagpur	14	391	962	10	674	13,572	16	179	1,132	15	38	93
Khurda Road	20	816	2,191	13	802	12,696	21	427	1,872	20	32	114
Adra	-	-	-	1	224	3,300	-	-	-	-	-	-

The cost of excess amenities was not available.

Southern:

Provision for works for passenger amenities viz. upper class and II class waiting halls/rooms, retiring rooms, extensions to the platforms, benches and advance reservation-cum-booking offices were made. During 1982-83 to 1988-89 amenities were provided (in 31 stations) much in excess of the norms the value of which worked out to Rs.56.31 lakhs, while on some other Railways, even the basic amenities were lacking.

9.2 Amenities without proper justification

Eastern:

Retiring rooms at stations were required to be provided only where a minimum of forty percent occupation was expected. Retiring rooms/dormitories were provided at 32 stations. The occupancy position in 22 stations was as indicated below. Information in respect of ten stations was not made available.:

Type	Total No.	Occupancy of 40 per cent & above	Occupancy less than 40 per cent
AC Retiring rooms	5	4	1
Non-AC Retiring rooms	17	6	11
Dormitory	12	5	7

The prescribed norm of 40 per cent occupation was not fulfilled, in respect of non-AC rooms and dormitory. In Sealdah Division two retiring rooms were provided at Bidhannagar station, and were opened on 30 September 1987, but for want of patronage were converted into Officer's Rest House from 19 January 1988. The avoidable expenditure incurred in this regard was not available.

Northern:

Some amenities provided were found to be avoidable.

(i) The work of "Additions and alterations to station building - Amethi" at an estimated cost of Rs.28.01 lakhs was taken up in January 1981. When the work was completed in May 1984 the acutal expenditure incurred had increased to Rs.49 lakhs.

First class and 2nd class gents/ladies waiting rooms provided, as part of additional facilities, remained unutilised and the expenditure of Rs.49 lakhs incurred on the provision of these additional facilities was avoidable.

(ii) The work of providing a waiting hall and other passenger amenities at Chandi Mandir Station commenced in August 1985 and was completed in August 1987 at a cost of Rs.3.35 lakhs. The number of yearly/daily passengers dealt with after completion of the additional facilities increased marginally to only 0.65 lakh/179 from 0.5 lakh/139 to 0.58 lakh/160 respectively prior to completion of works.

9.3 Electrification of railway stations

The basic guide lines drawn up for electrification were:

(i) electricity should be available within 1 km of the railway station.

(ii) electricity should be available for at least 16 Hrs per day.

(iii) at least one pair of trains must stop at the station during night between 19 hrs and 6 hrs.

It was observed that notwithstanding the above guidelines small railway stations having very little passenger traffic were covered for electrification as brought out in the following paragraphs.

(a) Some stations of Allahabad and Lucknow Divisions, viz., Rasulabad, Sujatpur, Chakeri, Mota, Tindauli, Sat Naraini, Kanspur Ganguali, Masodha, Maleithu Kanak and Kashumbhi were electrified even though no train stopped at these stations during night between 19 hrs to 06 hrs. Work of electification was completed in four stations of Allahabad Division during February 1986 to September 1988 at a cost of Rs.7.38 lakhs. The works on the remaining three stations of Allahabad and three stations of Lucknow Divisions were yet to be completed but an expenditure of Rs.7.83 lakhs had already been incurred. The entire expenditure of Rs.15.21 (Rs.7.38 + 7.83) lakhs incurred in this regard was avoidable.

(b) The following stations of Allahabad Division were electrified despite electricity being not available within 1 km of the respective stations. The Railway Administration had to pay higher service connection charges to the U.P. Electricity Board to the extent of Rs.1.45 lakhs.

Name of station	Distance from rly. station kms.	Service connection charges paid Rs.	Service connection charges for 1 km. Rs.	Excess amount paid Rs.
Pahara	2.125	85,660	40,310	45,350
Sakteshgarh	2.415	96,071	40,000	56,071
Sat Naraini	1.940	90,278	46,535	43,743
			Total	Rs.1,45,164

Southern

Additional retiring rooms

In order to meet the demand for retiring rooms at Coimbatore Junction it was proposed to provide seven additional double bed rooms and a dormitory with eight beds. The work was included in the Works Programme of 1982-83 along with the work of "Improvements to advance reservation office," at an estimated cost of Rs.18.40 lakhs (June 1982). The revised cost worked out to Rs.24.50 lakhs (September 1985). In lieu of the proposed dormitory one Air Conditioned room was provided for which no additional justification was furnished. An amount of Rs.3.46 lakhs (Rs.2.36 lakhs for Civil Engineering plus Rs.1.10 lakhs for Electrical Works) was incurred for the work of providing A.C. retiring room. The occupancy of the A.C. retiring room during April 1987 to December 1988 was 3 to 4 per cent only. The expenditure of Rs.3.46 lakhs incurred on the construction of an A.C. retiring room was thus avoidable.

In replacement of the existing six reservation counters ten counters for current booking plus one counter for enquiry in the ground floor and 12 advance reservation counters on the first floor were provided at Coimbatore Junction. The average number of tickets issued in June 1989 per day at this station was:

	at advance reservation counters	at current booking office
A.C. I Class, A.C. Sleeper & Chair Car	215	21
II Class	1788	2682
Total	2003	2703

While provision of 12 advance reservation counters on the first floor was justified as per norms prescribed by Southern Railway Administration, the provision of ten counters for current booking in the ground floor was in excess of the actual requirement as detailed below:

norms	requirement of counters	excess No. of counters
800 tickets for 8 hrs duty i.e. 2400 tickets for 3 shifts	1 for I Class 2 for II Class	7

The avoidable expenditure incurred in providing seven more counters was yet to be assessed by the Railway Administration.

South Eastern:

(i) Retiring rooms

Retiring rooms, dormitories, etc. were constructed in the following stations as part of passenger amenity works during 1983-84 to 1987-88. Their occupation ratio was found to be far below the minimum of 40 percent prescribed as under:

	station	facility	occupancy ratio (per cent)
1983-84	Midnapore	Non-AC retiring room	10
1984-85	"	"	25
1985-86	"	"	26.7
1986-87	"	"	20.5
April 1984 to June 1984	Raigarh	Retiring room and Dormitory	23
1985	"	"	19
1985	Amlai	" 9	
January 1988 to September 1988	"	"	12
December 1986 to February 1987	Raipur	A/C room17	
January 1988 to September 1988	"	"	31
1987-88	Bhubaneswar	"	11
	Palasa	Non A/C room	35
	Berhampore	"	35
	Balugaon	"	24
	Bhadrakh	Dormitory	23
	Jajpur-Keonjhar Road	"	23
	Palasa	"	7
	Puri	"	37

The justification for providing the facilities were not properly examined before undertaking the works. The avoidable expenditure was yet to be assessed by the Railway Administration.

Improvements to Reservation office

A proposal for providing communication aid to the reservation-cum-booking office at Calcutta Esplanade Mansion submitted in September 1980, was approved by the Board in December 1980 on "out-of-turn basis". Against the abstract estimate of Rs.10 lakhs, detailed estimate for Rs.16.18 lakhs was prepared which was approved by the Board in September 1983. Intercom SAX 50 line exchange was installed at Esplanade Mansion on 31 August 1986 and commisioned in May 1987 at a total cost of Rs.17.68 lakhs. Though the work was completed on "out of-turn basis" the expenditure of Rs.17.68 lakhs incurred in this case proved infructuous due to closure of the centralised reservation office at Esplanade Mansion following cent percent computerisation of passenger reservation with effect from 30 December 1987.

Further, an amount of Rs.3.18 lakhs incurred (up to December 1988) in connection with the work "Addition and alteration for reservation and booking office at Ranji Stadium" proved infructuous as the same had to be closed due to an objection raised by the State Government.

10. Execution of passenger amenity works

The progress of execution of works relating to passenger amenities of some selected Railways was reviewed in Audit and the results are brought out as under:

Central:

The work of "Augmentation of capacity of water coolers at six important stations" was included in the works programme (1980-81) at an estimated cost of Rs.11.83 lakhs with a target for completion by 31 May 1986. The funds provided for this work in 1985-86 and 1986-87 were Rs.11.90 lakhs against which the actual expenditure was only Rs.1.66 lakhs resulting in non-utilisation of funds to the extent of Rs.10.24 lakhs. The work had not been completed (October 1988). One of the reasons for the delay in not providing the plant at Jhansi was stated to be non-completion of the room by the Engineering Department. There was lack of coodination between the Electrical and Engineering Departments.

The work of "providing three retiring rooms with two beds each (one AC)" was included in 1987-88 works programme at an estimated cost of Rs.5.40 lakhs. The work, commenced in January 1988, was targeted to be completed in six months after commencement. A token grant of Rs.50,000 was given for this work during 1987-88. But the actual expenditure amounted to only Rs.19,000 and an amount of Rs.31,000 was surrendered due to delay in commencement of the work by the contractor. The work had not yet been completed (March 1989) and no action had been yet taken against the defaulting contractor.

The work of "Resiting of second class waiting room for providing better queueing, booking and waiting facilities at Akola station" was included in the works programme of 1979-80 at an estimated cost of Rs.6.45 lakhs. The work was completed in August 1983 against the target for its completion by 15 November 1982. Completion of the work was delayed due to changes in design which led to delay in execution and the Railway had to incur an additional expenditure of Rs.4.3 lakhs.

The work of improvement of water supply at Mathura station was included in the Works Programme of 1983-84 at an estimated cost of Rs.9.86 lakhs with targeted date of completion as 30 June 1984. Only a token allotment of Rs.51,000 was made in 1984-85 against which expenditure incurred was Rs.1.42 lakhs. In 1986-87 against an allotment of Rs.2.40 lakhs, Rs.1.07 lakhs were spent. Thus insufficient allotment of fund in the initial stage and non-utilisation of allotment in subsequent years affected the progress of the work. The work was completed in March 1988 by which time the actual expenditure of Rs.11.99 lakhs exceeded the estimated cost by Rs.2.13 lakhs.

Eastern:

The work "proposed improvement of traffic circulating area of Sealdah Station" was sanctioned in 1986-87 at an estimated cost of Rs.41.35 lakhs. The detailed estimate sanctioned in the same year for Rs.42.20 lakhs included, inter alia, an item for construction of a fountain at a cost of Rs.25,000/-. An amount of Rs.5.19 lakhs had already been spent (upto 1987-88) on the construction of two fountains. Construction of only one fountain as provided in the detailed estimate, instead of two, would have been sufficient for beautification of the circulating area and Rs.5 lakhs (approx) could have been saved.

A review in February 1988 of 69 passenger amenity works sanctioned (Works Programme) during 1973-74 to 1984-85 revealed that there was 'No' progress in respect of 28 and 5 to 90 per cent progress in respect of the remaining 41 works. Adequate steps were not taken to execute the works quickly.

Northern:

The following works were not executed efficiently. The delay in finalisation of the plans and their execution resulted in an additional expenditure to the extent of Rs.1.08 crores.

The work of "Remodelling of station building and circulating area" at Jallandhar city was sanctioned by the Railway Board in 1981-82, at an estimated cost of Rs.22.79 lakhs. But the work was taken in hand only in December 1985, as the plans for the work could be finalised by the R.D.S.O. and Divisional Railway Manager, Firozepur only in June 1985, i.e., after 4 years of sanctioning of the estimate. Due to delay in the commencement of the work, the cost of materials and labour had increased and a revised estimate was prepared in 1986-87 for Rs.41.78 lakhs, i.e., increase in the original estimate by 83.3 per cent. The work was still in progress (November 1988).

An estimate of Rs.27.19 lakhs for the work of "Provision of new platform, station building, footover bridge and circulating area at Mirzapur" prepared by Allahabad Division in 1978-79 was sanctioned. After completing about 15 per cent of the work, the contractor abandoned it and the balance work was got executed partly departmentally and partly through another contractor engaged at the risk and cost of the defaulting contractor. The work was finally completed in April 1986 at a revised cost of Rs.80.17 lakhs. The excess of Rs.52.98 lakhs was due to (a) increase in quantity/scope of work, addition of new items as a result of inspection by officials and the General Manager (value Rs.21.44 lakhs) and (b) increase in cost of materials/ labour rates and Tender percentage (Rs.31.54 lakhs). The position of recovery of risk amount of Rs.31.54 lakhs from the defaulting contractor could not be ascertained.

The work of "Provision of new waiting hall, booking office, foot-over bridge, etc." at Moradabad station was sanctioned in February 1982 at an estimated cost of Rs.59.61 lakhs. The finalisation of the drawings by R.D.S.O. took more than two years (September 1984) and phase I of the work was awarded to a contractor in December 1984 to be completed in December 1986 and phase II of the work was also awarded to the same contractor in September 1986 to be completed in March 1988. The contractor who was given extensions up to 30 November 1988, did not complete phase I and his contract was terminated on 30 November 1988 at his risk and cost. Completion date for phase II of the work was extended up to 15 February 1989 but its progress was only 5 per cent, in November 1988. A revised estimate amounting to Rs.95.47 lakhs was sanctioned in October 1986 due to increase in labour and material rates.

Thus delay in finalisation of drawings and grant of extensions to the defaulting contractor for phase II of the work had resulted in passenger amenity work not being completed in time besides avoidable increase in the cost of work by Rs.35.86 lakhs.

Southern:

During 1983-84 to 1986-87 passenger and other users' amenities works costing over Rs.5 lakhs that were completed or were in progress were:

	No. of works	
	Completed	In progreess
1983-84	6	21
1984-85	4	22
1985-86	8	21
1986-87	9	24

A review of the progress of execution of the passenger amenities works taken up during the period indicated large number of extensions granted for completing the works resulting in slow progress to the sanctioned works. The period of completion ranged from two to over six years. The execution of the works was delayed due to delays in.preparation of plans;

preparation of estimates and finalisation of tenders;

handing over materials to the contractor;

commencement/slow progress of work;

handing over site; and

due to paucity of funds.

The additional expenditure due to escalation in cost amounted to Rs.58.57 lakhs.

South Central:

14 works costing over Rs.5 lakhs each were undertaken for provision of Passenger Amenities during 1983-84 to 1986-87 of which six were completed by 1986-87. The number of works completed in any year was relatively small when compared to those remaining incomplete. The utilisation of funds allotted was also not as per sanctioned estimate. The actual expenditure on

the works exceeded the sanctioned estimate by 156 per cent mostly due to large scale deviation from the scope of the works as planned initially. Even the actual expenditure incurred, to a large extent (62 per cent), did not provide amenities either to the passengers or to other Railway users. This had the effect of reducing the availability of fund for providing requisite amenities.

The review also revealed an avoidable expenditure of Rs.7.47 lakhs towards payments to contractors at enhanced rate due to non-finalisation of plans and drawings before initiating tenders and abnormal increase in amenities during execution of the works "Remodelling of station building at Miraj" and "Remodelling of Station building at Hubli".

North Eastern:

An estimate for a work of Rs.10.70 lakhs, consisting of a waiting hall, booking office, washable apron and covering on platform etc. at Muzaffarpur was sanctioned in November 1979.

A contractor was engaged in Februrary 1980 to execute the work at a cost of Rs.7.59 lakhs excluding cost of materials (Steel & Cement etc.) to be supplied by the Railway and the work was to be completed by June 1980. Due to change in the scope of work and non-supply of materials the work could not be completed till September 1981. After executing work valued at about Rs.2 lakhs, the contractor left the work as his demand for increased rate was not accepted by the Railway Administration. For the residual work (valued at about Rs.5.59 lakhs) an agreement was entered into in July 1982 with another contractor for Rs.7.23 lakhs with the date of completion as 9 July 1983.

The work was, however, completed only in April 1986 at a cost of Rs.47.58 lakhs (against the revised estimate for Rs.47.55 lakhs) for which Railway Board's approval was not obtained. In fact, due to enhancement of the scope of work, on account of construction of nine retiring rooms with 25 beds and provision of costly mosaic flooring and furniture, a total expenditure of Rs.67.87 lakhs was incurred but the cost of the work was brought down to Rs.47.55 lakhs by charging a portion to other work heads irregularly.

Lack of proper planning and monitoring not only delayed the execution of the work by over five years, but also resulted in incurring an avoidable expenditure of Rs.18.88 lakhs on account of rise in price of matérials and labour rates (Rs.16.90 lakhs) and prolonged establishment expenses (Rs.1.98 lakhs).

11. Halt Stations

A large number of halt stations which were sanctioned before 1 April 1987, had not yet been opened. In June 1987, the Railway Board issued instructions to implement the pending sanctions during 1987-88.

During 1986-87 to 1988-89 halt stations opened on Indian Railways were as under:

1986-87	43
1987-88	74
1988-89	60

Halt stations yet to be opened and the target for 1989-90 were:

	pending for opening as in April 1989	sanctioned from April 1989 to August 1989	total	targets for 1989-90	number of halts opened during 1.4.1989 to 31.8.1989
Central	13	5	18	8	1
Eastern	4	2	6	5	1
Northern	3	2	5	7	-
North Eastern	2	3	5	4	2
Northeast Frontier	3	-	3	4	1
Southern	10	-	10	5	1
South Central	7	-	8	6	3
South Eastern	8	1	9	10	1
Western	5	-	5	6	2
Total	55	14	69	55	12

On the Southern Railway, six out of thirteen halt stations sanctioned long ago were opened after a delay of two to eight years. The financial implications in respect of ten stations indicated a loss of Rs.14.97 lakhs due to delay in opening the halt stations.

The financial implications due to delay in opening the halt stations have not yet been assessed in respect of other Railways.

12. Infructuous Expenditure

Provision of "Electronic Information Display System at Delhi Station"

An Electronic Information Display System 'working' in conjuction with an alpha numeric character generator developed by the Central Scientific Instruments Organisation, Chandigarh and commercially available with a State Government Undertaking of Punjab was recommended in 1978 to be installed at Delhi station. The system was said to be reliable, versatile, flexible and capable of displaying, at a time, details of six trains to arrive and six trains to depart. An estimate amounting to Rs.9.56 lakhs was sanctioned in October 1978. The offer submitted by the firm, comprising the following, was accepted.

cost of equipment and material	= Rs.5,60,000
cost of spares for 5 years	= Rs. 35,754
cost of installation	= Rs. 75,000
Total	= Rs.6,70,754

Civil engineering and electrical portions of the work, which were to be carried out by Railways were estimated to cost Rs.41,000 and Rs.29,757 respectively.

The system was installed and commissioned on 5 January 1982 and operated in one shift daily from 18.00 hours to 22.30 hours. The display system, after unsatisfactory working, failed on 21 April 1982. After carrying out some modifications and providing an airconditioner in the room, the system was recommissioned but it failed again on 13 December 1982, and remained inoperative for over six months. It was closed in January 1984 to avoid wasting of staff for the purpose, and finally, was ordered to be removed in July 1986 rendering an expenditure of Rs.8.41 lakhs infructuous.

Registrex-A self printing ticket machines

Southern Railway Administration procured six single memory 'Registrex' self-printing machines manufactured by an indigenous firm at a cost of about Rs.1.81 lakhs and installed two each at Tambaram, St. Thomas Mount and Nungambakkam stations during 1982-83. The life span of these machines was ten years. The main object of introducing these machines was to achieve efficiency and savings. These machines from inception were not functioning properly. At the instance of the supplier, one of the machines was modified in 1985 and installed at Madras Central for issue of platform tickets. The modified machine was also found defective. All the six machines were withdrawn in January 1989 resulting in infructuous expenditure of Rs.1.81 lakhs.

13. Provision of a new train halt

A new train halt named Tirusulam, to be located opposite the new National Air Terminal building, situated between Minambakkam and Pallavaram stations on the Madras Beach-Tambaram MG suburban section of Southern Railway at a cost of Rs.14 lakhs, (revised in June 1987 to Rs.32.09 lakhs) was sanctioned in 1985-86. As the provision of the halt was only for suburban passengers, it could not be charged to Capital and was taken up as a passenger amenity work. Of the increase in the cost of work, an amount of Rs.6.86 lakhs was attributable to provision of a subway instead of a foot over-bridge. Though the station was commissioned on 6 July 1986, at a cost of Rs.27.37 lakhs (January 1990), no firm proposal for a subway connecting the National Air Terminal and the Railway station had taken shape (March 1989).

14. Other topics

14.1 Under utilisation of sleeper coaches

The 67 UP/68 Dn Kosi Express was running between Nirmali and Forbesganj of North Eastern Railway in 1983-84 with 29360 three tier sleeper berths. The utilisation of the berths was 97 percent in the Up train and 98 percent in Down train. The berths were increased to 43860 in 1985-86 but utilisation declined to 22 per cent in 1985-86 and 22.57 per cent in 1986-87. Railway Administration stated in reply to Audit that due to shortage of second class general service coaches, sleeper coaches were retained in service and that all the berths were utilsied 100 percent in May 1986 and November 1986 at Laheriasarai, Sakri, Saharsa and Hasanpur stations of the Railway. The figures of passenger occupation relate to only two very busy months (marriage season) of the year which do not reflect correctly the utilisation for the year.

Operating cost could have been reduced by Rs.25.58 lakhs if two MG 3-tier sleeper coaches ([illegible] berths in each coach) which remained unutilised in 1985-86 and 1986-87 had been withdrawn.

14.2 Catering Facilities

Catering facilities are available at 2987 stations and on 89 pairs of trains. Out of these, at 72 stations and on 60 pairs of trains, Catering service is managed departmentally. At 45 stations, the service is provided, partly by the Railways and partly by the contractors and at the remaining 2870 stations and 29 pairs of trains, the service is provided by licensed contractors.

The Catering services are required to be run on "No profit no loss" basis. Indian Railways, which made a net profit of Rs.160.51 lakhs in 1985-86, suffered losses of Rs.56.64, Rs.27.94 and Rs.71.37 lakhs in the following years 1986-87, 1987-88 and 1988-89 respectively.

During the last 5 years, contract catering was replaced by departmental catering at 5 stations and departmental pantry service was introduced in 11 pairs of trains.

The number of stations, where low priced food packets are available, has been decreasing.

	No of Stations
1983-84	292
1984-85	290
1985-86	286
1986-87	276
1987-88	278

2.3 Human Resource Planning in the Indian Railways

1. Introduction

The largest employer in India is the Indian Railways with over 1.6 million regular employees with a wage bill amounting to Rs.3987 crores, constituting about forty six per cent of the total working expenses, as also a large number of casual labour (about two lakhs) engaged for works of temporary nature. Human resource comprises assets of value comparable to financial and physical resources. Improved productivity of costly physical assets is largely dependent on the quality of human resource.

Over the years there had been a sea change in the operational technology in Indian Railways due to modernisation, electrification, computerisation, mechanisation of track maintenance etc. resulting in fast increasing traffic requirements underlining the need for adoption of a completely new approach in different spheres of work. In view of the rapid modernisation and increasing sophistication in technological front in the Railways, it has been essential to have proper Human Resource Planning.

Human Resource Planning involves:

(a) an appreciation or evaluation of existing human resources **(b)** assessment for forecast or requirements in the years to come, both in terms of quality and quantity, and **(c)** taking suitable measures to ensure that resources, both skilled and unskilled, are available, according to requirements as and when needed for jobs. Human Resource planners also try to foresee any expansions or reductions in operation and technological changes that may affect the organisation. On the basis of such analysis, plans can be made for shifting employees within the organisation, laying off or otherwise cutting back the number of employees or retaining present employees, as well as for recruiting and hiring new people. Because of its focus on organisational needs, Human Resource Planning must be part of the overall strategic planning process in an organisation.

No conscious effort as such had been undertaken in the past towards a definite approach and application of the concept of Human Resource Planning in Indian Railways.

2. Scope

The Corporate Plan 1985-2000 deals with 'Human Resource Development' and this was the first step taken to adopt this concept in Railways. Certain policy changes have been proposed to be made with regard to recruitment, training and promotion. The progress made in the implementation of these changes in respect of staff employed on Indian Railways and working of Staff Bank were taken up for review. The present review is confined to Human Resource Planning in three major departments, viz. Mechanical Engineering, Civil Engineering and Transportation and covers various aspects of Corporate Plan, Staff Productivity, Bank of Surplus Posts and avoidable expenditure due to operation of surplus posts.

3. Organisation

Historically, the Indian Railways is labour dependent with the result that cost per unit of output is largely dependent on this single factor. With the increasing trend in the wage packet and increased outlays on staff welfare activities, the Indian Railways cannot afford to induct human resource in the same proportion as they used to in the earlier days. With the advanced technology now available and the need to step up the country's pace of development, it is necessary to implement sophisticated technology in as many areas as possible, provided the end cost does not materially suffer.

There are over 700 categories of Railway staff spread all over the country. It is estimated that about 60,000 employees are recruited every year including those required to fill vacancies caused by natural wastage. A Planning Branch, under the control of a Chief Planning Officer, is functioning since 1973 in each Zonal Railway. The Planning Branch comprises the Corporate Planning cell, the Efficiency cell and Staff Inspection Units. The Corporate Planning Cell draws up 5 years and 15 years Plans and prepares the annual integrated budget. The Efficiency Cell conducts work study and suggests ways of minimising wages, steps for improved efficiency and for effecting economy. Staff Inspection Unit conducts inspections of various departments to review staff strength needed. The Personnel Department deals with the functions relating to initial recruitment, training, motivation etc. Bank of surplus posts is also maintained by this department to which posts identified as surplus are transferred. These are later adjusted as matching surrenders against newly created posts.

4. Highlights

- **Despite Railways being over 130 years old and it being the largest employer with over 1.6 million regular employees, a definite approach and application of the concept of human resource planning was not taken till 1985 when human resource development was included in the Corporate Plan 1985-2000.**

- **Staff cost as a percentage on working expenses has been increasing steadily and in 1987-88 it constituted 46 per cent of the total working expenses.**

- **Staff productivity had significantly varied from one Railway to the other and, consequently, the average productivity of the Indian Railways, as a whole, was 218 thousand traffic units per employee in 1986-87 as against 289, achieved by the Central Railway. The significance of this is illustrated by the fact that if productivity of Central Railway had been achieved by the Railways as a whole, staff requirement during 1986-87 would have been less by 3.81 lakh persons.**

- **The Railways did not implement the recommendations of the Special Committee of 1979 for evolving gang strength for maintenance of permanent way track. Non-surrender of surplus gangs due to non-implementation of the recommendations of the Special Committee resulted in an avoidable expenditure of Rs.14.76 crores on Western, Central and Northern Railways during 1986-89. Not only were the gang strength not reduced in accordance with norms, engagement of casual labour, in addition to permanent gangs, also continued on a large scale. The avoidable expenditure on engagement of casual labour in excess of the gangs on Central and Northern Railways during 1984-85 to 1988-89 was Rs.140.05 crores.**

- **Despite a marked reduction in the work relating to maintenance of steam locomotives and closure of steam sheds, there was no reduction in staff strength. The avoidable expenditure due to non-surrender of surplus posts on Zonal Railways was estimated to be Rs.1.39 crores.**

- **The required quantum of reduction of gang strength on uneconomic branch lines was not given effect to resulting in an avoidable expenditure of Rs.21.45 lakhs.**

- **The non-implementation of the recommendations of study conducted by Staff Inspection Unit (SIU) for surrender of surplus posts expeditiously by the concerned departments on some Zonal Railways resulted in non-realisation of a saving of Rs.535.15 lakhs during 1985-86 to 1988-89.**

- **Training facilities to improve the skills of staff were not fully utilised as shortfall in training ranged from 25 to 66 per cent.**

- **In successive revisions of Productivity Linked Bonus (PLB) the output value of one bonus day had declined from 6400 million NTKM in 1979 to 5502 million NTKM in 1986.**

5. Financial Results

The summarised financial results and the percentage of staff costs to working expenses during the last five years from 1983-84 were as under:-

	Gross Receipts (in crores of rupees)	Average rate per tonne km. Goods traffic (in paise)	Average rate per passenger km. Passenger traffic (in paise)	Gross Working Expenses (in crores of Rs.)	Surplus (+)/ Deficit (-)	Staff Cost (in crores of Rs.)	Average cost per employee (in Rs.)	Percentage of staff cost to gross working expences
1983-84	5089.75	19.20	6.06	5133.80	(-)44.75	2041.3	12895	39.76
1984-85	5469.09	20.10	6.43	5664.68	(-)195.59	2353.4	14797	41.55
1985-86	6590.67	21.50	7.15	6411.84	(+)178.83	2706.9	16883	42.22
1986-87	7683.08	23.30	7.56	7581.09	(+)101.99	3329.7	20860	43.92
1987-88	8679.46	26.20	7.64	8595.17	(+)84.29	3987.3	24808	46.39

The expenditure on staff cost accounted for 39 to 46 percent of the working expenses, thus absorbing a major portion of the revenues.

The staff cost has risen sharply due to increase in real average wages per employee. The average annual cost per employee which was Rs.12895 in 1983-84 rose to Rs.24808 (i.e. almost double) in 1987-88. Further increase in real wages over the years would take place on account of rising standard of living and changes in composition of work force. With improved technology, more efficient methods and better trained work force it should be possible to carry the additional traffic over the next fifteen years without an increase in staff per unit of traffic.

6. **Planning**

In view of its importance, necessary organisational arrangements both at the corporate level and in the field organisations will have to be made to undertake human resource planning on a regular basis as part of the total management planning process. A suitable system will have to be developed at Divisional and Zonal Railway levels for redeployment of surplus staff after training and for recruitment of skilled staff in deficit areas on the basis of short and medium term projections.

In December 1985, Zonal Railways were directed to prepare Man Power Plan for the Seventh Five Year Plan keeping in view corporate objectives and to limit the overall staff increase to 0.3 per cent per annum. The staff in the three selected departments under review for three years from 1985-86 was:

	1985-86	1986-87	1987-88	Percentage of increase (+)/ decrease(-)with reference to 1985-86	Percentage of increase (+)/ decrease(-)with reference to 1986-87
Engineering	351025	354441	356175	(+) 0.97	(+) 0.49
Transportation	324072	318373	316117	(-) 1.76	(-) 0.71
Mechanical	487679	484789	484723	(-) 0.59	(-) 0.01
All departments Indian Railways	1613280	1612225	1617613	(-) 0.07	(+) 0.33

Note:The above does not include about 2,00,000 casual labour in employment on Indian Railways.

Taking Railways as a whole, in the three year period from 1985-86 to 1987-88, the overall staff strength went up by 0.33 per cent in 1987-88 in comparision to the previous year. In the Engineering department there was an increase by 0.97 per cent and 0.49 per cent in both the years but there was a decrease in Transportation and Mechanical departments.

7.Bank of Surplus Posts

Posts are rendered surplus on account of partial/full closure of steam loco sheds, marshalling yards or other redundant assets. At the same time new needs arise for operation and maintenance of new assets.

A Bank of surplus posts is required to be maintained by the Railway Administration both at Head-Quarters and at the Divisional level as per the methodology prescribed in Railway Board's letter of March 1987.

The surplus posts on Railways were, however, not surrendered and credited to the Bank of surplus posts. Failure to take timely action for identifying/surrendering surplus posts and deployment of staff elsewhere results in wastage of man-power. Such wastages noticed in Audit are dealt with in the following paragraphs:-

Gang-Strength

(i) A special committee of Chief Engineers of Railways was appointed in January 1976 for evolving a gang-strength formula for adoption uniformly. The special committee made their recommendations in July 1979 which were accepted by the Board. In January 1983, the Board directed the Zonal Railways that the strength of permanent gang required for maintenance of permanent way track may be refixed on the basis of the special committee's formula on the position obtaining as on 1 October 1981. For addition/reduction in track kilometrage on account of new lines, doubling, conversion, remodelling etc. after October 1981, gang strength may be added or reduced on the Railways on the basis of the said formula. The Committee further directed that the gang strength so arrived at should be reduced by five per cent thereof. Further, a suitable correction factor for track modernisation was to be applied. Against the additional strength so worked out casual labour, who were eligible to be regularised, were to be appointed and the resultant casual posts so vacated were not to be operated upon. The strength of casual labour should be reduced to the barest minimum.

The surplus posts of gangmen, as a result of special committee's recommendations on Western Railway were:-

	Division	Surplus posts of gangmen	Extra expenditure (approximate) Rs. in lakhs
1988-89	Kota	601	80.00
January to November 1986	Bombay	122	12.30
April 1988 to February 1989	Bombay	52	6.32
January 1986 to February 1988	Vadodra	81	20.19

On the Central Railway, as against the requirement of 24957 gangmen, about 30704 gangmen were employed including regular posts, posts de-casualised by the Railway Board and gangmen still working as monthly rated casual labour. Thus about 5747 gangmen were employed in excess of requirement the cost of which worked out to Rs.6.90 crores per annum. The strength of regular gangmen, after de-casualisation of 4449 posts of casual labour and creation of an equivalent number of regular posts of gangmen, became 28,596 as against the requirement of 24,957 as per the special committee's formula. Thus there were 3639 posts of regular gangmen which were in excess of requirement. The cost of these excess posts of regular gangmen worked out to Rs.4.37 crores per annum.

(ii) In February 1987, instructions had been issued laying down revised norms for maintenance of track by tie-tamping machines which were to be taken as guide-lines for deciding the length of the section to be covered by an 'on Track Tamper'. In May 1988, the Railways were asked to work out the gang strength, on the basis of the holding of 'tie-tamping machines' (TTM) as on 1 April 1988 and the revised norms for maintenance of these machines. Reports were called for of the gang-strength so worked out as on 1 April 1988 with the existing operated strength and the date by which the excess operated posts would be surrendered. In January 1989, the Board had again insisted on carrying out such a review, especially with a view to ensuring that the costly machines were used optimally and, as a result of deployment of the machines, substantial manpower saving was achieved. A detailed review had not been undertaken by the Zonal Railways inspite of repeated reminders from the Board.

On Northern Railway, during 1988-89 there was a shortfall of 2085 kms. in track maintenance by machine during the year which was made up by manual maintenance. Consequently, 809 gangmen were continued to be employed resulting in avoidable expenditure of about Rs.97 lakhs.

As regard track maintenance of 4433 kms. carried out by the machines, 1720 gangmen were required to be surrendered whereas only 611 gangmen were surrendered on Allahabad Division of Northern Railway. The non-surrender of the remaining 1109 gangmen resulted in avoidable expenditure of Rs.133.08 lakhs per annum.

Irregular casual labour

There was no yardstick for provision of casual labour and, therefore, casual labour were recruited without adequate study. Even after the reassessment of the strength of gangmen in 1983 on the basis of the special committee's formula and the Board's directive of January 1983, the percentage of casual labour to permanent gangmen was high as shown below:

Central Railway:

As on	Equated Track kilometre	Operated strength of permanent gangmen	Casual labour operated	Percentage of casual labour to permanent gangmen
1.4.1984	17034	22748	5316	23.36
1.4.1985	17709	23536	4588	19.48
1.4.1986	17683	23903	4795	20.06

In September 1988, out of 6557 posts of casual labours, 4449 posts were recommended for de-casualisation and creation of regular posts of gangmen retaining 2108 posts of casual labours.

Engagement of extra casual labour on Bhusawal Division for regular track maintenance had resulted in extra expenditure of Rs.5.92 lakhs relating to July 1985 to November 1988.

Northern Railway:

A large number of casual labour were employed in addition to the permanent gang strength on maintenance of permanent way, bridges and patrolling duties without proper justification and creation of posts by competent authority. The total expenditure incurred on appointment of casual labour during 1984-85 to 1988-89 worked out to Rs.140 crores (approximtely) as shown below:-

Year	No. of casual labour employed	Amount (Rs. in lakhs)
1984-85	26,086	2,215.89
1985-86	25,228	2,240.43
1986-87	24,470	2,647.43
1987-88	27,473	3,318.56
1988-89	28,192	3,577.41
		13,999.72

South Eastern Railway

The strength of casual labour in the Civil Engineering Department during the past four years was as shown below:

	1.1.1984	1.4.1985	1.4.1986	1.4.1987	1.4.1988
Permanent way	8654	NA	6746	6002	4833
Works	2929	NA	2312	1685	1514
Bridges	523	NA	491	479	357
	12106		9549	8166	6704

(NA - Not available)

There was a proposal for de-casualisation in 1985 and as a result thereof only 1311 casual labours had been de-casualised so far.

8. Delay in redeployment/surrender of posts

In keeping with the policy of modernisation, steam locomotives are gradually being phased out and replaced by diesel and electric locomotives. As on 31 March 1988, there were 4427 steam locomotives as against 6212 at the end of 1983-84. Periodical overhaul of steam locomotives had also been reduced to 962 locomotives in 1987-88 as against 1801 in 1983-84.

Failure to surrender staff in the loco sheds/marshalling yards etc. consequent on phasing out of steam locomtovies/closure of steam sheds led to extra expenditure of Rs.139.17 lakhs as shown in Annexure VI.

9. Manpower on uneconomic branch lines

The gang strength in Sanganer-Todaraisingh Section, an uneconomic branch line on Jaipur Division of Western Railway, was to be reduced from sixteen to nine in January 1988. The actual reduction, however, took place in May 1989 resulting in an avoidable expenditure of Rs.7.23 lakhs due to delay of about 16 months in the surrender of posts.

Similarly on the Mavli-Barisadri section of Ajmer Division, the decision in March 1989 to reduce the number of gang from 11 to 7 is yet to be implemented.

The redeployment of staff in respect of the following uneconomic branch lines which were closed is not known.

Rajkot	Joravarnagar-Sayala	Closed on 1.11.1987
	Harij-Chanasma	Closed on 2.8.1987
	Patam-Kokori	Closed on 16.8.1987
Bhavnagar	Botad-Jasdan	Closed on 23.12.1985
	Kukavar-Bagasare	Closed on 22.12.1985

No review of gang-strength on nine other uneconomic branch lines was undertaken by the Western Railway Administration.

Even after suspension of train services from January 1987 on the uneconomic branch line between Mayiladuturai and Tarangambadi on the Southern Railway, 46 permanent way staff were retained till July 1988. On being pointed out by Audit, they were surrendered to Staff Bank. This involved an avoidable expenditure of Rs.7.86 lakhs per annum.

In respect of three stations (Pulankinar, Pudunagaram and Kanakkanpatti) on the Southern Railway downgraded as flag/halt stations based on the earnings of minor stations from December 1987 to March 1989, saving of Rs.2.16 lakhs per annum could not be realised due to non-surrender of staff.

In respect of six other stations, plan for downgrading the station and surrender of staff has not yet been finalised entailing non-materialsation of anticipated saving of Rs.4.2 lakhs per annum.

10. Staff Inspection Unit

Individual departments have to select appropriate work measurement technique and lay down time estimates or work norms for different types of jobs. An independent agency called Staff Inspection Unit (SIU) is functioning in each Zonal Railway which not only lays down norms but also periodically reviews the functioning of the offices to ensure that

- man power sanctioned for the particular purpose is utilised for that very purpose,
- redundant and profitless activities are eliminated, and
- work is simplified so as to effect economy.

The findings of the SIU are mandatory and have to be implemented within a period of three months. As per instructions, posts identified as surplus may be retained against clear vacancies up to three months only against future vacancies after which the surplus posts are to be surrendered and credited to the Staff Bank.

The results of study conducted by SIUs on the Zonal Railways are given in the table below:-

Railway	Year	Studies	Posts not surrendered and credited to Bank	Projected savings per annuam (Rs. in lakhs)
Southern	1985-86	36	1079	79.00
	1986-87	28	1382	276.00
	1987-88	26	NA	NA
	1988-89	39	NA	NA
Central	1985-86	41	262	37.85
	1986-87	40	466	90.30
	1987-88	42	269	52.00
Northern	1988-89	NA	5101	NA

NA - Not available. (Note: The position on other railways is not readily available)

On the Southern Railway, 1079 and 1382 posts were not surrendered and credited to Staff Bank entailing non-realization of saving of Rs.79 lakhs and 276 lakhs during 1985-86 and 1986-87 respectively. Similarly, on Central Railway for three years from 1985-86, 262, 466 and 269 posts were not surrendered resulting in non-realisation of saving of Rs.37.85 lakhs, Rs.90.30 lakhs and Rs.52 lakhs respectively.

11. Zero base budgeting

The concept of Zero Base Budgeting (ZBB) differs from conventional budgeting. Current expenditure can not be taken for granted as a base to produce the next budget with incremental variation. Each budget estimate has to be justified in its entirety, in terms of the organisational goals and objectives through evaluation of the utility, efficiency and effectiveness of all ongoing activities as well as new ones. Under ZBB the department has to justify its man-power at each annual budgeting exercise.

In July 1986, Ministry of Finance issued instructions to the Board for adopting ZBB with effect from the budget year 1987-88. The Board issued guide lines to Zonal Railways in June 1987 for adoption of the ZBB approach for the Revised Estimates 1987-88 and Budget Estimates 1988-89. Ministry of Finance further informed the Board in July 1987 to draw up a time bound action programme for review of all programmes and activities to be completed over a period of three years and to identify one third of the budget that could be covered in that year. This review was to be completed by August 1987 and the result thereof reflected in the budget for 1988-89. No Zonal Railway other than Central (partially) had given effect to ZBB in the Revised Estimates 1987-88 and Budget Estimates 1988-89 resulting in non-achievement of anticipated savings.

12. Staff productivity

The Board, while forwarding a Study Report on trends in staff productivity on Zonal Railways in May 1988 stated that staff productivity, defined as traffic units per employee, should go up by 62 per cent if the Corporate Plan targets were to be achieved.

As per this study, the staff productivity was 218 thousands traffic units per employee in 1986-87 as against the best productivity level of 289 thousands achieved by Central Railway, vide Annexure VII. If the productivity level of 289 thousands was achieved on other zones as well the staff requirement during 1986-87 would have been less by 3.81 lakh persons (24.5 per cent) vide Annexure VIII.

Even after making allowance for the fact that condition on different Railways in respect of gauge, double line, electrification, loading points, etc. vary, the Board stressed the need for staff productivity to meet the productivity level of Central Railway.

13. Training

Training is imparted in Zonal Training Schools, System Training Schools and other Central Institutions to enable staff to improve their skills and abilities and keep themselves abreast of technological changes. The courses conducted at these training institutions are broadly divided into the following categories.

- initial training to cater to the needs of new recruits,
- refresher training to keep the employees abreast of latest developments and modern techniques and to give them orientation with regard to their duties and responsibilities,
- promotional courses for employees who have to undertake duties of different nature with higher responsibilities, special type of courses on management, Computer Programming, etc.

The utilisation of training capacity for different courses on Indian Railways during 1986-87 and 1987-88 was as under:-

	Capacity available	Average duration of course	number attended		Shortfall	
			1986-87	1987-88	1986-87	1987-88
Initial course	18000	6 months	13374	21365	4626	-
refresher course	102500	1 month	37100	38490	65400	67749
promotional course	50000	3 months	19055	34751	30945	15249

While on the one hand the existing facilities are inadequate to meet requirements there is shortfall in the number of staff who have attended the training.

14. Motivation

While exercises have been going on in the area of career planning as a matter of policy by the Ministry of Railways, and, as a sequel to that, restructuring/upgradation of cadres in various departments are being effected, individual Railways have little to do in this area. The matching of employee's expectations and job opporunities/satisfaction involve subjective matters not susceptible to audit scrutiny.

Normally, definite job allotments and targets are laid down for each category of staff and the objectives, goals and targets are laid down for each category. Capability of the staff is judged on the basis of targets achieved.

There is no machinery to find out job satisfaction derived by employees. There is no system to find out imbalances, if any, between expectations of employees and opportunities within the organisation. There is also no system to identify the reasons for such imbalance and to take remedial action.

A review of the promotional avenue charts of three departments under review disclosed the existence of a number of higher grade posts of each cadre to afford reasonable opportunities to the employees for advancement in the cadre. The provision for direct recruitment exists only at the lowest grade in each cadre and to a limited extent in intermediary grades.

15. Productivity Linked Bonus

In para 4.6 of the Audit Report (Railways), 1981-82 mention was made that under the scheme of Productivity Linked Bonus (PLB) no allowance was made for the potential for improvement on performance on account of additional capital inputs made from year to year. Again, in para 4.4 of the Audit Report (Railways), 1982-83 it was commented that during 1977-78 to 1982-83 capital investment had increased by Rs.2,454 crores and staff (including casual labour) by 55,000 which had not been taken into consideration while reviewing the scheme for bonus payment for 1982-83. The Board stated, in February 1985, that in the revised norms, approved in August 1984, the base for calculation for PLB was enhanced from the then existing figure of 159996 million to 172342 million revenue traffic net tonne kilometres (NTKMs). Additional performance over and above the base, meriting one day's wage as additional PLB, was also enhanced from 3250 million to 3575 million revenue traffic net tonne kilometres. These changes, the Railway Board stated, were made to provide for the additional capital and staff inputs which had been added to the system during 1977 to 1983. The Railway Board further stated that efforts were being made to effect further refinements which would be considered when the norms and parameters became due for review in 1985-86.

In 1986, the formula for calculation of PLB was revised and, from 1986-87, it was to be worked out on the basis of the ratio of output to input; the output being the total equated NTKMs and the input being the total number of employees. The base productivity index was accordingly revised to 125986 NTKMs per employee (calculated on the average annual equated NTKMs for the three years 1983-84 to 1985-86 - 192573 millions divided by the average annual number of employees during that period viz. 1528531). The quotient (index) determines the PLB payable. Bonus payments were made to the Railway staff during three years 1986-87 to 1988-89 at 42, 44, 43 days respectively. The present formula for PLB still ignores the contribution to output on account of Capital appreciation of Rs.4054.42 crores i.e. from Rs.7567.80 crores (1983-84) to Rs.11622.22 crores (1987-88). Besides value of assets leased from Indian Railway Finance Corporation (IRFC) amounting to Rs.770.32 crores in 1987-88 which also contributed to the output had not been taken into consideration.

In successive revisions the output value of one bonus day had declined from 6400 million NTKMs in 1979 to 5502 million NTKMs in 1986 as under:-

	million NTKMs	no. of days bonus
Ist Agreement (PLB for 1979-80 and onwards)	159996	25
2nd Agreemnt (PLB for 1983-84 and onwards)	172342	29
3rd Agreement (PLB for 1986-87 and onwards)	192573 (i.e. 125986 NTKMs per employee)	35

16. Other Topics

Northern Railway:

Against the sanctioned posts of 275 personnel on steam loco sheds of Lucknow Division, 411 substitutes were engaged involving extra expenditure of Rs.22.66 lakhs from December 1987 to January 1989.

Expenditure of Rs.98.18 lakhs up to November 1988 on 209 substitutes had not been regularised by obtaining the sanction of the competent authority.

The wages amounting to Rs.3.50 lakhs from October 1988 to February 1989 have been paid to 53 substitutes under court orders without any work done by them.

The delayed surrender in June 1988 of 27 posts of typists which became surplus in January 1986 consequent on installation of computers for reservation resulted in avoidable expenditure of Rs.18.19 lakhs.

Western Railway:

On closure of Bhavnagar-Mahuva section for traffic in May 1987, 138 posts of Engineering and Traffic departments were rendered surplus and were transferred to other sections during April-September 1988. The delay of 10 to 16 months in transferring the staff resulted in extra expenditure of Rs.22.89 lakhs.

Due to non-maintenance of proper records 51 employees were retained in service beyond their age of superannuation. The maximum retention was upto six years.

Northern, Southern and Western Railways, DLW, CLW and ICF Units

Instructiosns were issued by Railway Board in June 1972 prohibiting payment of overtime in incentive shops (workshop). Review in Audit revealed that booking of staff covered by incentive scheme on overtime was resorted to regularly on Railways. Overtime Allowance of Rs.1.10 crores during 1982-83 to 1988-89 on Northern Railway, Rs.2.44 crores during 1986-87 to 1988-89 on Southern Railway, Rs.25.49 lakhs on Western Railway and Rs.13.70 crores during 1985-86 to 1988-89 on Railway Production Units (DLW, CLW and ICF) was paid.

North Eastern Railway:

Subsequent to closure of Marine Organisation at Mokamaghat, 397 employees were retained from April 1986 to March 1989 in excess of the requirement with no work resulting in avoidable expenditure of Rs.2.88 crores.

The train examining depot, Chupra Kachehry was closed in April 1987 rendering 66 employees as surplus. The staff remained unutilised till November 1988 resulting in avoidable expenditure of Rs.26.61 lakhs.

South Central Railway:

A comparison of requirement of manpower as projected in the action plan for Seventh Plan period with actual strength of staff as on 31 March 1988 in respect of three departments under review revealed a net excess of 2832 posts in operation involving an extra expenditure of Rs.3.95 crores per annum.

2.4 Working of the Personnel Department

1. Introduction

Manpower is one of the most important resources of Railways. The organisation is labour intensive and the number of employees has been steadily rising. For the administration of a large personnel it is necessary to have proper documentation of service matters. The need for ensuring the correctness and the reliability of service documentation cannot be over emphasised.

2. Scope of Review

A test check of service registers, leave accounts and other related records of Zonal Railways/Production Units was conducted by Audit to evaluate the efficacy of the working of personnel branch as also of the internal check. The results of this review have been detailed in the subsequent paras.

3. Organisation

The Personnel Branch in the Zonal Railways/Production Units is responsible for drawal of pay and allowances of staff, effecting recovery of advances, rent and electricity. In each Railway, the Personnel Branch is headed by a Chief Personnel Officer (CPO) assisted by other officers. It is the responsibility of the Personnel Branch to maintain the service records of employees and for drawal of pay and allowances and the like. This apart, the Railways have, under the Financial Adviser and Chief Accounts Officer, a system of internal check. Detailed instructions have been prescribed, in the Indian Railway Code for the Accounts Department, regarding internal check/post check of pay bills, muster rolls and labour pay sheets, provident fund accounts, pension payments. Chapter 12 of the Accounts Code further details the checks to be exercised in respect of establishment charges, allowances and advances. There is thus in-built in the system arrangement for checking payment by an authority independent of the Personnel Department.

4. Highlights

Having regard to the large number of employees in the Railways the cost of staff representing about fifty percent of the net working expenses of the Railways, it is to be expected that an organised personnel organisation supported by an internal audit system provided by the Financial Adviser & Chief Accounts Officer will ensure that personal claims are soundly managed and that recoveries due from employees are effected promptly. The results of an audit review, based on a test check on a limited sample, revealed that there were several deficiencies in the system as enumerated below:

- **In some of the leave accounts test checked it was seen that they were not maintained properly and resulted in excess payment of leave salary of Rs.43.99 lakhs.**
- **In some of the cases incorrect fixation of pay of medically decategorised staff absorbed in alternative jobs and non-implementation of the recommendations of the Joint Advisory Committee of the Railway Board in respect of Stores Issuers there were overpayments amounting to Rs.25.42 lakhs.**
- **Failure to undertake the periodical revision of assessed rent for Railway quarters in time led to arrears of rent of Rs.267.90 lakhs remaining outstanding.**
- **Cases involving irregularities, viz., non-recovery/short recovery of rent/penal rent for unautorised occupation of railway quarters, loss of rent due to delay in allotment of railway quarters, payment of house rent allowance to the employees occupying railway quarters, etc. involving Rs.95.06 lakhs were noticed.**
- **The simplified procedure in regard to the recovery of electricity charges introduced by the Railway Board in 1966 had made the bill preparing officer responsibile for ensuring correct recovery of electricity charges. Non-maintenance of the relevant records by the bill preparing officers and the failure of the internal checking units in not ensuring proper maintenance of the records by the former resulted in short recovery of electricity charges on the Zonal Railways. For the period 1971-72 and onwards the short recovery amounted to Rs.252.69 lakhs.**
- **Arrears in recovery in respect of scooter advance, advance of pay on transfer/tour, flood advance, bicycle and other advances amounted to Rs.647.83 lakhs. Even after expiry of the permissible period, an amount of Rs.505.64 lakhs was outstanding for more than three years on Central, Eastern, Northern, Northeast Frontier, South Central and South Eastern Railways.**
- **Though recovery of advances granted from the State Railway Provident Fund was to commence in time and also completed in accordance with the number of monthly instalments fixed by the sanctioning authority, Rs.49.10 lakhs pertaining to the years 1975-1987 were outstanding for recovery on Northern, Southern, South Central, South Eastern and Western Railways.**

5. Excess payment of leave salary

The Railway Board had directed in September 1965 and August 1970 the Zonal Railways/Production Units to check the leave accounts of all the employees (pensionable as well as non-pensionable) so as to bring these up-to-date from the commencement of service. An endorsement to this effect was also to be made on each such leave account so as to be sure that the accounts were properly maintained. The work was to be completed within a period of one year, and thereafter, the leave accounts were to be checked every year and a certificate of check as also a certificate of verification of service (for pensionable employees) were to be recorded. In January 1971, the Railway Board further clarified that at the time of retirement/termination of service of employees, the scrutiny of leave accounts be restricted to the last three years of service in all cases. The instructions were reiterated in August 1985. Deficiencies were noticed in the following Railways/Units in the maintenance of leave accounts resulting in excess payment of leave salary amounting to Rs.43.99 lakhs.

Railway	no. of cases test checked	where overpayment was noticed	amount of overpayment (Rs. in lakhs)	amount recovered (Rs. in lakhs)	balance outstanding (Rs. in lakhs)
Central	-	196	0.78	-	0.78
Northern	1308	641	3.96	3.70	0.26
North Eastern	-	49	0.43	-	0.43
Northeast Frontier	655	358	10.93	4.88	6.05
Southern	7726	1133	3.38	3.33	0.05
South Central	-	451	7.35	3.26	4.09
South Eastern	1357	272	1.41	0.70	0.71
Western	8150	2265	14.32	5.81	8.51
Chittaranjan Locomotive Works	-	58	1.43	-	1.43
Total	19196	5423	43.99	21.68	22.31

Leave accounts were either not available/maintained or details of intermediate periods were missing on the Central, Northern, North Eastern, Southern, South Central and Western Railways. Even in cases where these were available, the entries were not attested by supervisory officials and the annual certificates of verification of service were not recorded.

6. Fixation of pay

(i) A test check of cases of fixation of pay on Eastern, Northern, Southern, South Central and Western Railways consequent on implementation of the IV Pay Commission scales of pay with effect from January 1986, disclosed excess payments of Rs.6.29 lakhs. Cases of non-recording of entries of promotion and option excercised by the employees for fixation of pay in the Service Registers, non-attestation of entries were also noticed on the Central, Northern, (Delhi division), South Central and Western Railways.

(ii) Some cases involving overpayments due to wrong fixation of pay detected in the Southern Railway are given below:

The Railway Board, while accepting in June 1979, the recommendations of the Railway Labour Tribunal 1971 (RLT) regarding fixation of pay of medically decategorised staff decided that in respect of categories of staff where the decategorisation arose due to natural causes and also injuries owing to negligence of the employee the protection of pay drawn earlier beyond the maximum of the absorbed grade would not be admissible. The wrong fixation done in some cases was taken up by Audit in February 1985. The Zonal Railway did not agree with the views of Audit and referred the matter to the Railway Board in March 1986 who in April 1986 upheld the view of Audit and instructions were issued to the Divisional authorities. No action was taken to refix the pay and the employees continued to draw higher pay. An assessment made by the Railway in March 1988 disclosed overpayment of Rs.4.65 lakhs in 241 cases upto the date of clarificatory orders of Railway Board issued in April 1986. The avoidable overpayment after April 1986 in 18 cases in one division alone worked out to about Rs.1.48 lakhs. The Zonal Railway approached the Railway Board for waiver of overpayments who, in February 1988/November 1988, decided for waiver subject to the stipulation that the pay be refixed as per the clarificatory orders of April 1986. The waival of the overpayments was, however, still pending (May 1989).

The failure of the divisions/units in not implementing the Board's instructions of April 1986 immediately after their receipt thus led to drawal of pay at enhanced rates beyond the maximum of the scale with attendant benefits, such as, dearness allowance, house rent allowance, city compensatory allowance and retirement benefits. The scale of pay of Stores Issuers was revised from Rs.40-60 (prescribed scale) to Rs.55-85 (prescribed scale) with effect from 22 November 1950. The revision was not implemented in respect of 128 employees working in the erstwhile Royapuram District due to non-receipt of the order. In December 1979, when the issue of non-implementation was raised by the Employees' Sangh, the Administration found that the above employees working as "Stores Issuers" were eligible for refixation of pay. In the absence of records, the payment was made to them in lump amounts which amounted to Rs.13 lakhs.

7. Quarters

7.1 Non-revision of rent

The periodical revision of assessed rent with retrospective effect had not been implemented by the Zonal Railways/Production Units as and when due resulting in accumulation of arrears of rent (Rs.267.90 lakhs).

Central Railway:

The assessed rent of quarters was revised retropectively from 1 July 1987. As on 30 September 1989 an amount of Rs.25.85 lakhs was due for recovery in respect of 24,566 employees.

South Central Railway:

The revision of assessed rent due with effect from 1 April 1983 was notified after a delay of about 17 months in August 1984. A test check of six units revealed that while rent was recovered at the revised rates, no action was taken to recover the arrears of rent of Rs.3.87 lakhs (as on 1 June 1987) till it was taken up by Audit and as on 31 December 1988 Rs.0.56 lakh was due to be recovered.

Northeast Frontier Railway:

The perodical revision of assessed rent due from April 1978, in respect of bunglows of gazetted officers' was finalised after a delay of over nine years in December 1987. Though instructions were issued in December 1987 to recover the arrears of rent from serving/retired officers, the rates of recoverable rent were circulated only in April 1988. The outstanding dues on this account were Rs.6.33 lakhs. The matter was taken up by Audit in February 1986 but recovery had not been made till June 1989.

In Alipurduar Division, at the instance of Audit, non-recovery of rent in 162 cases of retired employees amounting to Rs.0.61 lakh was recovered. A review of similar cases was, however, not carried out by the Administration.

Southern Railway:

Revision of assessed rent due with effect from July 1987 could not be enforced due to late receipt in October 1987 of instructions. In 284 cases, arrears of rent, due to revision, amounting to Rs.0.72 lakh were not realised.

Western Railway:

Periodical revision of assessed rent of quarters, due from April 1983, was notified after a delay of about five months in September 1983. The assessed rent for bunglows of gazetted officers was revised in November 1984 and thereafter from July 1987 for other quarters. A test check in five units revealed that while rent was commenced to be deducted at the revised rates, arrears from April 1983 and November 1984, amounting to Rs.1.25 lakhs, were pending recovery (June 1989). The arrears in respect of five units, at revised rates, from July 1987, worked out to Rs.2.21 lakhs (December 1988).

Eastern Railway:

Arrears of rent from July 1987 to April 1989 due to revision of rent in respect of four units were Rs.39.47 lakhs.

South Eastern Railway:

Periodical revision of assessed rent due with effect from 1 October 1970 and 1 April 1973 was notified after a delay of more than four years on both the occasions, which led to accumulation of arrears of rent of Rs.178.85 lakhs. The Railway Board did not agree to waive the recovery of arrears for April 1973 to November 1977.

A test check revealed that while rent deduction was commenced at the revised rates, no action was taken to recover the arrears of Rs.178.85 lakhs. After Audit took up the matter, an amount of Rs.5.35 lakhs was recovered. The balance, amounting to Rs.173.50 lakhs, from October 1970 and April 1973 was yet to be realised. The next revision of rent, effective from April 1983, was enforced in January 1985 in Khurda Road division. Although rent recovery at revised rate was commenced from January 1985, arrears of Rs.0.95 lakh were yet to be recovered.

Diesel Locomotive Works (DLW):

There were 109 cases where the quarters remained vacant for one to eighteen months due to delayed allotment/delayed occupation by the allottees and the loss of rent was assessed at Rs.0.46 lakh. In some cases, there was a delay of three to thirteen months in issuing allotment orders. House rent allowance of Rs.1.05 lakhs was paid to staff who, as per rules, failed to occupy the quarters within 15 days of the allotment order.

The rent of quarters was revised from July 1987 in April and June 1988, but the recovery of the revised rate commenced only from December 1988. Arrears from July 1987 to November 1988 amounting to Rs.17.06 lakhs were yet to be recovered (May 1989).

7.2 Non-recovery of rent for electric geysers

Rent was not recovered from the occupants of 29 officers' bungalows in Sealdah division provided with electric geysers. The amount recoverable could not be assessed in audit.

7.3 Miscellaneous irregularities

Irregularities in rent recovery, short recovery of rent/penal rent, cases of unauthorised occupation of quarters, vacant quarters as a result of non-allotment, expenditure incurred in guarding vacant quarters, payment of house rent allowance to staff though in occupation of quarters, were noticed. Besides, overpayment of house rent allowance, travelling allowance, tuition fees, cases of non-recovery of water charges, irregular retention of railway quarters by serving/retired employees etc. were also noticed. The total amount involved was Rs.95.06 lakhs, and the break up railwaywise being : Central-Rs.7.18 lakhs, Eastern-Rs.14.92 lakhs, Northern-Rs.13.31 lakhs, North Eastern-Rs.6.52 lakhs, Northeast Frontier-Rs.4.64 lakhs, Southern-Rs.10.93 lakhs, South Central-Rs.5.89 lakhs, South Eastern-Rs.10.90 lakhs, Western-Rs.14.88 lakhs, CLW-Rs.4.38 lakhs and DLW-Rs.1.51 lakhs.

7.4 Non-recovery of electric charges

In January 1966, the bill preparing officers were made responsible for maintaining records for correct recovery of electric charges, which till then was required to be watched by the Accounts department, with the latter to ensure proper maintenance of records by the former. Due to the bill preparing officers not maintaining the relevant records this procedure did not work satisfactorily.

A review of outstanding electricity charges on the Zonal Railways disclosed:-

South Central: Rs.37.55 lakhs pertaining to 1971-72 to 1978-79 remained unrecovered. The outstanding amount subsequent to 1978-79 could not be known since the electric energy charges were not being booked separately.

South Eastern: The outstanding electricity chrages in respect of four units for 1980-81 and onwards amounted to Rs.112.40 lakhs (June 1989).

Central: The short recovery for the period 1984-89 amounted to Rs.24.57 lakhs. In most of the cases the recovery of electricity charges was based on the average consumption in the preceding half year, proforma recoveries being effected from the pay bills of the next half year. The adjustments required to be made when the actual consumption/actual meter reading of units of the concerned half year was available were not being made. Neither the paysheet preparing office nor the Accounts office had any record to indicate actual amount of electricity charges that were due for recovery.

Northern: Against the amount of Rs.1.08 crores billed for in two divisions (Delhi and Moradabad) during 1987-88, Rs.0.72 crore were recovered leaving a balance of Rs.0.36 crore for recovery. Rs.2.35 lakhs were also due for recovery in Lucknow, Ferozpur and Bikaner divisions.

Northeast Frontier: Energy charges outstanding for 1980-81 to December 1988 worked out to Rs.19.85 lakhs.

Southern: Arrears of electricity charges due to be recovered for 1970-71 to 1982-83 as on 31 March 1983 amounted to Rs.13.67 lakhs, against which only Rs.5.34 lakhs had been recovered. In respect of certain pay bill units on three divisions (Madras, Madurai and Bangalore) and at headquarters the bills for energy charges were not received from over one year and the recovery of charges was exhibited at the same rate for over nine months in 366 cases resulting in recoveries being either not effected or effected at the same rates without reference to actual consumption. There was inordinate delay of three to twelve months in preparing and sending the bills for recovery. Besides, there was wide variation between the billed amount and the actual amount recovered. As a result of short recoveries pointed out by Audit an amount of Rs.2.84 lakhs was recovered.

Western: The arrears of electric energy charges outstanding as in 1981 were Rs.21.78 lakhs, out of which Rs.9.56 lakhs pertained prior to 1978-79. The extent of arrears in the recovery of electricity charges as on 31 March 1983 had not been indicated to the Railway Board till September 1989. No records were available to indicate the amount due for recovery. Arrears to the extent of Rs.7.09 lakhs up to 31 March 1989 were noticed by Audit in respect of 6 units.

North Eastern: The short/non-recovery of electricty charges amounted to Rs.0.94 lakh.

Chittaranjan Locomotive Works: The outstanding electricity charges in respect of 417 consumers amounted to Rs.3.61 lakhs.

7.5 Advance for purchase of conveyance

A test check revealed that the Administration failed to get the mortgage bonds executed by the employees. It was also noticed in many cases that while the principal amount of advance sanctioned was fully recovered, the recovery of interest charges was not made.

8. Advances

8.1 Advances sanctioned like pay on transfer, travelling allowance on tour, for festivals, conveyance, house building, natural calamities, were outstanding beyond the permissible period of recovery.

South Eastern: The outstanding dues amounted to Rs.215 lakhs and oldest items dated back to 1965-66. Dues over three years (up to 1985-86) were Rs.149.61 lakhs.

Southern: The outstanding dues worked out to Rs.36.16 lakhs and the oldest items pertained to 1972-73. Rs.16.44 lakhs related to advance of pay/travelling allowance paid during 1972-73 to 1987-88

Northeast Frontier: The outstanding dues for over three years relating to 1973-74 to 1984-85 were assessed at Rs.19.45 lakhs.

Northern: An amount of Rs.28.61 lakhs towards festival, flood, scooter and motor cycle advance was outstanding.

Eastern: Recovery of an amount of Rs.24.90 lakhs, relating to 1970-71 - 1973-74 was lying unrealised.

South Central: Advances outstanding for recovery for over three years up to 1984-85 were Rs.18.93 lakhs as on 31 March 1988.

Central: The outstanding dues as on 31 March 1989 for various advances even after expiry of permissible period of recovery amounted to Rs.278 lakhs.

North Eastern: Recovery of Rs.26.78 lakhs relating to the period up to 1984-85 was outstanding as on 31 March 1988.

8.2 House Building Advance

The following deficiencies were noticed in the regulation of house building advance:-

(i) completion reports and insurance policies due from staff were not obtained

(ii) the employees were not asked to refund the full amount of the advance in one lump sum, as contemplated in the rules, even when the employees drew only part of the sanctioned advance (one or two instalments) and did not apply for the balance amount. The position in the different Railways was as under:

South Eastern: Seven employees in Nagpur division, who were granted in June 1988, advance of Rs.3.59 lakhs did not submit the insurance policies. In one of the cases non-recovery of the instalment of advance of Rs.400 per month from June 1988 (out of the advance of Rs.52,000 sanctioned) was detected in Audit in February 1989.

Diesel Locomotive Works, Varanasi (DLW):

The recovery of house building advance in many cases commenced after expiry of four to five years. The amount of advance involved in 11 cases was Rs.4.02 lakhs. In 16 cases, involving Rs.1.29 lakhs, though the advance ought to have been refunded by the employees in one lump sum, Administration continued to recover the amount in usual monthly instalments contrary to rules. In some cases the insurance policies from the employees were not obtained even four to five years after the houses were completed. The outstandings under HBA were due to non-linking of debit and credit/absence of details regarding the month/year of account to which the sanctioned advance related.

Central: In respect of 226 employees, for whom advances of Rs.77.40 lakhs were sanctioned mortgage deed/insurance policies executed by the employees were not obtained.

Western: The oldest case where the Administration failed to get completion report and mortgage deed pertained to 1979-80.

Northern: In Delhi division, HBA of Rs.20.20 lakhs relating to the period prior to 1986 was outstanding for recovery.

Northeast Frontier: A test check of 29 cases at headquarters revealed that in twelve cases Rs.5.92 lakhs were sanctioned, the title of the land was not clear and the area of land was not properly demarcated and the site plans were not approved by the Municipal Authority. In all these 29 cases, the Administration had failed to get completion reports and insurance policies. In Jalpaiguri division in 3 cases (advance Rs.0.89 lakh) the recovery was stopped in September 1988/February 1989 when Rs.0.20 lakh out of the principal amount and interest were still to be realised. Interest due to be recovered on the loan sanctioned had also not been realised (June 1989).

Eastern: In the Asansol division, in 14 cases the completion reports and insrance policies were not submitted by the employees. There were also cases where the employees after drawal of one or two instalments of House Building Advance did not apply for the balance amount but the employees did not refund the amount in one lump sum. The Administration continued to recover the advance at the usual monthly rate of instalment.

Southern: In one unit, the recovery of house building advance was not made/discontinued for certain periods in 25 cases involving Rs.6.35 lakhs. Further, in 434 cases involving Rs.118.73 lakhs relating to three units for 1984-85 to 1987-88, the employees failed to submit/renew the insurance policies.

8.3 Non-recovery of Provident Fund advances

Regular recovery of advance in monthly instalments is to be ensured in internal check. It was seen that in the different Railways advances paid even during 1975 were pending recovery.

South Eastern: A test check by Audit disclosed that in 266 cases, Rs.4.88 lakhs were outstanding from 1981-82 onwards. There were abnormal delays ranging from 14 to 40 months in commencing the recovery.

Northern: In four divisions, in 440 cases, where the amount was paid during 1984-87, Rs.10.33 lakhs were outstanding.

Western: 633 cases were outstanding from 1975 onwards involving an amount of Rs.11.11 lakhs.

Southern: Out of 278 cases involving an amount of Rs.3.26 lakhs where recovery of provident fund advance was delayed/not commenced in 68 cases Rs.2.28 lakhs were outstanding.

South Central: In para 7.4.1 of the Report of the Comptroller and Auditor General of India for the year 1983-84 - Union Government (Railways) the non-observance of these rules on the South Central Railway was commented upon. Consequently, instructions were issued in November 1984 by the Administration to all units to initiate a special drive and to fix responsibility for failures. It was, however, seen that advances paid even during 1975, 1976 and 1977 were still pending recovery. A test check by Audit revealed that 1420 cases were outstanding from 1975 onwards involving an amount of Rs.20.50 lakhs. The Administration stated (January 1989) that in 1060 cases recoveries had been made or were in the process of recovery and that action was being taken to identify other cases as also to like the recoveries wherever effected.

8.4 Festival Advance

The balance amount of festival advance pending as on 31 March 1987 beyond the permissible period of recovery amounted to Rs.36.96 lakhs.

South Central: In some cases recovery was pending since 1976-77.

South Eastern: The balance of Rs.396.75 lakhs (as on 31 March 1987) was transferred to the detailed head under Revenue or Capital, as the case might be, without financial adjustment and the operation of the suspense head of account was discontinued. Consequently, the outstandings under festival advance recoverable from the staff could not be ascertained. Out of Rs.396.75 lakhs, an amount of Rs.169.39 lakhs was lying outstanding beyond the permissible period of recovery. Recovery in some cases was pending since 1965-66.

Southern: The advance outstanding as on 31 March 1987 was Rs.384 lakhs. This amount was dropped by recourse to proforma transfers without financial adjustment to miscellaneous government account. A review carried out by the Accounts department in December 1988 revealed that Rs.6.72 lakhs in respect of the period up to 1985-86 (nine units) was due for recovery. For the later period, out of Rs.123 lakhs pertaining to 1986-87, adjusted in one division, Rs.101 lakhs was yet to be recovered (October 1988). This indicated that suitable machinery to ensure prompt recovery of the advance sanctioned was lacking.

Northeast Frontier: In Alipurduar division there was a debit balance of Rs.36.38 lakhs as on 31 March 1988 which represented the balance amount of festival advance pending as on 31 March 1987 beyond the permissible period of recovery. Recovery pending since 1978-79 involved Rs.15,312. The balance as on 1 April 1987 was, however, shown as nil by transferring the entire balance to the final head of account. The progress of recovery was, however, far from satisfactory.

8.5 Flood advance

Advance sanctioned to railway employees is to be recovered in not more than 12/24 equal monthly instalments. There were considerable delays in effecting recoveries.

Northeast Frontier: In Alipurduar division, an amount of Rs.2.16 lakhs was outstanding as on 31 March 1987, of which 0.72 lakh was sanctioned in 1973-74 and the balance in 1978-79. Though the amount ought to have been recovered within one year of the drawal of advance it was yet (June 1989) to be realised despite a lapse of 10/15 years. In Katihar division also an amount of Rs.4.03 lakhs sanctioned in 1978-79 and the recovery of which should have been completed by 1980-81 was outstanding till February 1989.

9. Ad-hoc/graded relief

Payment of ad-hoc relief and graded relief was to be suspended from March 1987 when a person in receipt of family pension is employed in an office of the Central Government or a State Government. The Railway Board further clarified in March 1988, that a person during the course of employment might continue to draw ad-hoc relief along with the amount of family pension but the amount of relief so drawn be deducted from the monthly pay and allowances of the person concerned. These instructions were not observed.

Northeast Frontier: Ad-hoc/graded relief was being paid to family pension holders without deduction of the relief from their pay and allowances. The Board had, in November 1983, directed Zonal Railways to review/assess the irregular/actual overpayment for effecting recovery. During the last five years no action had been taken to assess and recover the overpayment of ad-hoc/graded relief. The irregular payment of Rs.2.72 lakhs made in 89 cases was taken up by Audit in February 1984 but the recovery had not been made till June 1989.

Southern: In 144 cases relating to seven units the overpaid amount worked out to Rs.3.86 lakhs, of which Rs.0.45 lakh (12 cases) was yet to be recovered (October 1989). Further, the overpayment involved in 17 cases had not been assessed so far (October 1989).

10. Non-recovery of advance paid for air travel

In accordance with Railway Board's order of November 1980 such of the officers as were granted advance for air passage were required to observe certain conditions failing which the entire amount of advance sanctioned was to be recovered. The non-adjustment of advance of Rs.3.65 lakhs sanctioned to 171 officers in 1985 was taken up by Audit in May 1986. Out of 171 cases in 7 (involving Rs.19,938) the bills had been submitted/finalised. While 142 officers submitted the tickets, the reimbursement bills for adjustment had not been submitted. The remaining 22 officers had neither submitted the tickets nor the reimbursement bills for adjustment. Similarly advances granted to 56 officers amounting to Rs.1.30 lakhs during 1986 to 1989 also remained to be adjusted as the officers neither submitted their tickets nor the reimbursement bills.

11. Non-recovery of cost of watches

A sum of Rs.4.20 lakhs was sanctioned in 1982 in the Mughalsarai division of the Eastern Railway for the purchase of watches to 2100 employees. Though a period of 5/6 years have elapsed since the advance was sanctioned, Rs.1.63 lakhs had not been realised (September 1989)

12. Productivity Linked Bonus

The Railway Board had sanctioned provisional payment of Productivity Linked Bonus equivalent to 40 days wages for 1985-86 to employees drawing wages up to Rs.2,500 per month. On refixation of pay in the revised scales, with effect from January 1986, as per recommendations of Fourth Pay Commission, certain staff became ineligible for bonus for three months of 1985-86 (i.e. 1 January 1986 to 31 March 1986). A test check by Audit on the Northern (Delhi and Lucknow Divisions) and North Eastern Railways (Varanasi, Izatnagar, Samastipur and Lucknow Divisions) brought out an overpayment of Rs.1.58 lakhs and Rs.1.72 lakhs respectively. While in the Northern Railway a sum of Rs.1.26 lakhs was still to be realised, on the North Eastern Railway the amount due for recovery was Rs.0.33 lakh. On Eastern Railway Productivity Linked Bonus was paid to 205 ineligible staff amounting to Rs.1.05 lakhs. An amount of Rs.0.80 lakh had been recovered. The balance of Rs.0.25 lakh was being recovered in monthly instalments. In two divisions of Southern Railway the overpayment involved in 226 cases was Rs.1.36 lakhs, of which Rs.0.15 lakh was outstanding as on 31 October 1989.

13. Non-realisation of foreign service contribution

A test check by Audit in the Northern Railway revealed that in 43 cases bills had not been preferred to recover foreign service contributions in respect of employees who had gone on deputation/foreign service to other Government Departments/Public Undertakings. The total amount due on Delhi and Lucknow Divisions worked out to Rs.2.22 lakhs. Similarly, on Eastern Railway in Sealdah Division foreign service contribution of Rs.0.29 lakh remained unrealised. In three divisions of Southern Railway, in 33 cases bills for Rs.2.21 lakhs had not been preferred. On being pointed out by Audit, an amount of Rs.0.77 lakh in respect of 6 cases was realised.

14. Outstanding under Advance of Travelling Allowance

In 274 cases test checked in Chittaranjan Locomotive Works (CLW) advance of TA of Rs.1.07 lakhs sanctioned during 1980-81 to 31 December 1988 was awaiting recovery/adjustment (May 1989).

2.5. Northern Railway : Review on Efficiency, Workstudy and staff inspection studies

1. Introduction

The Railway undertakes workstudies on various topics suggested at the instance of the Public Accounts Committee/Railway Reforms Committee/Railway Board and also on their own. The studies are undertaken for bringing about economy, rationalisation of deployment of staff, efficient methods of operation for effecting savings, and above all, improvement of the image of the Railways.

2. Scope of Review

A review of workstudies conducted by Central Planning Cell of the Railway during the last five years, viz., 1983-84 to 1987-88 was carried out by Audit with a view to seeing whether.

- the topics selected were important enough for undertaking studies and had been approved by Railway Board/General Manager;
- there were any delays in undertaking studies after approval;
- studies were completed within the specified time; and
- there was any undue delay in implementation of the recommendations contained in the study reports and the savings anticipated were actually achieved and if not achieved, the reasons therefor.

3. Organisation

The Central Planning Cell of Northern Railway, which basically works as an efficiency and economy cell, is headed by a Chief Planning Officer, who is assisted by various officers and staff. Workstudy and staff inspection teams of the cell undertake studies from time to time to identify redundant activities, suggest efficient methods of operation with a view to effecting capital/man power savings, raising productivity and effecting economy. 83 such studies were conducted by the cell during 1983-84 to 1987-88.

4. Highlights

- **There were delays ranging from one to four months in submitting the work-study programmes to the Railway Board. Further as on 30 June 1989, out of 69 reports there were 25 reports containing 316 recommendations which were awaiting acceptance by the departments concerned; while 15 reports were under process. In the remaining 29 reports, 278 recommendations were accepted, out of which only 166 were implemented and the rest awaited implementation.**
- **The delay in surrendering of 42 posts found surplus in Goods office, New Delhi had led to extra expenditure of Rs.21.31 lakhs. Besides, the computerisation of documentation which was to result in saving by surrendering of 100 posts of clerks was not implemented.**
- **The workstudy team had claimed increase in earnings of Rs.44.07 lakhs per annum on account of reduction in working days taken for periodical overhaul (POH) thereby increasing the availability of coaches on line. The implementation of the recommendation did not yield desired results.**
- **Though the study undertaken by Chief Planning Officer had claimed a saving of Rs.40.77 crores due to revision in the existing ratio of engine km/day/engine in use and wagon km/day, yet the recommendation was not implemented.**
- **Delays in surrendering the surplus staff as recommended by the various work-study teams resulted in extra expenditure of Rs.50.91 lakhs.**
- **Study of the causes for accumulation of steel scrap in Bridge Workshop, Charbagh, Lucknow revealed revenue loss of Rs.94.74 lakhs due to non-clearance of scrap.**
- **A study carried out to reduce operating cost of Kalka-Shimla section did not prove effective as most of the recommendations made were not found acceptable hence not implemented. The loss incurred on the Section during 1987-88 amounted to Rs.442.38 lakhs.**
- **The Railway Reforms Committee had suggested in October 1983 for undertaking techno-economic studies in re-**

spect of railway lines incurring losses in excess of Rs.20 lakhs per annum with a view to identifying ways and means to improve their financial viability. Though the workstudy team conducted the studies and recommended measures, the implementation of which was expected to yield savings, the measures did not prove effective and the losses increased from Rs.4.06 crores in 1985-86 to Rs.8.38 crores in 1986-87 and Rs.10.67 crores in 1987-88.

5. Workstudies

(a) As soon as the work study team of the Central Planning Cell completes a study, a report on its recommendations is prepared and submitted to the Chief Planning Officer for approval. On receipt of approval, a copy of the report is sent to the department concerned for acceptance of recommendations. Simultaneously, a copy of the study report is also sent to the Railway Board for information. The implementation of the accepted recommendations is followed up by the Central Planning Cell and progress in this regard is sent to the Railway Board every quarter.

(b) Cases taken up for test check are discussed in the following paragraphs:

The Railways were required to send their annual workstudy programme to the Railway Board for approval in the month of February every year. A review of the programmes submitted to Railway Board during 1985-86 to 1989-90 disclosed delays of one to four months. Delays were also noticed in completing the allotted workstudies. A test check of 24 studies disclosed that in six cases the studies were not completed in the same year and had to be carried over to the next year. In many cases recommendations were either not accepted or not implemented after acceptance resulting in non-realisation of anticipated benefits/savings. As on 30 June 1989, out of a total of 69 reports, 25 reports containing 316 recommendations were awaiting acceptance by the departments concerned while 15 reports were under process. In the remaining 29 reports containing 412 recommendations, 278 were accepted, out of which 166 were implemented and 112 were awaiting implementation.

(c) There were delays in according approval to the suggested study and in undertaking the study after its approval. A specific period was not fixed for completion of the studies. In accordance with Railway's instructions of January 1983, the following aspects were to be kept in view:-

economy

improvement of image of the Railways and

rationalisation of deployment of staff

Besides, the studies proposed were also to result in savings or indirect gains through improved customer service. Despite these instructions, the studies carried out did not cover adequately areas relating to stores and fuel which together constituted about forty per cent of the total working expenses of the Railways. Studies about value analysis resulting in lower manufacturing cost, reduced inventory levels, control of wastage and pilferage and more efficient purchase procedures to reduce costs were also not undertaken.

6. Follow-up action

6.1 Fixation of yardsticks

In pursuance of the Railway Board's directive (November 1985) a study regarding norms for provisioning of ministerial staff in the Commercial Branch at headquarters of the Northern Railway was conducted in 1986. The study had recommended surrender of five posts and though this was accepted, the surplus staff was not surrendered but utilised for data processing on the mini-computer installed in the Commercial Branch without any sanction or concurrence of associate Finance and against the ban imposed on creation of new posts. The unauthorised deployment of staff resulted in avoidable expenditure of Rs.1.35 lakhs per annum.

A study and analysis of the time utilisation of 125 persons employed in the Commercial Branch, had revealed that there was a cushion of 26.35 percent (i.e. the difference between the expected input of 80 percent and the observed input of 53.65 per cent), and that it should be utilised for improving the quality of ministerial work. By converting the above mentioned slack of 26.35 per cent into productive working, the excess deployment of about 33 staff involving an expenditure of Rs.7.41 lakhs per annum, could have been saved.

During workstudy undertaken in November 1980 for fixing norms and requirements of staff in Refund Branch, I.R.C.A. Building, New Delhi, it was found that for maintenance of records, the services of three clerks were being utilised. As up-keeping of records was the primary duty of Record Lifters and deployment of clercial staff for this purpose was not justified, the work study team recommended the deployment of Record Lifters in place of three clerks. The Administration instead of replacing the three clerks by three Record Lifters, however, continued to deploy two Junior Clerks in the scale of Rs.260-400/950-1500 and one Senior Clerk in the scale of Rs.330-560/1200-2040 involving an avoidable extra expenditure of Rs.1.80 lakhs during January 1981 to March 1989.

A study of work load of Tally Clerks was conducted at small, medium and large goods offices with a view to fixing yardstick for Tally clerks. The study team proposed to reduce the existing yardstick from 500 packages per clerk per shift to 400 packages per clerk per shift in respect of repacking clerks. As for loading, unloading and transhipment clerks, the existing yardstick of 500 packages per clerk per shift was proposed to be continued. The recommendations of the study team were accepted by the Railway in November 1984 and implemented from December 1984. Although copies of the report were forwarded to the Railway Board in December 1984, the Railway Board only after over an year advised the Administration in February 1986 that the old yardstick of 500 packages per repacking clerk per shift be continued. The Administration restored the old yardstick and advised the Railway Board in March 1986 of its implementation.

Adoption of 400 packages instead of 500 thus resulted in excessive deployment of 20 repacking clerks during December 1984 to March 1986 at an avoidable cost of Rs.5.60 lakhs.

A study taken up in 1985 for improving goods handling and computerisation of documents in the Goods Office, New Delhi, had revealed that the existing workload could be managed on the goods lines of inward and outward goods offices resulting in availability and surrender of some lines for coaching work. This was also to result in a surrender of 36 posts of Goods Clerk. By applying the existing yardstick to the work load, six more posts of Goods Clerk were to be surrendered. The saving expected by the surrender of 42 posts of Goods Clerk was Rs.6.3 lakhs per annum. Even though the recommendation to surrender 42 posts was made by the study team in December 1985 it was only in December 1987 and December 1988 that 31 and 11 posts of Goods Clerk respectively (42 posts) were surrendered. Continued operation of 31 surplus posts for about two years and 11 surplus posts for about three years had resulted in extra expenditure of Rs.21.31 lakhs (approx.).

6.2 Delay/Non-surrender of posts

The introduction of computer was to render surplus 100 posts of Goods Clerk. The computer suitable for New Delhi Goods Office was estimated to cost Rs.6 lakhs and this expenditure could have been met from one years' saving of Rs.6.3 lakhs inticipated by surrendering 42 posts of Goods Clerk. Despite acceptance of the recommendation in 1986, the computer was not installed. The Board's directive of May 1987 to finalise the recommended computerisation programme within three months was also not acted upon pending completion of study in this regard by CRIS.

Thus due to non-implementation of the recommendation of the study team saving expected from surrender of 100 posts of Goods Clerk consequent on introduction of Computer could not be achieved.

A review of five workstudy reports revealed that the staff found surplus and recommended for surrender by the workstudy teams was not surrendered. There were also delays in surrendering the surplus staff. The delays in surrendering the surplus staff/non-surrender of posts led to avoidable extra expenditure of Rs.50.91 lakhs.

6.3 Reduction in time for periodical overhaul of Rolling Stock

A study of periodical overhaul (POH) of tower wagons was undertaken in 1983 at the request of Deputy Chief Electrical Engineer (Planning). Efforts were made to find out methods to reduce the average time of about 52 days taken on POH accounts in Alambagh Workshop as well as the transit time of 48 days taken from base depot to workshop and back. The implementation of the recommendations made by the study team was expected to reduce the POH time from 52 to 18 days and transit time from 48 to 6 days. This was to yield a capital saving of Rs.1.83 lakhs and recurring saving of Rs.6,704 per year. The recommendations were not accepted by the Railway Administration.

A study of the periodical overhaul (POH) of coaching stock being undertaken at Jagadhri workshop was approved by the Railway Board in June 1983. The terms of reference of the study were to suggest measures for minimising the working days/calendar days of the coaching stock undergoing POH at Jagadhri workshop. The study team had found 14 working days as sufficient for POH of one coach against the existing 17 days schedule. Implementation of this recommendation was expected to increase the earnings (recurring) by Rs.44.07 lakhs per annum due to increased availability of coaches on line. Subsequently, in January/February 1987, the Administration found that the implementation of the recommendations did not yield the desired results due to inherent shortcomings in the study report. With a view to achieving the reduction in working days/calendar days of coaching stock during POH, further study was conducted in 1986 by M/s. RITES. The recommendations made by them were yet to be implemented (June 1989).

6.4 Marshalling Yard, Tughlakabad

A study of the Marshalling Yard, Tughlakabad was undertaken by the Chief Planning Officer in 1985 as directed by the Railway Board. The implementation of the recommendations envisaged a net capital saving of Rs.2.74 lakhs and recurring saving of Rs.40.83 crores. Out of the recurring saving of Rs.40.83 crores a saving of Rs.40.77 crores was due to revision in the existing ratio from 6:1 to 5:1 between engine km/day/engine in use and wagon km/day. In September 1986, the Railway Board asked the Administration to clarify as to how the savings had been arrived at but the reply sent to Railway Board was not on record. Consequently, the recommendation could not be implemented.

6.5 Scrap-generation/utilisation

A workstudy of steel scrap generating areas to suggest ways and means of reducing scrap and making alternative use of scrap of the Bridge Workshop, Charbag, Lucknow was undertaken in June 1988. The study revealed that maximum steel scrap was generated in the Tie Bar section of the Workshop and about 20 per cent of the total raw material utilised for production of various items being manufactured in the Workshop was wasted as scrap. The scrap accumulated up to June 1988 was stated to be 1886 metric tonne (equivalent to 126 wagons loads). The accumulation of scrap was attributed to not following particular time schedule for disposal of scrap, labour problems, non-accountability of any staff and haphazard utilisation of raw materials. The loss assessed by the study team due to non-clearance of scrap was Rs.94.74 lakhs.

6.6 Reduction in the cost of operation - Kalka-Shimla

In November 1985, the Railway Board asked the Northern Railway to reduce the cost of operation on Kalka-Shimla section by curtailing night working, except during the potato season and by closing down one night shift for staff and shedding off surplus staff and closing down the crossing stations.

The workstudy team constituted for the purpose made certain recommendations, implementation of which was expected to yield a capital saving of Rs.46 lakhs and recurring saving of Rs.16 lakhs per annum. Most of the recommendations made were not found acceptable by the Railway Administration. Kalka-Shimla section continued to incur heavy losses, which amounted to Rs.442.38 lakhs during 1987-88.

6.7 Uneconomic branch lines

The Railway Reforms Committee in its report to Railway Board in October 1983 had recommended that the loss on uneconomic branch lines which could not be closed because of factors like strategic improtance, serving remote areas, tourist potential, linking coal fields, etc., be continued to be borne by the Railways. The Committee simultaneously had also recommended undertaking techno-economic studies in respect of the lines incurring losses in excess of Rs.20 lakhs per annum with a view to identifying ways and means for improving their financial viability. The recommendations of the Committee were accepted by the Railway Board and in July 1984 the Railway Board advised that the techno-economic studies of the uneconomic lines be completed within three months and reports sent to Board by the first week of November 1984. Accordingly, a workstudy team examined the working of eight uneconomic branch lines in 1984-85 and recommended measures, the implementation of which was expected to yield recurring saving of Rs.35 lakhs and capital saving of Rs.1.04 crores. Despite the recommendations the Railway continued to incur losses of Rs.4.06 crores, Rs.8.38 crores and Rs.10.67 crores during 1985-86 to 1987-88 respectively.

2.6 Central Railway : Construction of new Broad Gauge line between Wani-Pimpalkutti

1. Introduction

The proposal for the construction of a new Broad Gauge line between Wani-Chanaka to serve a cement factory to be constructed at Chanaka was considered by the Railway in 1968 at the instance of the Maharashtra Government. The State Government had assured that in case the setting up of the cement factory did not materialise within the next three years and a rail link was not built, the cost of survey would be borne by it. The exact location of the cement factory near Chanaka village, at a distance of 9 kilometres from Pimpalkutti, was decided by the State Government in August 1970 and the survey work was completed by the Railway in March 1971 at a cost of Rs.3.28 lakhs.

2. Scope of Review

The Review covers the process of planning and execution of construction of a new Board Gauge line between Wani-Chanaka on Nagpur Division of Central Railway.

3. Highlights

- **Indecision of the Railway to go ahead with the project led to an inordinate delay of ten years in the completion of the project after it was conceived and to a cost overrun of Rs.12.26 crores.**

- **The Project, though financially not viable, was taken up at the instance of the State Government and had become unremunerative entailing a total deferred dividend liability to General Revenues of Rs.7.73 crores up to 1987-88. Railways have added to their network another uneconomic branch line costing Rs.17.56 crores due to lack of proper planning and forecasting.**

- **Use of first class CST-9 sleepers instead of second class ones as provided in the estimates resulted in avoidable expenditure of Rs.98 lakhs.**

- **Recovery of Rs.3.28 lakhs towards the cost of survey from the State Government due to non-materialisation of the cement factory at Chanaka had not been made.**

4. Financial viability

The project was sanctioned out of turn in April 1973 at a cost of Rs.529.81 lakhs though the traffic survey (1971) reported the project as financially unremunerative since the return on the project was 8.99 per cent on Capital against the cut off rate of 10 per cent. The date of completion was 36 months from the date the project was taken on hand. As later there was apprehension about the coming up of the cement factory at Chanaka, the Board froze the project in 1978. A fresh financial justification for the project to cater to the needs of the cement factories both at Chanaka and at Adilabad was worked out on the capital investment of Rs.935.55 lakhs in February 1979. A rate of return of 10.02 per cent on capital was estimated on the assumption that both the cement factories would be going in full production within a year of construction of the line. In June 1979, the Railway Board decided to restrict the construction of the line up to Pimpalkutti by cutting out the section from Pimpalkutti to Chanaka and thereby reduced the distance to 67 kilometres.

The line which was to be completed in 36 months from April 1973 was completed on 5 June 1984 when the first goods train moved on it i.e., after a period of eleven years.

As the cost of the project rose from Rs.935.55 lakhs (1979) to Rs.1480 lakhs in 1986-87 and the cement factory at Chanaka did not come up, a fresh financial appraisal was worked out on the revised cost of the project (Rs.1480 lakhs) and a net gain of 0.85 per cent was arrived at for the new line. Even the rate of return of 0.85 per cent worked out in 1986 could not be achieved as the cost of the project had further gone up to Rs.1756 lakhs and the production at Adilabad factory did not reach the anticipated level as indicated below:

Year	Production (in tonnes) anticipated	actual
1984	3,00,000	1,84,290
1985	3,60,000	2,61,545
1986	4,00,000	2,47,725
1987	4,00,000	2,40,450
1988	4,00,000	2,13,939

The actual loading of cement was, however, 44,570 tonne, 78,890 tonne, 1,20,201 tonne during 1984-85 to 1986-87. The freight earnings between 1984-85 (June onwards) to 1987-88 amounted to Rs.6.69 crores.

5. Availability of funds

The slow progress in the project was due to keeping in abeyance the setting up of the cement factory at Chanaka. The Railway stepped up investments from 1979-80 onwards by diverting funds to the extent of Rs.2 crores from the ongoing doubling projects viz. Kurjat-Lonavala and Itarsi-Amla-Nagpur sections of the Railway to complete the line up to Pimpalkutti to cater to the needs of the cement factory at Adilabad though its unremunerativeness was clearly known.

6. Cost overrun

Due to delay in execution of the project, the cost rose from Rs.530 lakhs to Rs.1756 lakhs (up to February 1988). Though the estimate provided for use of second class sleepers, first class CST-9 sleepers were used resulting in an avoidable expenditure of Rs.98 lakhs. The Completion Report for the work had not been drawn (July 1989). By the end of 1987-88 a liability of

Rs.7.73 crores towards deferred dividend payable to General Revenues had accrued.

7. Execution of the project

In three works contracts, the contractors failed to complete the works despite extensions. The railway was compelled to rescind the contracts and get the residual works completed by other agencies at the risk and cost of the defaulting contractors. There was delay on the part of the Railway in settling the final bills of the risk contracts rendering it difficult to recover the amount of excess cost of Rs.2.34 lakhs from the defaulting firms. Two counter claims against the Railway for Rs.11.87 lakhs and Rs.6.96 lakhs were also pending and no decision had been taken yet (July 1989).

The Railway Administration stated in May 1989 that there was no indecision on the part of Railway to go ahead with the project right from 1973-74 to 1978-79. Whatever funds had been asked for were allotted and were also fully spent. It was only when the State Government advised the Railway that the question of establishing the cement factory at Chanaka was in suspense the work was frozen in 1978-79. It was also argued that the project was approved based not on its remunerativeness but as a developmental project and the decision to construct the line was taken at the Minister's level. The argument of the Railway Administration is, however, not tenable as the work was sanctioned as a project oriented line at the instance of the State Government of Maharashtra and not "as a development project" as claimed by the Railway Administration now. Moreover, the Railway Board had observed in April 1986 that, had some of the factors contributing to the very low rate of return been known beforehand, the investment decision would have been otherwise.

WORKS, PURCHASES & STORES, ESTABLISHMENT AND OTHERS

3.1 Southern Railway : Construction of cylinder block project at Ponmalai

With the stepping up of production of diesel electric locomotives at the Diesel Locomotive Works (DLW), Varanasi it was anticipated that the capacity available (120 blocks) for reclamation of cylinder blocks of locomotives might not be sufficient to meet the increasing demands of zonal railways. The Railway Board, therefore, decided in December 1973 that the Railway workshops must undertake repairs to cylinder blocks. As a sequel, the Southern Railway Administration sent a project report in 1976 for taking up the work of diesel cylinder block reclamation at Ponmalai to meet the requirements of Southern, South Central and Central Railways. The project was anticipated to cost Rs. 2.65 crores (including foreign exchange of Rs. 85 lakhs) with an outturn of 80 blocks per year to yield an annual return of 20 per cent on the capital invested. The outturn was anticipated to go up further to 100 blocks a year.

Cost overrun

The project was approved by the Railway Board in February 1978 and an estimate for Rs. 269.21 lakhs was sanctioned in March 1978. The project was planned to be completed in three years. At the end of three years (1980-81), the outlay on the project was Rs. 25.31 lakhs only. Out of 17 machines required for the project, orders for only nine machines were placed by the end of 1980-81. The process of procurement of machines was tardy and there were considerable delays ranging up to 49 months in placing indents, two to sixty one months in issuing purchase orders and two to twenty months in erection and commissioning of machines. Delay in completion of the project also resulted in non-availability of warranty of machines commissioned earlier. In April 1983, five years after the sanction of the project, the estimate was revised to Rs. 527.05 lakhs from Rs.269.21 lakhs. The upward revision of cost was attributed to a steep increase in the cost of plant and machinery which ranged from 37.9 per cent to 1328 per cent. The project was commissioned in February 1988. The expenditure booked up to February 1989 being Rs. 534.71 lakhs resulted in a cost overrun of Rs. 265.50 lakhs.

Under utilisation of capacity

The new workshop at Ponmalai could reclaim only three blocks per month during 1988-89 against the target of six to seven blocks per month. During 1988-89, against the target of six blocks anticipated in the project report the arisings were only four per month. These related to Western, Northeast Frontier and South Eastern Railways in addition to Southern, South Central and Central Railways. During the last five years from 1983-84 and 1987-88 the capacity utilisation in DLW ranged between 60 per cent and 80 per cent. Thus the capacity available with DLW was adequate to meet the requirements of all zonal Railways and there was no need to have set up a separate project for reclamation of cylinder blocks at Ponmalai at a cost of Rs. 5.35 crores. The fact that the project was commissioned in February 1988 after a delay of seven years and that DLW was catering to the requirements of Zonal Railways without even achieving its own capacity (120 blocks) leads to the conclusion that the justification furnished for the new project was without basis.

The Railway Board stated in November 1989 that principal factor responsible for the time and cost overrun of the facilities at Ponmalai was the lack of adequate/detailed technical information regarding indigenous machine tool capability. The argument of the Railway Board is, however, not tenable since technical information regarding machine tools could have been obtained from DLW which has been manufacturing cylinder blocks since 1958.

3.2 South Central Railway - Construction of third bridge across the river Krishna near Vijayawada

The Ministry of Railways (Railway Board) approved (June 1977) construction of a third bridge across the river Krishna near Vijayawada at an estimated cost of Rs.7.06 crores in replacement of first bridge built in 1893 which showed signs of cracks due to fatigue and stress. The work, which was taken up on an urgency certificate, in December 1978 was planned to be completed in six years, i.e., by December 1984 but was completed and commissioned in July 1989.

A comment on the construction of substructure of the bridge was made in Para 2.8.16 to

2.8.22 of the Advance Report of the Comptroller and Auditor General of India for 1983-84 - Union Government (Railways). A review of execution of the superstructure of the bridge revealed the following:

Delay in completion

After the drawings for fabrication of girders were finalised in December 1978, there was a delay of more than two years in awarding the contract (March 1981) for the superstructure. As per the terms of the contract for superstructure work, the fabrication and erection of girders were required to be completed by the contractor within 26 months from the date of supply of raw steel and rivet bars. The contract further stipulated supply by the Railway of matching quantities of steel materials of different specifications for the first two girder spans within three to four months of being indented for by the firm and thereafter for every three girder spans at intervals of two months each. The firm was to furnish the requirements of materials within four to six weeks of the receipt of order but furnished them in December 1981 after a delay of 9 months. The steel materials to be supplied by the Railway consisted of high tensile steel required for fabrication of the main parts of girder spans, rivet bars for manufacture of the rivets and mild steel for fabrication of minor components. Global tenders, invited in January 1982, for high tensile steel and rivet bars were cancelled as offers were not to specification and tenders were floated afresh in August 1982 and orders were placed in June 1983. Steel materials were received late in March 1984/February 1985 against the scheduled delivery by August/October 1983. The Railway, however, failed to initiate procurement action for matching quantities of indigenous mild steel materials till February 1984. Mild steel materials could be supplied to the contractor only in June 1985 after a delay of more than three years from the receipt of indents from the firm. Delay in awarding the contract and late supply of the steel materials by the Railway led to stoppage of the superstructure work for nearly four years after the substructure work was completed in August 1981.

As against 24 months provided in the contract for fabrication and erection of girders (excluding 2 months for finishing works) due to limited availability of resources of manpower and plant and machinery with it the firm completed the work in 45 months.

Non-utilisation of funds

The delay in supplying the steel materials by the Railway and the slow progress in the execution of the work by the firm resulted in non-utilisation of funds amounting to Rs. 213 lakhs out of Rs.532 lakhs allotted for the work during April 1984 to March 1988.

Cost escalation

The inordinate delay of more than five years in the completion of the bridge resulted in heavy escalation in cost mainly of labour and material. Against the original estimate of Rs.7.06 crores an expenditure of Rs.12.56 crores was incurred on the work to the end of March 1989. A revised estimate of Rs.13.39 crores, prepared in September 1988, was yet to be sanctioned by the Railway Board. Out of the total increase in cost of Rs.6.33 crores, an amount of about Rs. 2.37 crores could have been avoided by the Railway had the work been completed by December 1984 as planned for by proper input planning for procurement of steel materials.

Excess payment of escalation charges

As per contract, the rates quoted by the firm were subject to price variation on account of escalation in wages as well as in the cost of materials procured for the work.

The Railway assessed that the fabrication of eight girder spans could have been completed by the firm by July 1986 and the remaining four girder spans by July 1987. The firm was, however, allowed escalation upto July 1987 for the twelve girder spans without limiting the payments therefor to the period upto 5 July 1986 by which date the firm should have completed the fabrication of eight girder spans. This resulted in an excess payment of Rs. 16.93 lakhs to the firm.

The contract stipulated a schedule for phased supply of steel implying that the firm should complete the fabrication work progressively at the rate of one span for every one and a half month based on the time of nineteen months allowed for twelve spans and if the escalation claim had been rejected pari passu a further payment of Rs.5.40 lakhs could have been avoided.

Incorrect assessment of steel requirements

As per the steel materials utilisation statement furnished by the firm in March 1989, 707 tonne of high tensile steel out of 4890 tonne issued by the Railway had become surplus which would indicate that the initial assessment was incorrect. The surplus materials included 443 tonne of high tensile steel (imported) and 45 tonne of rivet bars specifically procured for the work in December 1983/May 1984. The excess procurement resulted in blocking funds amounting to Rs.36 lakhs for five years till March 1989.

The Railway Board stated (November 1989) that action to procure the required materials had been initiated well in time and delay in completion of superstructure occured due to the late availability of high tensile steel. The reply of the Railway Board is, however, not tenable as there was a delay of nearly two years from the date of completion of the substructure before the orders for high tensile steel were finalised. The delay resulted in stoppage of the superstructure work for nearly four years after the substructure work was completed in August 1981.

3.3 South Central Railway : Construction of third bridge across the river Godavari

The construction of a third bridge across the river Godavari near Rajahmundry was sanctioned in February 1981 at an estimated cost of Rs.29.97 crores in replacement of the bridge constructed in 1897. The construction was justified essentially on the following grounds:

- to replace the existing old bridge on 'condition basis'; and
- to cater to the anticipated traffic by increasing chartered capacity in Rajahmundry-Nidadavolu section to the extent of 41 train services in 1983-84 and 50 services in 1988-89 as against 36 services in 1978.

The proposed bridge consisted of sub-structure for two tracks (estimated cost Rs.9.22 crores), superstructure with steel girders for one track (estimated cost Rs.13.10 crores) and other incidental works such as station buildings, tracks estimated to cost Rs.7.65 crores. This included plant and machinery for use in construction costing Rs.70.90 lakhs. The entire work was planned to be completed within a period of seven years from the date of commencement of the work.

Construction of sub-structure

In response to open tenders invited in December 1979, for the construction of substructure, nine offers were received. The estimated value for the contract portion of the work was Rs.4.70 crores and the period contemplated for completion was five years. The price escalation clause provided for no compensation up to 5 per cent and thereafter limiting the maximum escalation payment to 15 per cent.

Technically acceptable offers of Rs.4.17 crores from firm B and Rs.4.61 crores from firm C were considered by the Tender Committee. Firm B did not ask for any modification. The offer of Firm C, an Undertaking under the Ministry of Railways, which was closer to the estimated value of Rs.4.70 crores, asked for deleting the upper limit of 15 per cent in price escalation. The Tender Committee recommended acceptance of the offer of firm B or, alternatively, of firm C provided it accepted the ceiling on escalation.

The General Manager, South Central Railway, however, recommended the offer of firm B which the Railway Board approved and on whom order was placed in April 1981.

In July 1983, firm B found its rates unworkable and asked for escalation of 40 per cent from October 1983 and 90 per cent from October 1984 over the stipulated 15 per cent payable. The contract was consequently terminated in April 1985. The contract for the balance work was awarded to firm D in December 1985 at a cost of Rs.6.44 crores at the risk and cost of firm B. The left over work was completed by firm D in June 1988.

The decision to ignore the offer of firm C, a Public Sector Undertaking under the Ministry of Railways resulted in an avoidable delay of two years in completion of substructure and led to avoidable extra expenditure of Rs.1.83 crores reckoned on the offer of firm C even after allowing escalation without ceiling.

An amount of Rs.2.52 crores was due to be recovered from the firm B as risk cost for which a registered notice was served in June 1989 on the firm. Besides the risk cost, a sum of Rs.21.82 lakhs towards hire charges, cost of materials supplied and advance payments made, etc. was also to be recovered from the firm.

Delay in commencement of superstructure works

The design of the superstructure of the bridge was to be finalised by April 1986 but the tender was finalised in June 1989 and the work was proposed for completion in four years i.e. by June 1993 for superstructure with Prestressed Concrete (PSC) girders instead of steel girders. The original estimate of Rs.29.97 crores (February 1981) was revised to Rs.64.11 crores (June 1988) but the estimate, taking into account the change from steel girders to PSC girders, was yet to be prepared though a saving of about Rs.13 crores was anticipated due to this change. An expenditure of Rs.20.25 crores had been incurred on the work till March 1989.

Excess procurement of plant and machinery

As per clause 11 of the contracts, the contractors were responsible for arranging all plant and machinery required for the project. In order to prevent possible delays in the execution of work, a provision had been nevertheless made in the estimates for plant and machinery to be hired out to contractors. As against a provision of Rs.70.90 lakhs in the estimates, the Railway procured new plant and machinery worth Rs.47.09 lakhs in April 1981 and arranged transfer of plant and machinery worth Rs.57.33 lakhs from other units. A review of utilisation of the plant and machinery revealed that plant and machinery procured was excessive to the extent of Rs.45.86 lakhs compared to the provision made in the estimates and could have been avoided. Plant and machinery worth Rs.21.85 lakhs were not used at all by the contractors since their procurement. An amount of Rs.0.98 lakh had been spent on their repairs. Plant and machinery worth Rs.31.06 lakhs were only occasionally used by the contractor.

Hire charges on Railway owned plant and machinery were to be recovered from the date of their issue to the contractor to the date of their return at Kovvur stores depot. Contrary to this provision, hire charges were recovered from firm B only till the date the plant and machinery were returned to the Central Island at the site of work. This resulted in a short recovery of Rs.8.30 lakhs towards hire charges.

Besides, the Railway Administration procured 5048 cum of 40 mm ballast in December 1983 at a cost of Rs.7.32 lakhs which would be required only in 1993 when the superstructure of the bridge would be completed and the Godavari and Kovvur approaches taken up. The Railway Administration also extended an unintended benefit of Rs.2.07 lakhs to firm D by selling empty cement bags and ballast of 40 mm at rates lower than those at which these were purchased.

Thus, the inordinate delay in the completion of the new bridge had not only resulted in extra expenditure but also defeated the main objectives of achieving improved chartered capacity for running more passenger and goods trains in Rajahmundry-Nidadavolu section as conceived in the initial justification of the project.

The Railway Board explained (November 1989) that price variation clause in Railway's contracts was a new concept and the 15 per cent ceiling fixed by the Railway Board could not be disregarded. This is not tenable as the Railway, keeping in view the major nature of work, proposed in January 1980 an escalation formula wherein there was no ceiling. Had the Railway Board agreed to the proposal of the Railway's formula extra expenditure of Rs.1.83 crores could have been avoided. The Railway Board further stated that the post tender conditions which developed subsequently necessitating the demand for escalation and finally cancellation of the contract could not be visualised at the time of finalisation of the contract.

3.4 Metro Railway, Calcutta : Construction of two parallel tunnels

The Metro Railway Administration invited open tenders in April 1977 for 'construction of two parallel tunnels by shield tunnelling method' between Belgachia and Shyambazar stations. The scope of the work included erection of cast iron lining segments for a length of 1362 metres and R.C.C. lining segments for a length of 200 metres. As the tunnelling work was being done in India for the first time by means of shield tunnelling, tenderers were given the facility to have foreign consultancy.

Metro Tunnels

Offers received from four firms were opened on 14 November 1977, valid for 120 days, i.e., up to 13 March 1978. The evaluated offers stood as under :

Firm 'A' - Rs.5.69 crores

Firm 'B' - Rs.5.85 crores

Firm 'C' - Rs.6.11 crores

Firm 'D' - Rs.7.83 crores

After examining the commercial aspects of the offers, the Tender Committee had opined that the rates and conditions quoted by Firms 'A' and 'C' were "fairly reasonable and complete". The rates quoted by Firm 'B' were also found reasonable.

The Tender Committee recommended further negotiations with Firm 'D' and its foreign collaborator in order to narrow down the gap between Firm 'D' and their competitors and also to have their special conditions modified to the satisfaction of Metro Railway. The proposal for negotiations was approved by the General Manager on 18 October 1978. During the discussion held on 17 November 1978 when both firm 'D' and its foreign consultant participated, Metro Railway Administration asked the firm to reconsider its collaboration agreement to see whether it could be entirely for transfer of technology. Consequently, revised quotations were submitted by firm 'D' on 20 November 1978.

The special conditions stipulated by firm 'D' were:

i) payment of compensation on actual basis for any delay in completion beyond 48 months if the delay could be ascribed to one of the many reasons mentioned by the firm in its communication dated 20 November 1978;

ii) payment of charges for idle establishment and idle labour for suspension of work during the period the contract was in force;

iii) modifications in the rate of payments for variation in the data and drawings by subsequent changes and subsequent investigations;

iv) the non-acceptance of any ceiling on the total payment towards escalation; and

v) the exclusion, from the firm's tendered offer of all liabilities for Indian Income Tax, tentatively assessed by the firm at Rs.83.02 lakhs, on payments to be made to its foreign collaborator for transfer of technology.

While examining the technical superiority of the various tenderers, the Technical Member had opined in December 1978 that the nature of the collaboration agreement between firm 'D' and its collaborator, by and large, met the challenges and basic requirements of the work because of complete transfer of technology and full participation by the consultant in the successful execution and completion of the work. The Technical Member had found the offer of firm 'D' alone as suitable for the situation.

The Tender Committee ultimately recommended to the Railway Boárd, in December 1978, that if on a final view the offer of firm 'D' was considered to be the most competent offer on an overall basis, despite the large financial differential over the other offers, the Railway Board might do so on the basis of a single tender treating all negotiations conducted till then with the other parties as being exploratory in nature.

The Tender Committee's proceedings and recommendations were considered by the Ministry of Railways and negotiations were conducted with all the parties in February 1979. Finally, in September 1979, approval was communicated to the acceptance of the offer of firm 'D' at a cost of Rs.619 lakhs plus a fixed sum in foreign exchange of 26,70,257 swiss francs (minus half per cent rebate) for transfer of technology together with a payment of Income Tax of Rs.83.02 lakhs on the fee to be paid to the collaborator for transfer of technology. A Letter of Acceptance was issued on 28 December 1979.

Though firm 'D' had been primarily selected on its technical superiority and for completing the work within 38 months (that is by 27 February 1983), the pace of work right from inception was slow. Within the stipulated period of 38 months, only 29 per cent of the tunnelling work was done. The contractor applied for extension of time, first up to 27 December 1983 and thereafter up to 31 December 1985 and again up to 31 July 1987. Extensions were sought on the ground that the Railway Administration had not made timely arrangements in regard to the matters discussed below:

i) The water main ought to have been diverted by the State Government Authorities before December 1983, for facilitating construction of exit shaft by December 1983 for completion of the tunnelling work, but this was not ensured by the Railway Administration leading to a delay of over two and half a years.

ii) As the area for construction of exit shaft could not ultimately be made available to the firm, as originally envisaged, a complete review of the scheme was undertaken by the Administration and it was decided not to construct the exit shaft. Instead, it was decided to use the box of section 'A' to work as shaft. Consequently, revised drawing for the structure which would facilitate completion of the tunnel and dismantling and removal of shield, was issued on 6 August 1986. This was a major modification to the original design. The revision of drawing seven years after the award of the contract led to changes in the method of operation contributing to delays. There was delay in the supply of imported spares which was the responsibility of Metro Railway as per the accepted special conditions.

The Committee of officers, appointed by the Metro Railway Administration in 1984 and 1986 to examine the grant of extension from 28 February 1983 to 31 July 1987 had found that the delay was mostly not attributable to the contractor. Further extension up to 31 December 1988 was recommended by a committee without compensation as the delay was attributable to the contractor.

As the work did not progress as per schedule the contractor submitted a claim of Rs.3.06 crores, in May 1986, for losses suffered up to February 1986 besides Rs.86.33 lakhs due to loss of profit up to February 1986 and for continued losses beyond that date. Although these claims were turned down by the Administration in July 1986, the firm had preferred before the Joint Arbitrators, in March 1987 updated claims (Rs.3.19 crores up to December 1986 and Rs.86.33 lakhs) besides interest at 24 per cent.

The Joint Arbitrators gave a non-speaking award in August 1987 for payment of Rs.2.35 crores to the contractor alongwith interest thereon. As an appeal made by Metro Railway in the High Court of Calcutta in October 1987 for setting aside the award was dismissed by the Court on 13 June 1988, payment of Rs.2.70 crores (Rs.2.35 crores plus Rs.34.54 lakhs as interest) was arranged in July 1988. In addition, compensation amounting to Rs.55.70 lakhs and escalation as per contract viz., Rs.92.79 lakhs were also paid.

The following points arise in this case:

i) The basis for acceptance of the offer of firm 'D' at a cost of Rs.827 lakhs despite it being higher and involving an outgo of foreign exchange of U.S. Dollars 1566,501 bypassing the other lower offers on consideration of firm 'D's technical superiority was not borne out by subsequent events. Against the stipulated time for completion of work of 38 months the work had been under execution for over 115 months and remained to be completed (July 1989).

ii) Since the transfer of technology (involving payment in foreign exchange for Rs.124.53 lakhs with Government assuming liability for payment of Income Tax on that) was to the contractor and not to the Metro Railway Administration, there was no recurring benefit to Government.

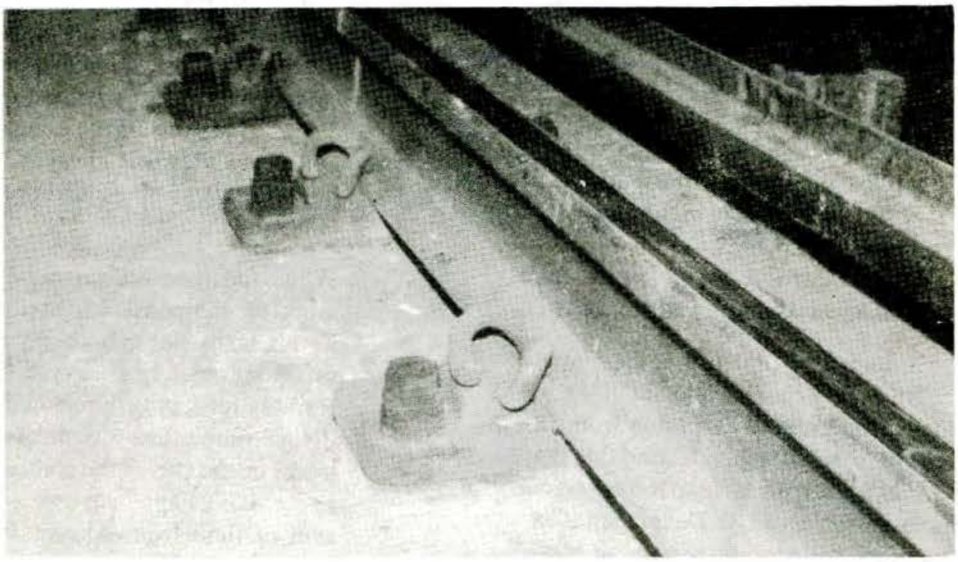
iii) While the contract provided for payment of compensation at the rate of Rs.1.5 lakhs per month no reciprocal safeguard had been made by Metro Railway for levy of liquidated damages if the completion was delayed due to lapses on the part of the contractor which had actually happened by way of extension of time from August 1987 to 31 December 1988.

Railway Board explained (November 1989) that shield tunnelling was an absolutely new concept for Indian Railways and there being only one indigenous firm with the requisite expertise, to be used under the aegis of a foreign collaborator a conscious decision was taken to award the work to firm 'D' on a single tender basis. The expectations of the Railway with regard to the time frame for execution of the work, did not materialise mostly owing to unforeseen factors. The Railway Board added that the technology transferred has also been absorbed by the engineers working for the Calcutta Metro and would come in handy for similar projects to be undertaken in the future.

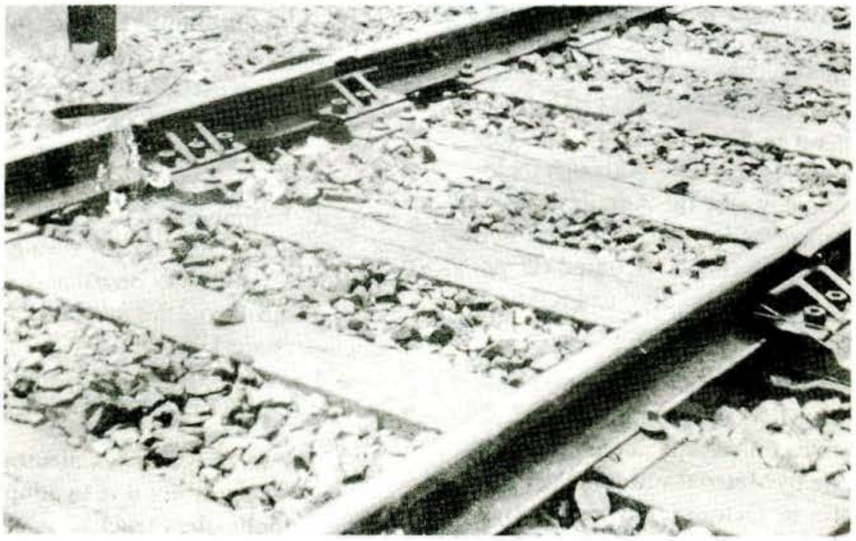
3.5 Metro Railway, Calcutta : Additional expenditure due to adoption of ballastless track

Keeping in view that most of the world metros had ballastless track (BLT) in view of less attention required to be given and lower maintenance cost the project report for Dum Dum-Tollyganj Rapid Transit System(RTS) provided for ballastless track to be used over the whole length. The development work on this new item of track was started in 1973 by the Metropolitan Transport Project, Calcutta (MTP). Tests were carried out in the track laboratory by the Research, Designs and Standards Organisation (RDSO) and three types of ballastless track assemblies were cleared for actual field trials. Based on actual field trials, carried out on the track laid in 1976-77 on Eastern Railway's Majherhat-Brace Bridge Section, all the three types of BLT with modifications were cleared for use and it was decided to use BLT for the complete up and down distance between Dum Dum and Belgachia.

Meanwhile, the RDSO advised MTP in July 1974 for limiting BLT to a length of 1 or 2 kilometres only and all the remaining portion of the line to be laid with adequate margin to accommodate the conventional ballasted track. In response to the Railway Board's direction, endorsing the advice of the RDSO, the Metro Administration pointed out in September 1974, that it would not be possible at that stage to keep adequate margin in all the structures for accommodating ballasted track and any such alteration would involve an investment of Rs.3 crores.



Ballastless Track



Ballasted Track

In October 1974/March 1975, RDSO further examined the important aspects of Metro construction and maintenance and recommended for a fair period of trial (for 2 to 3 kilometres only) before adoption of BLT as a standard in preference to conventional ballasted track for RTS in India. The RDSO specifically mentioned in October 1974 that "it would not be prudent to introduce this system on a large scale at present". The Metro Administration, however, did not agree with the views of the RDSO and instead, in view of technical advantages which it foresaw, decided for adoption of ballastless track and two types of BLT were adopted for the whole Southern section which was opened to traffic phase wise from October 1984 to April 1986.

During route inspection of track in January 1987, it was noticed that within nine months of the opening of the section to traffic, certain locations of BLT concrete between Jatindas Park and Bhowanipur stations had deteriorated as second pour concrete was found to be crushed and depressed and cracks around cast iron bearing plates had developed. Consequently, pending a detailed investigation about the cause of cracks, it was decided that the track end be got grouted with some suitable material so as to strengthen the end for stability. Grouting work on an emergency basis with 'Resicrate' was got done through a contractor at certain portions on single tender basis at a cost of Rs.9.86 lakhs. Against a total damaged track bed of 1524 metres (March 1989) of track laid between Rabindra Sadan and Kalighat stations grouting was done for 420 metres at a cost of Rs.24.61 lakhs till 6 March 1989. The expenditure on grouting of 1104 metres of defective track bed was estimated to be Rs.64.69 lakhs. A further length of 303 metres had shown distress till 6 December 1989. The Administration also incurred Rs.93.48 lakhs on maintenance and upkeep of the RTS track by contractors during the first three years after opening. The expenditure so incurred amounted to Rs.1.18 crores. In addition, the Administration made free issue of cement, steel and Permanent Way fittings required for the maintenance work to maintenance contractors. The cost of 34 permanent way maintenance staff engaged could not be assessed.

The Administration initially attributed the cause of such defects in the BLT to bad workmanship of one of the BLT contractors under whose jurisdiction the defects were noticed. The defects were not detected at the time of execution of the work and no recovery had been made (March 1989) from the contractor.

An Expert Committee had suggested in September 1988 for filling up the gaps between the BLT bed and base slab and/or integration of the two concrete beds by shear connectors, to rectify the damages that had occured, as also integration of the BLT bed with the base slab through appropriate shear connector for future construction. For the South section opened to traffic the Administration stated that action had been taken to ensure total integration of BLT bed and base slab after grouting, while for the North section a suitable design and drawing was evolved to fix up shear connectors.

The following comments arise:

(i) Despite the caution administered by the RDSO on more than one occasion, ballastless track was provided for the entire distance before gaining experience by suitable trials on relatively shorter distances. Further, notwithstanding the introduction of new technology, supervision during construction was inadequate which resulted in deterioration of concrete and cracks around the CI bearing plates.

(ii) The suggestion of the RDSO, which was also endorsed to the Railway Board, that adequate margin be provided in all the track structures throughout the length for accommodating conventional ballastless track was resisted on the ground that alteration would have involved a further investment of Rs.3 crores.

(iii) The expectation of low maintenance, the single consideration for adoption of ballastless track, was belied in view of large expenditure being incurred on repairs and on engagement of maintenance staff. Further implementation of the suggestions by the Expert Committee made in 1988 for rectification of defects would also lead to more investments.

The Railway Board explained (November 1989) that Metro Railway decided to go in for the ballastless track because it offered substantial advantage over the ballasted track considering availability of the limited time for maintenance. In regard to the non-compliance of the Railway Board's directive based on Research, Designs and Standards Organisation's advice for limiting the length of ballastless track to 1 or 2 kilometres, the Railway Board stated that by July 1974 when the above instructions were received, the works had progressed sufficiently. This is not tenable as the advice of RDSO was not considered by the Metro Railway mainly on account of the additional investment of Rs.3 crores for the remaining length of line.

3.6 Wheel & Axle Plant : Expenditure on repairs and improvements to scrap preconditioning bay

A provision of Rs.90 lakhs was included in the revised abstract estimate prepared in October 1980 for scrap preconditioning bay to stock and process wheels and axles scrap before reprocessing in the electric arc furnace. The execution of the civil engineering portion of the work was entrusted to contractor A in July 1980 at a cost of Rs.44.82 lakhs. The work was completed in August 1982. The contract for design, manufacture, supply, erection and commissioning of two electric overhead traction (EOT) cranes was awarded to firm B in June 1981 at a cost of Rs.73.95 lakhs (excluding excise duty). The Administration assumed responsibility of provision of gantry girders and gantry rails. Though the cranes were ready for commissioning in October 1982 they could be made operative only by the middle of 1983 as the gantry rail span was more than the crane wheelspan by 30-40 mm and the rails fixed already had to be realigned on the gantry girder to suit the crane wheel span.

In June 1984, certain defects like shifting of girder in north and south directions and damage to girder seating were noticed. In order to prevent the shifting in the longitudinal direction, the girders were put back in December 1984 to provide necessary space between the girder and rails. The damaged portions were also repaired. The girders again showed distress due to considerable friction caused in the movement of the crane over the rail. The matter was, therefore, referred to the Research, Designs and Standards Organisation (RDSO) in December 1986 for undertaking a detailed examination of the bay and for suggesting improvements to overcome the problem.

The RDSO recommended in June 1987 certain measures (estimated to cost Rs.15 lakhs) like lowering the gantry girders, partial dismantlement of RCC columns, provision of revised rail girder connections etc. to overcome the difficulties. A contract was awarded to firm C' in November 1987 at a cost of Rs.11.30 lakhs for rectification works. The work scheduled to be completed in September 1988 had not been finished so far (August 1989).

Thus, failure on the part of the Wheel and Axle Plant Administration to obtain necessary expertise from RDSO before commencement of the civil engineering work for the bay resulted in an extra expenditure estimated at Rs.15 lakhs. The actual expenditure involved would be known after completion of the rectification work.

3.7 Northern Railway : Infructuous expenditure on provision of tie line for alternative traction power

Power supply to traction on Panki-Tundla section of the Allahabad Division is fed from the 132 KV sub-station at Panki through a Railway owned transmission line. In order to provide an alternative source of traction power in case of breakdown/shut down of Railway owned transmission line, provision of a 3.8 km long 132 KV three phase single circuit tie line between the sub-station of the Uttar Pradesh State Electricity Board (UPSEB) at Kunera, and the Railway's sub-station at Etawah, was sanctioned by the Railway Administration, in October 1979, at an estimated cost of Rs.11.26 lakhs. The work was executed partly by Railway and partly by the UPSEB.The work was completed in March 1982 at a cost of Rs.14.10 lakhs comprising Rs.7.85 lakhs paid to UPSEB for the work done by them as deposit work for the Railway and Rs.6.25 lakhs incurred by the Railway for the work.

Although UPSEB had stated in 1977 that the Railway would be required to pay an amount of Rs.5000 per annum towards maintenance charges for the tie line, no formal agreement was entered into by the Railway. After the work was completed and the tie line was comissioned, the Railway Administration received a draft agreement from UPSEB in July 1984 according to which the Railway was required to pay UPSEB Rs.3.85 lakhs per annum as operation and maintenance charges of the tie line and Rs.20.50 lakhs per annum for providing the facility of alternative power supply. In view of the 'exorbitant' annual charges demanded by UPSEB, the Railway Administration, in a meeting on 22 August 1984 with UPSEB, decided not to avail of the emergency feed from UPSEB at Kunera and requested UPSEB to disconnect the tie line so that Railway could dismantle the same and take over the released line material. The line was dismantled by UPSEB in September 1984 without informing the Railway, taking away the railway materials at site. UPSEB also demanded Rs.0.65 lakh, as dismantling charges, from the Railway. In May 1987, UPSEB agreed to return all railway materials on reimbursement of dismantling charges of Rs.0.65 lakh. Railway Administration had neither paid the dismantling charges nor collected the line material so far (August 1989).

On the matter being taken up by Audit

with the Railway Administration in May 1988 an amount of Rs.13.38 lakhs towards amount paid to UPSEB for the deposit work (Rs.7.85 lakhs) plus interest there on @ 18 per cent per annum was recovered unilaterally from the energy bill of UPSEB in July 1988.

An expenditure of Rs.14.10 lakhs incurred by Railway on erection of an emergency tie line has been rendered infructuous due to failure to enter into a formal agreement regarding terms of payment to UPSEB for the tie line.

The Ministry of Railways (Railway Board) explained (November 1989) that the decision to dismantle the tie line was taken in view of the steep hike in charges demanded arbitrarily by UPSEB and that the Railway's dues amounting to Rs.13.38 lakhs including interest were recovered from the energy bills. Notwithstanding this, the expenditure of Rs.6.25 lakhs incurred by the Railway for the tie line was infructuous.

3.8 South Central Railway : Award of contracts at higher rates

Four tenders were invited in October 1984 for painting of girder bridges in the Vijayawada Division. Tenders were finalised during November and December 1984 and rates ranging from Rs.21.17 per sqm to Rs.22.15 per sqm were accepted. The lower offers of twelve or more tenderers in each case were ignored on the plea that offers lower than the rate of Rs.21 per sqm would not be 'workable'.

In two more tenders, finalised in February 1985 and March 1985, the lowest offers were Rs.18.90 per sqm and Rs.18.50 per sqm respectively but the Railway Administration accepted the rates of Rs.21.40 per sqm and Rs.21.06 per sqm in March 1985 and ignored the lowest offers treating them "unworkable".

Later on, while considering seven tenders for painting of girder bridges in the same Division in 1986 and 1987, the Railway Administration assessed a rate of Rs.33.94 per sqm in March/April 1986 and a rate of Rs.37 per sqm during December 1986 to May 1987 as 'workable', i.e., an increase in the rates by over 50 per cent since October 1984. The lowest rates received during 1986 and 1987 ranged from Rs.18 per sqm to Rs.22.99 per sqm. The Railway Administration this time, however, accepted the lowest offers which were substantially lower than the rates assessed on the plea that these were advantageous. In yet another case finalised, in April 1987, the Railway Administration accepted a rate of Rs.17.65 per sqm which was considered not unreasonable. This contractor had earlier completed the painting work of Godavari Bridge girders at Rajahmundry which was accepted by the Railway.

The rejection of the lowest offers in six tenders finalised during November 1984 to March 1985 in identical circumstances was not justified and resulted in extra expenditure of Rs.10.11 lakhs.

The Railway Board stated (November 1989) that though the description of items of work was the same in all the cases pointed out, the nature/magnitude of the work was not identical on account of factors, like type of girders, surface condition, locatoin of the bridge and density of traffic, etc. The reply of the Railway Board is not tenable since these factors have not been recorded as the reasons for rejecting lower offers and accepting higher rates.

3.9 Northeast Frontier Railway : Defective estimation of quantities of earthwork and bridge

Indian Railway Code for Engineering Department provides that before undertaking the execution of a new line, gauge conversion or doubling of lines, a final location survey should be made and based on the information collected in that survey, detailed estimates of all the works included in the project as a whole should be prepared. While according sanction to such works, it is emphasized by the Railway Board that works should be taken up only after preparation of adequate site plans/drawings and clear assessment and identification of works and formulation of the project should be done after duly taking into account all the relevant factors and site conditions, so that no difficulty is encountered at the project implementation stage by way of incorporation of additional items of works, modification and enlargement of the scope of work.

On Northeast Frontier Railway the above provisions were not followed in two instances detailed below resulting in abnormal variations in the quantity of work at the time of execution.

(A) Railway Board sanctioned in May 1987 the detailed estimate for patch doubling work in Malda Town-Kumedpur section on Northeast Frontier Railway. Accordingly, the Railway Administration awarded various contracts for execution of works in June and July 1987. During execution, the quantities of earthwork in respect of six such contracts varied substantially ranging from 33.63 per cent to 175.38 per cent compared to the original estimates.

Since the existing contractors refused to carry out earthwork beyond 25 per cent of the contracted quantity and it was also not made possible to bring in new agencies for execution of additional qantities of earthwork, the Railway Administration entered into negotiation with the existing contractors for carrying out 1.06 lakhs cum of earthwork, being quantity in excess of 25 per cent of the contracted quantity. Eventually the works were got done at the negotiated rates, which were higher by Rs.32 to Rs.110 per 10 cum than the original contracted rate, entailing an excess expenditure of about Rs.7.65 lakhs.

(B) In another case, patch doubling work from Kumedpur to New Jalpaiguri was sanctioned by the Railway Board in May 1986. A contract was awarded for the construction of substructures for four bridges (No.5,6,7 & 9) in Kumedpur-Barsoi section through a contract in November 1986. Item No.2 of the schedule of items of the Contract Agreement, provided for "Making Island" of seven numbers as a related item to the construction of substructure of the bridges at a cost of Rs.30,000 each. During execution, however, the number of "Island" was required to be increased to 14, an increase of 100 per cent over the original estimate. Since the contractor refused to carry out the additional quantity of work beyond 25 per cent of the contracted quantity, the Railway Administration entered into negotiation with him and arrived at a rate of Rs.65,000 for each additional "Island" against the original rate of Rs.30,000. Thus, due to defective estimation of the requirement of "Island" at the initial stage, the Railway Administration had to make an avoidable expenditure of Rs.1.84 lakhs.

The Minsitry of Railways (Railway Board) admitted (October 1989) that the quantities of earthwork were incorrectly estimated and further stated that suitable instructions would be issued to Railways to avoid variations beyond the limit prescribed in the tender conditions.

3.10 South Eastern Railway : Infructuous expenditure on construction of staff quarters

A contract for construction of 32 units of quarters at Bhadrak station was awarded to a contractor at an approximate cost of Rs.5.63 lakhs in January 1980 with due date of completion as November 1980 which was subsequently extended up to 31 July 1981. As per the estimate, the quarters were to be built on under reamed pile foundation on a low lying area remaining submerged under water during the rainy season and a height of 8'-9' was required to be filled up with cinders/earth. The work of filling the space between the ground level and plinth level, though provided in the estimate was not included in the contract in January 1980.

The contractor completed casting of 552 under reamed piles by March 1981 but could not proceed further for want of filling the space between ground level and plinth level. In September 1981, the Railway Administration asked the contractor to do the filling work by bringing earth from outside the Railway land. The contractor demanded a rate of Rs.21.50 per cubic metre of earthwork but finally agreed to a rate of Rs.20 per cubic metre after discussion. The Zonal Railway, however, took eight to nine months to convey acceptance to this rate by which time the validity of the existing contract had expired. The firm then demanded a fifty per cent increase in the existing rate for execution of the balance work. The Railway did not agree to enhancement of rates but shortclosed the contract with only 20 per cent physical progress in October 1981 due to an increase in cost. The contractor went in for arbitration for shortclosure of the contract and preferred a claim of Rs.4.42 lakhs as compensation. An amount of Rs.2.04 lakhs was paid to the contractor as arbitration award. While accepting the award, the Railway admitted that the arbitration arose because it could not finalise the rate for earth filling during the period of nearly an year and nine months after the work was awarded even though the necessity for the work was felt by Railway from the beginning.

In February 1984, the Railway decided not to proceed with the construction of the quarters pending a review of the staff and housing position at Bhadrak. The review conducted by the Railway in February 1986 revealed that only about 43 per cent of the staff posted at Bhadrak were provided with quarters and there was enough justification for completion of the quarters. The construction of 32 units, which commenced in early 1980, remained incomplete for want of a final decision by the Railway (August 1989). An amount of Rs.6.92 lakhs had so far (November 1987) been incurred on the project. Out of 552 under reamed piles cast, 345 became unserviceable resulting in an infructuous expenditure of Rs.4.14 lakhs. The underreamed piles have been lying in the low land often submerged under water during monsoon since the date of their casting. Certification of their fitness would be possible only after a load test which was yet to be carried out.

The Railway stated in November 1988

that it was contemplating construction of 12 units utilising the available "good piles". It further stated that the work was finally abandoned consequent on a review of staff and housing position at the station for better efficiency and cost effecitiveness. The review of staff conducted earlier in February 1986 and cost analysis done in September 1987 had revealed that even if the loco shed at Bhadrak was closed the quarters under construction would be required.

Failure of the Railway to include the work of filling the land in the contract in January 1980 and delay in taking a decision on completion of the project resulted in an infructuous expenditure of Rs.6.18 lakhs which included Rs.2.04 lakhs towards arbitration.

3.11 Southern Railway : Postponement of a remunerative work

In order to minimise detention to passenger and goods trains in adjacent stations on either side, provision of a crossing station at Aiyanapuram on the Thanjavur-Tiruchchirappalli section was included in the Final Works Programme for 1981-82 at an estimated cost of Rs.29.17 lakhs. A return of 13.49 per cent on the investment was expected. In the interest of safety, simplicity and efficiency of train operations, works relating to replacement of signalling equipment and provision of track circuit/axle counters at five other stations and four level crossings on the same section at an estimated cost of Rs.83.80 lakhs were also included in the same Programme. Both these works were allotted 'priority A' and detailed estimates were sanctioned in September 1981 for Rs.30.99 lakhs and Rs.95.30 lakhs respectively.

In May 1984, the Railway Administration decided to drop the work in view of the upgrading of the signalling work in progress. Later, in August 1984, it was decided that the work need not be dropped but might be given a low priority and the funds provided for the project be diverted "to other important work". In December 1984, the Chief Traffic Planning Superintendent found that the work was required immediately and the Division was asked to call for tenders and commence the work in 1985-86. The work was taken up in September 1985 and completed in March 1987 at a cost of Rs.50.34 lakhs.

The work relating to provision of improved signalling works at other stations and level crossings was awarded to firm A in January 1985. Though it was suggested by the Divisional Signal and Telecommunication Engineer, Tiruchchirappalli in June 1985 that for the sake of contiguity and easier maintenance improved signalling work at Aiyanapuram should be entrusted to firm A at the same rate accepted for work at other stations in the section, the Railway Administration approached firm A in January 1986, after a delay of seven months, for execution of signalling work at Aiyanapuram but the firm did not agree to execute the work at the old rates. Fresh tenders were invited in November 1986 and the work was awarded to firm B in February 1987. The signalling works at various stations were completed during May 1986 to March 1987.

A review of the position of detention to goods trains at the adjacent stations on either side of Aiyanapuram indicated that with the provision of crossing at Aiyanapuram the detentions to goods trains had come down substantially resulting a saving of about Rs.2.67 lakhs during 1987-88.

Postponement of taking up of the work of provision of crossing station at Aiyanapuram was, therefore, injudicious and resulted in cost overrun of Rs.19.35 lakhs. Delay in awarding the signalling work at Aiyanapuram to firm A also resulted in avoidable expenditure of Rs.3.66 lakhs.

The Railway Board stated (November 1989) that there was lack of required coordination for simultaneous provision of improved signalling works alongwith the crossing station, and incurring of extra expenditure could not be avoided.

3.12 Western Railway : Expenditure on provision of VIP/Foreign Tourist siding at Jaipur.

A VIP/foreign tourist siding at Jaipur was justified to provide stabling facilities to an increased number of VIP/foreign tourist saloons. There existed at Jaipur already two parcel sidings and one officers' saloon siding and a tourist platform line. Data to justify the need for additional siding such as year wise increase in the number of saloons vis-a-vis the capacity of the existing sidings were, however, not furnished. The siding was sanctioned by the Railway Administration at a cost of Rs.1.94 lakhs in April 1982 with a capacity to stable 5 eight wheelers or 11 four wheelers. The work, which was scheduled for completion by June 1984, was completed in October 1985 at a cost of Rs.2.87 lakhs. The completion Report was yet to be drawn up.

The siding could not be put to use for want of sanction of the Commissioner of Railway Safety. The sanction earlier accorded by the Commissioner of Railway Safety had expired in

1984 and though a fresh application for sanction was submitted by the Administration on 22 October 1985, no follow up action was taken by the Railway Administration. The new siding is yet to be opened (July 1989) and the VIP/Foreign Tourist Saloons received at Jaipur were being stabled at the other sidings.

Receipts of saloons and carriages at Jaipur indicated a downward trend since 1985. As the capacity of the existing sidings was adequate provision of a new siding at a cost of Rs.2.87 lakhs was, avoidable.

The Railway Board stated that the principal justification was for island platform and the provision of the VIP siding was only an extension of the main work. It added that the urgency of having a separate siding for VIP Saloons was lost following the commissioning of the island platform on account of decline in foreign tourist traffic.

3.13 Northern Railway : Wasteful expenditure on construction of quarters

Northern Railway Administration constructed five units of Type-I and three units Type-II single storey quarters between Dilkush and Utratia on Lucknow Division in 1978 at a cost of Rs.2 lakhs as part of the work "Provision of Block Hut" between the two stations. The quarters were built to house the staff who were required to man the block hut. Though the quarters were handed over to Traffic Department on completion in July 1978 they were not allotted. There was no provision of water supply, electricity and approach roads. Even the doors and windows were removed in 1981 by the Engineering Branch as the quarters had not been occupied by any one. Consequently, the expenditure of Rs.2 lakhs on construction of eight units of quarters was rendered wasteful. Besides, there was loss of rent amounting to Rs.0.14 lakh and avoidable payment of House Rent Allowance to the staff amounting to Rs.0.56 lakh.

Railway Board explained (October 1989) that owing to the unwillingness of the staff to be housed at a place, which they considered lonely, the quarters had remained vacant and added that it had not been possible to put the quarters to alternative use so far. The construction of quarters without making any prior assessment of their requirement indicated inadequate planning.

3.14 Central Railway : Extra expenditure due to change in inter se position of the tenderers

Tenders for earthwork and construction of bridges in Secftion V of Multai-Chichonda (Doubling)called for in June 1981 were opened on 30 July 1981. The tenders had, however, to be cancelled in September 1981 due to revision of quantities and fund availability. Fresh tenders were invited and opened on 16 December 1983. In all, 13 offers were received. The lowest offer (excluding cost of free supply of cement and steel) was for Rs.26.66 lakhs and the second lowest was for Rs.27.71 lakhs. The Tender Committee recommended in March 1984 acceptance of the offer of firm 'A' for Rs.26.66 lakhs, being the lowest, and the acceptance letter was issued in the same month.

Earlier, in 1981, when tenders were invited/cancelled, non-scheduled items were not included in the tender schedule. In December 1983, when tenders were reinvited, non-scheduled items, such as, 'Earthwork in bank from Railway's borrow pits' under N.S. item No.1 and 'Earthwork in bank with contractor's earth' under N.S. item No.2 were included in the tender schedule. In October 1984, when the work was in progress, the Administration found that approximately 25000 cubic metres of old cut spoil earth was available from the borrowpits of railway land situated at a distance of 1 to 1.5 kms from the worksite. Initially, in 1981, and later, in December 1983, when tenders were called for, this fact was lost sight of by the Administration. In view of the availability of a sufficient quantity of earth from railway's borrow pits the Administration proposed in October 1984 to get the balance quantity of earthwork done from borrow pits in railway's land. The proposal was approved by the Chief Engineer in April 1985. As a result, the quantity of earthwork to be done from borrow pits in railway's land increased from 20,000 cubic metres to 41,235 cubic metres while the quantity of earthwork with contractor's earth got reduced from 27000 cubic metres to Nil.

The increase/reduction in quantities of earthwork resulted in change of the inter se position of the tenderers, i.e., the lowest tenderer whose offer was accepted bacame the second lowest and the second lowest became the lowest. This resulted in an extra expenditure of Rs.2.15 lakhs. This situation would not have arisen had the Administration ab initio decided to use earth from the borrowpits in railway's land available near the worksite. The omission is clearly indicative of inadequate preplanning for works.

The Railway Board explained (November 1989) that the lowest tenderer did not remain lowest but this could not be helped at a later date.

3.15 Metro Railway, Calcutta : Procurement of sophisticated signalling equipment

The Project Report of Metro Railway, Calcutta approved by the Railway Board in 1972, had provision for Continuous Automatic Train Protection type of signalling system (CATP) for the underground Metro Railway. The CATP which consists of CAB Signalling and continuous speed control by automatic application of brakes helps in maintaining an adequate distance between successive trains.

Metro Railway entrusted to the Electronic Corporation of India Limited (ECIL) in April 1977, the work of developing a CATP system. A grant-in-aid (Rs.11 lakhs) and a returnable loan (Rs.11 lakhs) were sanctioned by the Department of Electronics (DOE) in January 1977/December 1980. The development works were to be taken up in two phases, the first phase being experimental trials (Bench Model Stage) followed by the second phase on prototype, before bulk manufacture. Based on the initial field trials conducted at the bench model stage, the Metro Railway Administration in their technical report of June 1980 had found, from the design point of view, the equipment developed by ECIL as satisfactory/acceptable, notwithstanding certain defects. During tests of the prototype, both design and manufacturing defects were considered. Metro Railway Administration issued a detailed specification for the system in 1982. Further detailed/full fledged prototype tests/trials commenced in January 1983 and continued till December 1984. A Letter of Acceptance was issued to ECIL in May 1984 for development, supply, installation, testing and commissioning of the CATP with Cab signalling equipment at a provisional cost of Rs.4.07 crores for the Calcutta metro Phase-I, that is, Esplanade-Tollygunj and Dum Dum-Belgachia Sections. An interest free advance of 35 per cent of the contract value amounting to Rs.1.43 crores was paid to ECIL in two instalments in June and September 1984.

ECIL, while accepting the shortcomings in the prototype, indicated in May 1985 a time schedule of six months for design modification and manufacture of a revised prototype to be offered once again for field trials within 12 months (revised to 3 to 5 years in June 1985 to make available a satisfactory system, i.e., by 1988-90). Alternatively, ECIL had suggested the possibility of adopting a proven CATP equipment from a reputable manufacturer being also explored.

Metro Railway advised the Railway Board in November 1985 that the prototype CATP equipment developed by ECIL was found unsafe and unreliable by two Committees of Senior Railway Officers. The Committee of experts from the Department of Atomic Energy, Defence, Department of Electronics and Indian Institute of Technology, Delhi, held in October 1985 that the development of CATP system by ECIL should be continued to eliminate all types of unsafe side failures. The committee unanimously recommended import of CATP system by Metro Railway for the Esplanade-Tollyganj section with provision for transfer of Technical knowhow to ECIL for developing the equipment to meet future needs. Metro Railway recommended to the Railway Board in November 1985 an alternative source of supply of the equipment and, as an interim measure, requested the Board for commencing the Esplanade-Tollyganj section, using Axle Counters.

The Department of Electronics in December 1985, with a view to meeting the time schedule for the Esplanade-Tollyganj section, permitted procurement of CATP equipment through a global tender subject to the condition that ECIL was involved in working out the specifications for the global tender and the tender document included a provision for technical collaboration with ECIL for production of the equipment subsequently.

ECIL stated in January-February 1987 that a modified version of the equipment was with it for demonstration and requested that the development of CATP equipment might be allowed to be completed. Railway Board's direction in April 1987 to Metro Railway to examine the claim of ECIL was, however, not acted upon and, instead, import was resorted to and the contract with ECIL was foreclosed.

Global tenders for import of CATP system were floated in June 1986 for design, manufacture, supply, installation, testing and commissioning of the CATP system comprising three distinct sub-systems viz., (i) Automatic Train Protection (ATP), (ii) Automatic Train Operation (ATO) and (iii) Automatic Train Supervision (ATS) for Phase-I-Esplanade-Tollyganj section with transfer of technology and knowhow to ECIL to cover the system for Phase-II. The recommendation of the Tender Committee to accept the offer of M/s ALSTHOM, France was approved by the Railway Board in March 1988. A Letter of Intent was issued to the firm in April 1988 at an approximate cost of Rs.13.33 crores for Phase I. The Letter of Intent was issued subject to the condition of finalising an agreement for the collaboration between the French firm and ECIL for transfer of technology for indigenous manufacture of the system for the Phase-II work (Esplande-Belgachia) within a period of one month from the date of issue of the Letter of Intent. While the agreement for the transfer of technology was finalised in October 1988 and sent to DOE for approval, the formal order was yet to be released (August 1989). The Administration took 2 1/2 years in placing a Letter of Intent on the French firm. Considering that the formal order was yet to be released/ placed, it is doubtful if the CATP system comprising the three systems enumerated above, would be available for use by 1990 (Project completion date).

The decision to import CATP system by foreclosing the contract with ECIL is a major set-back in the indigenous effort to develop a technology in this area. With the shifting of the projected target date for completion of the North section to the end of 1990 or even beyond, the plea of urgency for import with the projected date of completion by 1988 had become invalid.

With the present fleet of rolling stock there is no possibility of increasing the frequency of trains at intervals of less than 10 minutes during peak hours. Even at this frequency the occupancy is reported to be less than unity. It would have been possible to continue with use of Axle counters until indigenous technology was developed. The choice of a technology altogether different from what was developed at a cost of Rs.1.93 crores by ECIL would result in virtual abandonment of long years of research by ECIL in this area.

The Railway Board stated (October 1989) that the decision to import CATP system was taken because ECIL could not develop a fail safe system. According to them foreclosing of the contract was a prudent action and it accelerated the indigenisation of the system and that the indigenous effort made had not gone waste because it would help hasten the process of absorption/adoption of imported technology.

The arguments are not tenable because the design of the circuit of the integrated cab signalling and CATP system developed by ECIL was found, based on field trials in June 1980 by the Metro Railway, to meet the fail-safe requirements as given in the specification. It was only in March 1985, at a much later date after the prototype was already made available that the specifications were upscaled from fail safe tests of single component to that of multiple component tests and the equipment developed by ECIL was found deficient. The statement of the Railway Board that the indigenous effort of all these years had not gone waste is not substantiated by facts.

3.16 Avoidable import of wheelsets

The Ministry of Railways (Railway Board) assessed, in April 1986, the requirement of wheelsets as 48,000 inclusive of a buffer stock of three months' requirements. After taking into consideration the expected production from the Wheel and Axle Plant at Bangalore as 20,000 wheelsets and outstanding dues against an import order on a Polish firm of 8000 wheelsets, a global tender (GP-125) under the IDA guidelines was invited in May 1986 for procurement of 18,000 wheelsets. Before opening the tender, the Railway Board decided to increase the buffer stock from three to six months. The tender quantity was increased from 18,000 to 23,000.

The tender was opened on 24 June 1986. The Tender Committee recommended placement of orders on three firms with the approval of the World Bank. Orders for the above quantity, inclusive of an option quantity of 15 per cent of the order, were placed in November 1986 as under:-

Firm	Quantity	Rate	Total value (FOB)
Italian firm	5000	US $ 970	US $ 4850000
South Korean firm	2400	US $ 983	US $ 2360976
Japanese firm	6000	US $ 960	US $ 5760000
	9600	US $ 980	US $ 9408000

The Italian firm on which an order for 5000 wheelsets was placed intimated the Railway Board in February 1987 that it could supply only 3000 wheelsets. The Railway Board reduced the quantity to 3000 in May 1987. The firm completed the supply in July 1987.

The Japanese firm supplied 7000 by March 1987 and promised a further shipment of 7400 by May 1987. The South Korean firm supplied 900 by March 1987 and advised the Railway Board that another 500 wheelsets were under inspection.

The Polish firm, on whom an order for 13276 wheelsets was placed earlier in October 1984, which was outstanding at the time of consideration of the tender, supplied 5007 wheelsets by March 1987. The Wheel and Axle Plant at Bangalore supplied 23,153 wheelsets by March 1987 against the earlier estimated supply of 20,000 wheelsets. Thus, the total availability of wheelsets by imports and from the Wheel and Axle Plant during 1986-87 was 36,060. Only 25348 wheelsets were used for manufacture of 6337 wagons against the target of 8000 wagons for 1986-87.

In May 1987, the Railway Board, besides exercising the option for the additional 15 percent quantity (2000 wheelsets) on the Japanese firm, also placed an order for 2000 additional wheelsets thereby increasing the additional order on the Japanese firm from 15,600 to 19,600 wheelsets. This exercise of the option clause and placement of an order for an additional quantity was without a fresh review of the availability of wheelsets both from the Wheel and Axle Plant and by imports with reference to the actual production of wagons which was 6,337 against the target of 8,000 wagons. there was a balance of 10,712 wheelsets at the end of 1986-87 and in addition, a quantity of 7,900 wheelsets was expected by way of imports in April-May 1987 when the decision was teken by the Railway Board to increase the quantity of order with the Japanese firm.

The Railway Board stated (November 1989) that a review of requirement of wheelsets for BOXN wagons up to 31 March 1988 carried out in August/September 1986 was taken into account at the time of exercising the option clause in May 1987. The Railway Board, however, did not carry out any fresh review in view of the comfortable stock position at the close of 1986-87. Import of 4,000 wheelsets at a cost of Rs.5 crores was, therefore, avoidable.

3.17 Procurement of Aluminium Screened Signalling Cables

Against a tender opened on 15 June 1984 for purchase of alluminium screened signalling cables, orders were placed by the Railway Board on three firms A, B and C on 24 January 1985 for supplying 517 kilometres of different types of cables valued at Rs.2.34 crores excluding excise duty and Sales Tax. Material was to be masnufactured in either of the factories of firms B and C and firm A was their selling agency. The performance of these firms was as under:

Firm A: It was to supply 214.45 kilometres of cables of two sizes by 21 February 1986. The firm requested for extension of time up to 30 August 1986 without financial repercussions as their principals were facing labour unrest. In February 1986, Railway Board served Risk purchase notice and cancelled the purchase order. On further representations by the firm, in April 1986, the Railway Board reinstated the contract and the firm started supplies. The date of delivery was extended to 31 December 1986 incorporating the denial clause which, however, was not accepted by the firm. It was held by the Legal Adviser that the breach of contract had occured on 21 February 1986. The order was cancelled in June 1987 for the balance quantity of 191.67 kilometre cables at the risk and cost of the above supplier. Risk purchase contract was finalised in March 1988.

Firm B :The stipulated date of 31 December 1985 for completion of supply of 140.55 kilometres of cables was extended to 30 June 1986. In July 1986, the firm again requested for the extension and the delivery period was extended to 31 January 1987 with denial clause which the firm did not accept. It was held that the contractor committed breach of contract on 30 June 1986. The order was cancelled in June 1987 for the balance quantity of 121.885 kilometres at the risk and cost of the supplier. Risk purchase contract was finalised in March 1988.

Firm C: The supply of 162 kilometres of cables was to be completed by 30 November 1985. The firm, however, supplied only 46.7 kilometres and requested for extension of delivery to 30 April 1986 and later to 31 December 1986. The delivery date was extended to 31 December 1986 incorporating the denial clause which was not accepted. It was held in April 1987 that the contractor committed the breach of contract on 30 April 1986. The purchase order was cancelled in June 1987 for the balance quantities of 95.422 kilometres of cables at the risk and cost of the firm. The risk purchase contract was finalised in March 1988.

The following comments arise :

While considering the offers in June 1984 it was stated that the firm A, B and C were approved suppliers. But when finalising the tenders in the following year (August 1985), firms A and C were stated to be not approved while firm B was approved for placement of "educational" orders only. the correct status of the tenderers was not noted while considering the offers in June 1984.

By the time the matter was referred to the Legal Adviser in April 1987 the time permissible for arranging risk purchase had expired in all the three contracts. Purchase was arranged incurring additional expenditure of Rs.94.75 lakhs and risk claims were made in October 1988. The three firms, refused to accept the same and requested the Railway Board to refer the matter to Arbitration. No action to appoint Arbitrators had yet been taken (December 1989).

3.18 Central Railway : Non-collection of sales tax

With the amendment of the Bombay Sales Tax Act, with effect from 15 January 1975, the Central Railway came within the purview of the word 'dealer' under the definition of the word 'Business'. Consequently, the Railway became liable to pay sales tax on goods sold in auctions in the Maharashtra State. The Railway represented to the sales tax Authorities in September 1975 for exemption from payment of sales tax on the ground that it was not a 'dealer' in terms of the Bombay Sales Tax Act 1959. The Railway did not collect sales tax from successful bidders pending a decision on its representation to the State Sales Tax Authorities. In January 1979, the Sales Tax Authorities passed an order, under section 52 of the Bombay Sales Tax Act 1959, to the effect that Railways are covered by the definition of 'business' from 15 January 1975, the auction sales effected by the Railways are 'sales' and that the Railways are 'dealers' and, therefore, liable to be registered under the Act. The Railway got itself registered as a 'dealer' with effect from 17 February 1979. On the Sales Tax Authorities issuing a demand notice in November 1983 for an amount of Rs.79.37 lakhs on account of sales tax payable for the auctions that had taken place between 15 January 1975 and 16 February 1979, the Railway went in on an appeal in January 1984 against the assessment. This was dismissed summarily in July 1984. In the second Appeal heard by the Sales Tax Tribunal, Bombay on 7 January 1985 the Railway was directed to lodge a Bank Guarantee for the amount of tax. A Bank Guarantee for Rs.79.37 lakhs was accordingly furnished by the Railway to the Deputy Commissioner of sales tax on 8 January 1985 while requesting for admission of the Appeal for final hearing. The appeal was decided in July 1986 against the Railway. An application for grant of administrative relief filed by the Railway before the Commissioner of sales tax, Bombay in September 1987 was also rejected in January 1989. Meanwhile, the amount of sales tax had been revised to Rs.82.97 lakhs and the Railway had ultimately to pay the amount in February 1989.

Failure to arrange for collection of sales tax in respect of the auctions held between 15 January 1975 when the Act was amended till the date of registration on 17 February 1979 resulted in a loss of Rs.82.97 lakhs since the amount could not be collected from the bidders to whom the lots were sold.

3.19 Eastern Railway : Delay in disposal of abandoned track.

All services were withdrawn from the 21 km. long Ikhra - Gourandi branch line section in January 1983 and the section was not used thereafter. The General Managter directed in June 1986 that the line be closed and the permanent way materials removed and shifted to a proper place for disposal. By the time this decision was taken, materials worth about Rs.12.26 lakhs had been stolen from the section as per theft statements. An estimate for dismantling materials from 14 kms. of track available out of the total 21 kms. was prepared in August 1986 taking credit for Rs.60.38 lakhs for materials released and sent to the Railway Board in December 1986. While approving the proposal in May 1987 the Railway Board directed that the materials should be auctioned instead of being dismantled departmentally. A joint inspection of the track conducted in June 1987 revealed that only 4.28 metric tonne of rails and 11.15 metric tonne of MS/C9 scrap valued at Rs.15,370 were lying in track in the whole section of 21 kms.

As per First Information Report filed with the Police from 1983 to 1987 only 8.03 kilometres of rails, 6.92 kilometres of CST/9 plates and 7.67 kilometres of tie bars valued at Rs.27.73 lakhs in all were reported as stolen. Out of the total 21 kilometres the Railway had been able to account for about 7 kilometres of track material worth Rs.27.73 lakhs as released. The whereabouts of the remaining materials worth Rs.62.69 lakhs being not known, the total loss suffered by the Railway on account of the delay in disposal of the materials from the abandoned track amounted to Rs.90.42 (62.69 + 27.73) lakhs.

3.20 South Central and North Eastern Railways : Procurement of ballast

The Indian Railway Permanent Way Manual prescribed the use, with effect from September 1986, of ballast 40 mm size under points and crossings in lieu of ballast 25 mm. size.

The procurement of the costlier ballast 25 mm. size for use under points and crossings was, however, continued in some Railways even thereafter.

The South Central Railway procured 16,566.170 cum. 25 mm ballast against 15 agreements during January to November 1987 incurring an extra expenditure of Rs.10.58 lakhs.

Similarly, 15,511.124 cum. 25 mm ballast were procured for use under points and crossings in the North Eastern Railway against contracts placed in March and April 1987 involving an avoidable expenditure of Rs.31.57 lakhs.

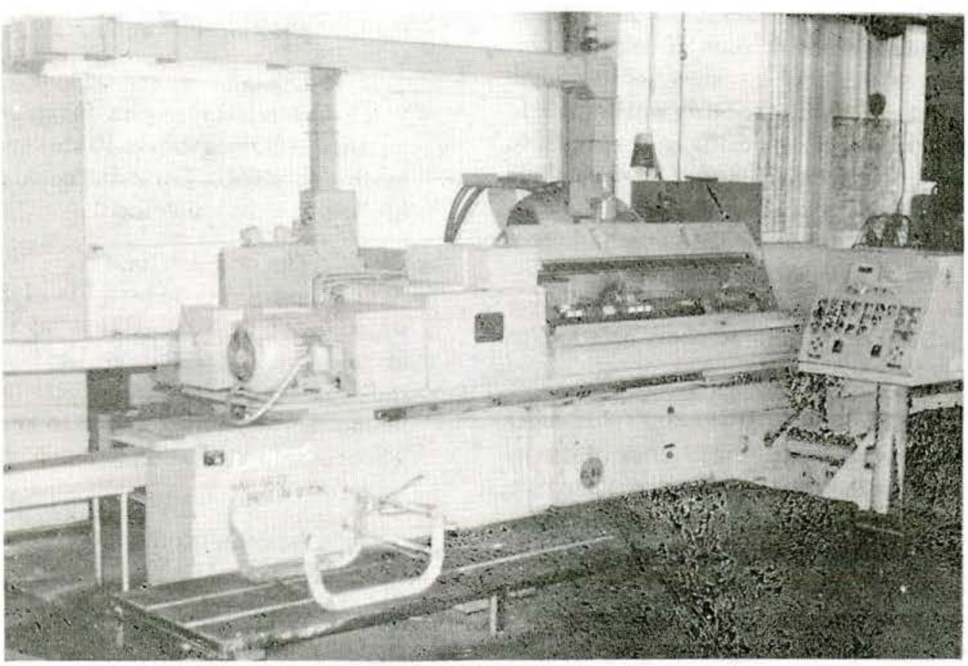
The Railway Board stated (November 1989) that the specifications of the size of ballast for use under points and crossings were issued to the Zonal Railways on 31 August 1987. The reply of the Railway Board indicates that there was laxity in that nearly a year was taken to convey the corrections to the specification after these were incorporated in the Manual.

3.21 Diesel Locomotive Works : Extra expenditure in import of Camshaft Grinding machine

A contract was placed in March 1982 for import of a Camshaft Grinding machine on replacement account at an overall inclusive cost of Pound 2,28,154 (Rs.33.88 lakhs) FOB U.K. Port. The machine, shipped by the firm in November 1983 reached the Calcutta port on 31 January 1984, was unloaded on 12 March 1984 and cleared by customs on 18 May 1984.

A survey of the machine was conducted through the General Surveyors of India at the Calcutta Port on 25 June 1984 when one wooden case was found with side planks partially open and slightly water stained 'here and there' but otherwise in tact. Due to delay in arranging a special type of wagon for its transportation to the Diesel Locomotive Works(DLW) at Varanasi, the machine remained in the docks thereafter lying in the open exposed to sun and rain. It was loaded on 11 December 1984 on a special type wagon and booked from Kidderpore Docks on 9 January 1985 and unloaded in the DLW siding, Varanasi on 11 March 1985. Delay in the removal of the machine from the port led to an extra payment of Rs.2.53 lakhs on account of extra port rent (Rs.1.88 lakhs), demurrage (Rs.0.31 lakh) and insurance premium (Rs.0.34 lakh) to cover insurance of the machine till its delivery at the DLW.

In a joint inspection of the machine conducted by the DLW and the Insurance Company on 22 March 1985 it was noticed that four planks on top and three side planks of the wooden box were missing, the polythene covering was damaged and water had seeped in and damaged and rusted the contents.



Camshaft Grinding Machine

The DLW got the machine inspected by the firm's engineers in May 1986. A restoration contract was placed on the firm in May 1987 for Pound 96,667 (Rs.20.03 lakhs) including Pound 3126.44 on account of four per cent escalation in cost demanded by the firm due to delay in finalisation of the contract. The components and parts on order were received at the DLW in April-May 1988. The total liability in the restoration contract was of Rs.50.00 lakhs of which an amount of Rs.25.78 lakhs could alone be reimbursed by the Insurance Company. In addition to this extra expenditure of Rs.24.22 lakhs, the amount of labour charges against the restoration contract paid by the Railway was Rs.3.58 lakhs.

The machine was installed at the DLW and commissioned departmentally on 13 July 1989 incurring an expenditure of Rs.1.63 lakhs. An amount of Rs.0.92 lakh was, however, paid by the Railway on account of commissioning charges as per the original contract although commissioning of the machine was not done by the Service Engineers of the firm.

Thus it took more than five years, after its arrival in India for a machine to be installed at DLW due to failure on the part of the Railways to make arrangments for its transport. The machine remained exposed to the climate for nearly a year resulting in damage to it, which had to be restored. The avoidable expenditure to the Railway in this regard was Rs.31.25 lakhs.

While the loss suffered due to retention of the old machine on account of delayed commissioning of the new machine had not been assessed by the Railway, the DLW was not able to meet the demand of camshafts as maintenance spares. Against a total demand of 7369 numbers during 1985-86 to 1988-89, the DLW manufactured only 3,478, imported 1847 numbers (cost Rs.1.01 crores) and procured another 580 numbers (cost Rs.57.58 lakhs) from indigenous sources leaving a balance of 1464 numbers outstanding for supply to the Zonal Railways.

The Railway Board stated (November 1989) that in view of the limited stock of special type of wagons required for carriage of over-dimensional consignments, it took time to effect the procurement of wagons, and that the type of damage that occured was mainly due to ingress of sea water which was a rare phenomenon. the Railway Board added that the rectification/restoration contract was finalised without delay after receipt of the requisite agreement and the reimbursement of Rs.25.78 lakhs by the Insurance Company, against the total liability of Rs.45 lakhs, was correctly made as per the open cover policy of the Government. According to the Railway Board there was no delay in commissioning the machine nor was any avoidable expenditure incurred.

The reply of the Railway Board is not tenable. The main thrust of the para is not so much on the additional expenditure as on the time for installation of the machine. It took more than five years for the machine to be installed after its arrival in India. The reply of the Railway Board is also silent on the setback to meet the demands of camshafts.

3.22 Electronic-in-motion weighbridge

The non-commissioning of two weighbridges resulting in an idle investment of Rs.13.95 lakhs was commented upon in paragraph 5.7 of the Advance Report of the Comptroller and Auditor General of India Union Government (Railways) for 1980-81, and in para 13 of the Report of the Comptroller and Auditor General of India Union Government (Railways) for 1984-85.

The weighbridge installed at Hapa on Western Railway in March 1982 did not give satisfactory performance. The Western Railway was of the opinion that it should be scrapped rather than spending a considerable amount on repair when the weighbridge itself, in the final analysis, might turn out to be infructuous in view of the technolgical innovations that had taken place in the field of electronics and micro-processors.

The other weighbridge procured by the South Central Railway in February 1983 was installed at Ramagundam 10 kms away from the loading points of collieries but could not be put to use due to technical defects.

The Board in their corrective/remedial Action Taken Note on para 13 of 1984-85 report stated in September 1988 that "as a precautionary measure, Zonal Railways had been advised of the experience gained from these two orders of 'in motion-weighbridges' and to keep it in view while considering further development/procurement".

A review of other orders placed in October 1986 revealed the following:

Development Orders for manufacture, supply, installation and commissioning of three Electronic-in-motion weighbridges were placed on two indigenous firms in October 1986 as under:

October 1986	One	Karanpura	(EasternRail way)
-do- 1986	Two	Shadol and Dongoaposi	(South Eastern Railway

The Board decided in February 1988 on the request of the Eastern Railway to transfer the weighbridge from Karanpur to Jhansi Workshop as required by Central Railway. Since there was no utility of the weighbridge in Jhansi Workshop, the Central Railway requested the Board in June 1989 to divert the machine to another Railway. The weighbridge had not yet been received at Jhansi (November 1989).

As regards the two weighbridges supplied in February 1988 to South Eastern Railway, it was noticed that both the weighbridges were not commissioned in the absence of pre-inspection of sites along with the manufacturers and non-availability of sufficient funds for yard remodelling and ancilliary works and were lying idle at the respective stations - Shadol and Dangaposi. It was decided by the Board in March 1989 to divert the Weighbridge at Shadol to Eastern Railway for installation at Andal for replacement of an existing mechanical weighbridge. Joint inspection of location to be undertaken at Andal by the manufacturer and Railway representatives, a prerequisite for installation of the electronic weighbridges as per contract condition, was proposed to be undertaken on 21 July 1989.

In this connection, the following comments arise.

(i) The expenditure incurred on the weighbridge installed at Hapa on Western Railway in March 1982 at a cost of Rs.4.57 lakhs had become infructuous in view of the Railway Administration's opinion to scrap the defective machine.

(ii) The weighbridge installed at Ramagundam in February 1983 and rectified in May 1988 had not been put to use. On account of delay in rectification of the bridge by the supplier, the Railway Administration had to allow rebate to the collieries for weighment of coal wagons.Rs.9.40 lakhs had been allowed as rebate so far (June 1988).

(iii) In the absence of pre-inspection of sites and non-availability of sufficient funds for yard remodelling and ancilliary works, two weighbridges delivered in February 1988 at a cost of Rs.17.10 lakhs could not be commissioned and were lying idle with no definite time set for their installation, while in respect of the third weighbridge (costing Rs.8.55 lakhs) decision to transfer it to another Railway on receipt was yet to be taken (November 1989). Thus, the objective of faster weighment of wagons and curtailing detentions remained to be achieved since the conception of the idea in 1973.

3.23 North Eastern Railway : Avoidable expenditure on installation of minicomputer at Varanasi

In order to cater to Management Information System requirements, improving productivity and to cut down avoidable delays a minicomputer was proposed to be installed at Varanasi by March 1988 at an estimated cost of Rs.60 lakhs including Rs.30 lakhs needed for preparation of site measuring about 3000 sq.ft. For the purpose of housing the mini computer estimated to cost Rs.30.57 lakhs, an area of 2500 sq.ft. marked in the existing building of the Divisional Railway Manager's (DRM) office was developed by additions and alterations. In February 1988, when the contract for site preparation work was still to be finalised with M/s Computer Maintenance Corporation (CMC) Ltd., the Railway Board, citing reference to the meeting held on 15 January 1988 in Board's office with DRMs to review the progress of Divisional computerisation, drew the attention of the Railway specifically to the fact that the site cost proposed was almost double the cost of the hardware of the equipment and such an exorbitant expenditure on the site preparation could only mean total stoppage of computerisation of projects. The Railway Board, therefore, advised the Railway to limit the cost of site preparation work to Rs.10-15 lakhs by reducing the area to 800 sq.ft. and to provide only room airconditioners instead of central air-conditioning.

The Zonal Railway, contrary to the clear directives of the Railway Board, went ahead with its original programme and an area of 2500 sq.ft., as marked earlier, was developed for the computer complex, out of which an area of 2152 sq.ft. was centrally airconditioned including 750 sq.ft. for a conference hall. The Division had already an air-conditioned conference hall available on the first floor in the building. No intimation to this effect was sent to the Railway Board. An agreement was executed with M/s CMC Ltd. in March 1988 for the work at a cost of Rs.30.57 lakhs and the site preparation work was completed in December 1988.

The Railway Board stated (November 1989) that it was too late for the Railway to reduce the scope of work as the letter of acceptance was already issued to the firm before receipt of the directives of the Railway Board. It was noted that the directives of the Railway Board had been circulated in January 1988 whereas the contract with CMC was entered into in March 1988. Audit also noticed that in the work of installation of computers at Jhansi in the Central Railway and Ratlam on the Western Railway the norms fixed by the Railway Board were not adhered to.

3.24 Diesel Locomotive Works, Varanasi : Loss in import of Ring carriers

Diesel Locomotive Works (DLW), Varanasi decided in July 1969, to reband used pistons with a view to utilising them with imported ring carriers. The foreign supplier of ring carriers had expressed reservations, as early as in February 1969, about the feasibility of reclamation of pistons by rebanding stating that it had itself discontinued rebanding and discouraged their customers as well.

In 1971, DLW installed a capacity for rebanding with imported carriers of 40 Alco pistons per month with a programme for increasing the number to 200 per month. The augmentation of the rebanding capacity from 40 to 200 pistons per month was not pursued. Out of a fleet of about 1500 diesel locomotives only 9 were fitted with the rebanded pistons and put into service till July 1976.

The performance reports of the rebanded pistons were found not satisfactory by the RDSO in August 1976 and DLW was advised in January 1979 not to fit the rebanded pistons on 251. D Alco Diesel engines and YDM4 locos and stop their supply to South Eastern, Central, Southern and South Central Railways. When already 789 numbers of used pistons had been rebanded by March 1979 Ministry of Railways directed DLW not to undertake further rebanding of pistons after the stock of forged ring carriers got exhausted. Despite the Railway Board's instructions, DLW continued to reband used pistons. During 1972 to 1985, (13 years) against a production potential of 6240, DLW rebanded 1747 pistons of which 958 were after 1979.

DLW indented in 1977, 2411 forged ring carriers on the India Supply Mission, Washington. This quantity was assessed on the basis of the old pistons available (2978) in stock which required rebanding. The imported supplies were received in october 1979 and taken to stock in March 1980. Contrary to the Railway Board's instructions of March 1979, the DLW issued 660 ring carriers to the shop and the expenditure of Rs.19.06 lakhs on rebanding 958 pistons could be held infructuous. The balance 1751 ring carriers, valued at Rs.25.89 lakhs (including customs duty and freight charges) were declared by the Survey Committee in 1986-87 as scrap and their value was written down to Rs.0.49 lakh. These had not been condemned till July 1989. The import of ring carriers for regular rebanding even when the rebanded, pistons were on trial and had not been tested in appreciable quantity on field locomotives, was not justified and led to avoidable loss of Rs.25.40 lakhs. Besides ring carriers, 747 kgs. of imported weld rods (electrodes) became surplus and its value was written down in 1986 from Rs.60,036 to Rs.7,844.

The following comments arise in this case:

(i) The foreign firm had cautioned against rebanding used pistons. Notwithstanding, DLW went ahead with the proposal in July 1969 and installed a capacity in 1971 for rebanding of 40 Alco pistons per month.

(ii) The Railway Board had issued instrucftions in March 1979 not to undertake rebanding of pistons but DLW continued to reband the used pistons till March 1985. The expenditure of Rs.19.06 lakhs on rebanding 958 pistons, after March 1979 was clearly infructuous.

(iii) The placement of order, in 1977, for import of 2411 forged ring carriers for regular rebanding of pistons lacked justification in the background of only nine locomotives having been fitted with rebanded pistons and the performance of the rebanded pistons put on trial had not been conclusively established. 1751 imported ring carriers and 747 kilograms of weld rods (electrodes) were declared as scrap involving a loss of Rs.25.92 lakhs.

Railway Board explained (November 1989) that since 2411 numbers of forged ring carriers had already been indented before the issue of instructions in 1979 it was not possible to cancel the confirmed order.

3.25 South Central Railway : Avoidable expenditure on acquisition of Broad Gauge steam cranes

The Ministry of Railways (Railway Board) placed an order in January 1973 on the Railway workshop at Jamalpur, Eastern Railway for manufacture of nine 10-tonne B.G. steam cranes which included six cranes meant for the Vijayawada-Gudur Railway Electrification (VGRE) Project. The requirement of the VGRE Project was later cancelled and a revised allocation was made by the Railway Board in August 1977. Two cranes were despatched to South Central Railway by the Eastern Railway, Calcutta in September 1978, notwithstanding that they were not indented for. They were received in the South Central Railway and put on line in February/March 1979. A debit of Rs.14 lakhs towards the cost of the two cranes was accepted by the South Central Railway Administration in March 1979 and placed under "objectionable item of expenditure for want of estimate". In order to regularise the expenditure, the debit was transferred in October 1980 to the Vijayawada-Gudur RE Organisation which refused to accept it on the ground that the cranes had not been received there and these were also not required. The expenditure of Rs.14 lakhs was held under objection for want of a sanctioned estimate since March 1979.

One of the cranes was used by the Chief Train Examiner, Rajahmundry for loading/unloading of wheels, changing of wheels of wagons in sick lines, etc. which were being done earlier by a crane available locally. The utilisation of the transferred crane during January 1985 to February 1989 was for an average of only seven days per month. The utilisation particulars for the earlier period from 1979 to 1984 were not available.

The second crane received by the Additional Chief Mechanical Engineer, Lallaguda in 1979 was sent in April 1984 to the Assistant Mechanical Engineer, Carriage and Wagon Depot, Vijayawada. No particulars of its utilisation prior to its movement, i.e., 1979 to 1984 were available. At Vijayawada it was used for changing wheels of hot axle wagons, grounding of condemned wagons and loading/unloading of wheels which were earlier managed by a 10-tonne diesel crane available in the sick line at Vijayawada. The crane was later transferred in November 1984 to a shed at Gooty in Guntakal Division for changing of wheels of BOXN wagons. It was sent on 30 June 1986 to Lallaguda workshop for periodical overhaul and heavy repairs. After repairs, the crane was sent on 14 December 1987 to Raichur station on Guntakal Division where it has been lying idle since then.

The allotment of the two cranes, which were neither need based nor indented by the Railway, resulted in assets valued at Rs.14 lakhs remaining underutilised.

3.26 Eastern Railway: Delay in commissioning of Air Compressors

The Railway placed on order in July 1985 on a firm for procurement of two air compressors at a cost of Rs.12.69 lakhs including sales tax and 12 per cent excise duty as leviable. According to the terms of the purchase order payment of 98 per cent was to be made on proof of despatch (clear Railway Receipt) and inspection certificate and the balance 'after correct receipt of materials' by the consignee. The firm was required to submit a bank guarantee for 98 per cent of the value, to cover the period till the date of commissioning of the machine "in addition to the usual guarantee of the warranty liabilities", providing for a warranty period of 18 months from the date of despatch or 12 months from the date of commissioning, which ever was earlier, for defects and faulty workmanship/designs". The conditions of Bank Guarantee and clear Railway Receipt were waived by the Railway in February 1986 on a protest from the firm in August 1985 against the terms. The firm agreed to furnish an indemnity Bond for each qualified Railway Receipt.

The firm commenced supply in piecemeal from October 1986 against the target for completion of supply by end of May 1986, later extended till the middle of December 1986. Some of the components were received by the consignee in broken condition and some were received short. These were replaced or made good by the firm. Payment of Rs.12.74 lakhs, inclusive of excise duty at 15 per cent, as per amendment issued in November 1986 and sales tax, towards 98 percent value of the stores was, meanwhile, released to the firm in January 1987. The warranty period of 18 months reckoned from the date when the last consignment was despatched by the firm (23 December 1986) expired in June 1988.

The two Air Compressors installed in the Loco and the Carriage and Wagon complex of the Kancharapara workshop on 19 January 1988 and 31 August 1988 were commissioned on 15 September 1989 and 26 September 1989 respectively. The compressor installed at the latter shop had some problems even at the time of commissioning which still persist (December 1989). The Compressor at the Loco Shop worked for a couple of days and on 30 October 1989 its electrical panel was burnt out due to failure in the circuitry system. The two compressors were thus lying unused since their receipt in 1986.

After the irregularity was pointed out by

Audit the Railway decided in August 1989 to explore the possibility of recovering liquidated damages from the firm for the delay and an amendment to the purchase order providing for such liquidated damage was issued in October 1989. An amount of Rs.1.27 lakhs, was worked out by the Railway on this account.

The Railway Board stated (November 1989) that the delay in commissioning of the compressors was mainly attributable to the firm which had since been removed from the list of approved suppliers for Air Compressors.

3.27 South Central Railway : Incorrect evaluation of offers

The Construction Organisation of the South Central Railway, invited limited tenders, due on 22 December 1987 from four firms for supply of 1,53,000 malleable cast iron (MCI) inserts for Prestressed Concrete Sleepers. Against this tender, the offer of three firms was based on use of pig iron as raw material while the offer of the fourth, which was the second lowest, was based on the use of silicon steel scrap as raw material. All the offers contained a price variation clause in respect of the raw material used; three had based their rates on the price of pig iron notified by the Joint Plant Committee (JPC) in February 1985, and the fourth (the second lowest) had based its offer on the price of silicon sheets (as distinct from steel scrap) notified by the Steel Authority of India Limited (SAIL) in February 1985.

The Tender Committee, which considered the offers on 3 February 1988, assessed the value of the lowest and the second lowest tenderers after taking into account the increase in the prices of raw material effective from 23 December 1987 at Rs.31,39,560 and Rs.32,84,900 as against the original value of Rs.29,74,360 and Rs.31,54,860 respectively and recommended acceptance of the second lowest offer of the firm N as the delivery period of the lowest tenderer S was not suitable. The contract was placed in February 1988 on the firm N.

The Tender Committee, in evaluating the offers, took the price of raw material as applicable to pig iron ignoring that the offer of 'N' which was based on the rates of silicon steel (raw material actually used was silicon steel scrap) and not on pig iron. Consequently, the base price of the raw material was taken as Rs.2,825/- per M.T. in Februay, 1985 and Rs.3,235/- per M.T. in December, 1987 (being the price of pig iron) instead of taking the price of silicon sheets which was Rs.10,280 per M.T. in February 1985 and Rs.14,365 per M.T. in December 1987. As a consequence, the raw material price escalation was assumed to be Rs.410 per M.T. instead of Rs.4,085/- per M.T. This led to a faulty evaluation of the offer of the second lowest tenderer as Rs.32,84,900/- instead of Rs.45,01,260/-

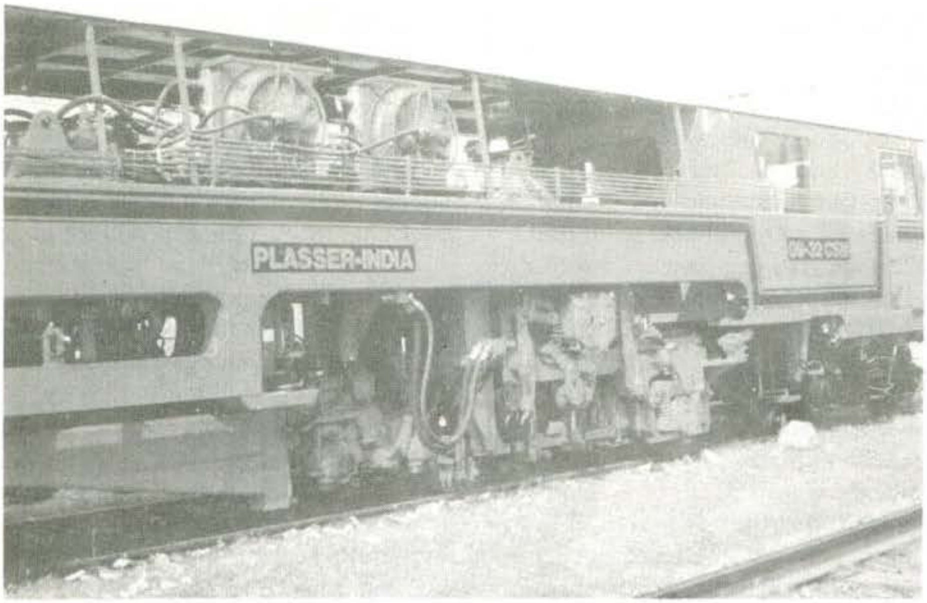
Further, the rejection of offer of the lowest tenderer on consideration of longer delivery time (three months) as against that of tenderer 'N' (two months) lacked justification as the immediate requirements of the Construction Organisation could have been met by transfer from the Open Line Organisation of Railway which held stock/dues of 12 lakhs inserts at the end of March 1987 which represented its consumption requirements for two years. The purchase of MCI inserts from the second lowest tender was made on account of incorrect evaluation of the offer which resulted in extra expenditure of Rs.13.62 lakhs.

The Railway Board stated (November 1989) that announcement made by SAIL on 12 February 1988 regarding increase in the rate of silicon steel sheets with retrospective effect from 23 December 1987 was a post-tender event which could not have been foreseen and taken into account for evaluation of the tender. The argument of Railway Board is, however, not tenable as SAIL notified on 29 December 1987 rates for certain other comparable items of silicon steel which should have been taken as the basis for evaluation of offers instead of the rate of pig iron. In fact, the Railway did not make any effort to ascertain the price of silicon steel sheet.

Further, in regulating the escalation claims the Railway had overlooked the fact that the price of silicon steel per metric tonne at the time the offer was made was Rs.12370 and not Rs.10280 since the price had been revised upwards by a notification of SAIL in February 1987, resulting in overpayment of Rs.6.90 lakhs.

3.28 Procurement and utilisation of tie tampers (heavier type) by Indian Railways

A beginning was made in mid-sixties in mechanical tamping of track and "Heavy on Track Tie Tamping Machines" were procured from time to time. The Railway Reforms Committee also recommended in 1982 mechanised maintenance of track and progressive reduction of gang strength.



Tie Tamping Machine(Heavy Duty)

58 partly imported and partly indigenously manufactured machines of the category 'Universal Tampers' (UT) procured from and Austrian firm were commissioned during 1971 to 1981. After 1981, the firm started manufacturing a new type of tampers called 'Unomatic' and 'Duomatic' which were rated more efficient than the earlier model.

'On track' tamping machines require line occupation and availability of blocks for their working. For economical working of tamping machines the Board, in December 1968 had authorised single block of at least four hours per day or two separate blocks of 2 1/2 hours each, and consequently the train movements were planned only for 20 hours on the trunk routes.

The productivity of track machines had not been satisfactory on most of the Zonal Railways due to non-availability of adequate traffic blocks, erratic availability of power, break down of machines, operators absence etc. According to their capacity 58 UT tampers should maintain 3480 kms per month availing the block time of four hours prescribed. This worked out to 41,760 kms per annum. The actual performance of the 58 UT tampers per annum, however, varied between 11,000 and 12,500 kms during 1981-85.

Instead of improving the performance of UT tampers by ensuring adequate traffic block time and availability of power, action was initiated for further procurement of tampers. Orders for supply of 16 and 12 on track heavy duty tampers were placed in December 1983 and March 1986 respectively valued at Rs.10.50 crores.

Against a global tender, opened in October 1981, a purchase order for procurement of 8 duomatic and 8 unomatic tampers costing Rs.5.98 crores was placed in December 1983 on the same Austrian firm. Though the difference in cost between Duomatic and Unomatic tampers was around Rs.4.06 lakhs, the tamping capacity of Duomatic tamper is 50 per cent more than that of the Unomatic tamper. The former can tamp 1200 sleepers whereas the latter can tamp 800 sleepers in an hour.

If 14 duomatic tampers had been procured as was done in the subsequent contract, (global tender of 1984) it would have resulted in a saving of about Rs.36 lakhs on the bare cost of machines.

The performance of the machines procured against the contract of December 1983 was far from satisfactory. A test check of the reports received from Northern, Southern and Eastern Railways revealed a number of failures. In one case the Service Engineer of the firm could not rectify the defects. In another case, the machine remained under break down for 126 days out of 180 days after it was commissioned. Seven machines became inoperative due to failure of gear boxes immediately after the expiry of warranty period. Investigations carried out in January 1986 revealed that the gear boxes failed for want of oil and the Railways had to import spares costing Rs.8.68 lakhs to repair.

The Railway Board stated (December 1989) that the spacing of sleepers being not uniform, Duomatic machines were not suited for tamping on such track. The Board explained that the decision to buy Unomatic and Duomatic machines was based on requirement and conditions prevailing on Railways and not based on relative economics. This is not tenable as the preference for Duomatic tampers in the next contract was only on technical and economic considerations. The Board explained that the target of four hours block for use of tampers was an ideal to be achieved and was dependent on line capacity available vis-a-vis needs of running the traffic and stated that the UTs were able to achieve a reasonably good level of efficiency against the target of 16 kilometre/working month/ per machine. Against the potential available for tamping 60 kilometres per machine per month, the target of 16 kilometres per machine per month has to be considered as significantly low.

3.29 Northern Railway : Infructuous expenditure on purchase of excavator loader

An order was placed in August 1984 for procurement of an excavator loader with spare parts. The purchase was justified on the consideration that it was badly needed for trenching and cable laying works in connection with the introduction of block working with axle counters, panel interlocking works, intermediate block huts, etc. relating to the Signal & Telecommunictation (Construction) department of the Railway and for works in respect of computerisation of passenger traffic in Delhi area. The machine was received in August 1984 itself while the spare parts costing Rs.8.34 lakhs were received in January 1985.

The machine was used by the Signal and Telecommunications Departments at Kanpur on trenching works for 15 kilometres for 94 days (in short spells) during January 1985 to February 1986. It was tried on the Computerised Passenger Reservation Project in the Delhi area in December 1986 but was not found suitable for further use. It was lying idle thereafter for want of work.

The Railway Board explained (November 1989) that based on the successful experience of the Posts and Telegraph Department a decision was taken to procure the excavator loader for trenching and cable lying and the deployment of the machine on the Computerised Passenger Reservation Project was not found fully useful owing to existence of railway cables, power cables, water pipes, etc. in the area. The Board added that it had been decided to find an alternative use of the machine which was presently being used by the Stores Department.

The Railway procured the machine without ascertaining whether it could be put to use. Consequently, the expenditure of Rs.8.34 lakhs on procurement of the machine had become infructuous. Besides, an expenditure of Rs.1.20 lakhs had been incurred on its maintenance and establishment charges, etc. till August 1989.

3.30 Avoidable extra expenditure on procurement of Roller Bearing Axle Boxes

The Railway Board placed an order on 10 September 1986 on firm 'A' of Jaipur for manufacture and supply of 10,948 Roller Bearing Axle Boxes (RBAB) at Rs.3,370 per piece. The earlier purchase price in November 1985 was at Rs.3,200 per piece. The supply order provided for an option clause reserving the right to order up to 30 per cent of the ordered quantity during the currency of the contract. The firm asked the Railway Board in January 1987 to confirm whether the option for extra quantity, as per quantity variation clause, was being exercised. The offer of the firm for a quantity of 1000 RBABs which was required by the Eastern Railway was availed of in March 1987 even though 3284 RBABs could have been covered under this clause.

The requirement of RBABs for 1987-88 was assessed by the Railway Board in the beginning of July 1987 as 4134. Against the advertised tender, opened on 28 December 1987, three offers were received. The lowest was Rs.3,650 per RBAB. Subsequent to issue of the tender, an additional demand of 4000 RBAB was approved raising the total quantity requirement to 8134. Orders were placed in May 1988 on two firms for 8134 RBABs at the rate of Rs.3,650 per unit.

Since the requirements of RBAB could be forecast with reasonable accuracy, there was failure on the part of the Railway Administration in not availing of the entire quantity available under the option clause on the purchase order placed on firm 'A' in September 1986. The extra expenditure on the difference in prices was Rs.6.40 lakhs on a quantity of 2284 RBABs.

The Railway Board stated (October/ November 1989) that against the plan to convert

3000 KC wagons during 1986-87 for which these RBABs were required, only 651 wagons were converted by the end of 1986-87 and, accordingly, the need for exercising the option clause was not felt. This fact was not on record for limiting the quantity to be availed of under option clause to 1000.

3.31 Diesel Locomotive Works : Injudicious award of contract

The Diesel Locomotive Works (DLW) Administration opened in December 1983 tenders for procurement of 280.722 metric tonne (later increased to 416.373 metric tonne) of Alloy Steel Round Bars required for manufacture of camshafts. The High Level Tender Committee constituted to consider the tenders noted in February 1984 that based on the DLW's total capacity to manufacture camshafts, the annual requirements would only be around 280 metric tonne and, therefore, it was not prudent to order more than 15 months' needs at a time. The quantity to be procured was thus restricted to 350 metric tonne.

Of the nine tenders received (including three late and a modified offer also marked late), seven were passed over by the Tender Committee on account of their having been received late, or, were technically unsuitable or the rates quoted were unworkable. The eighth lowest offer at Rs.12,370 per metric tonne from the Steel Authority of India (SAIL), Alloy Steel Division, Calcutta was considered reasonable compared to the last purchase rate of Rs.13,100 per metric tonne was recommended by the Tender Committee in February 1984 for acceptance on a firm price basis. The quantity to be ordered was, however, restricted to 200 metric tonne on the consideration that the SAIL had not been able to keep up its delivery commitments in the past and, that camshaft steel being a very vital item it was not desirable to depend on one source only. The balance quantity of 150 metric tonne was recommended to be awarded to the highest tenderer, firm A of Calcutta, by counter offering to it the rate of Rs.12,370 per metric tonne against its offer of Rs.13,150 per metric tonne. An order for the supply of 200 metric tonne of steel bars at Rs.12,370 per metric tonnewas placed on the SAIL on 26 March 1984 for delivery by July 1984 which date was subsequently extended to January 1985. Supply against this order was completed by January 1985. Firm 'A' which was counter offered Rs.12,370 per metric tonne on 29 February 1984 gave its acceptance on 15 March 1984 subject to amendment of certain terms and conditions stating that unless the DLW accepted these it would not be possible to execute the order. Without first settling the issues raised by the firm, a purchase order for supply of 150 metric tonne of alloy steel round bars was placed on it on 9 April 1984. The firm did not accept the order and asked the DLW on 27 April 1984 for issuing amendments to the Purchase Order. The Railway Administration issued an Amendment Advice in November 1984 agreeing to most of the terms demanded by the firm. The firm, however, continued to pursue acceptance of the remaining terms and besides, demanded in February 1985 payment of Rs.46 thousands which had been deducted by the DLW on account of short receipt of materials from its bills in respect of earlier contracts as pre-conditions for its acceptance of the contract. On 5 August 1985 the firm asked for an increase in rate from Rs.12,370 to Rs.12,465 per metric tonne due to increase in excise duty by Rs.95 per metric tonne from 16 March 1985. The Railway Administration cleared the dues of the firm and also issued another amendment on 10 October 1985 accepting all the terms. The firm asked the DLW again on 18 October 1985 for a further increase in the rate from Rs.12,465 to Rs.14,370 per metric tonne on account of escalation in costs of inputs. This was also accepted by the DLW in January 1986. The date for completion of supply was also revised to 30 June 1986.

The firm commenced supply in April 1986 but came up again in July 1986 for an increase in quantity from 150 metric tonne to 170 metric tonne. This was also accepted and conveyed to the firm on 3 October 1986 also granting it an extension in the delivery period up to 30 November 1986. The contract was finalised after supply of only 152.910 metric tonne up to 3 October 1986 at Rs.14,370 per metric tonne. This involved an extra expenditure of Rs.3.18 lakhs compared to the accepted rate of Rs.12,370 per metric tonne of SAIL.

The decision of the tender committee in February 1984 to restrict the order on SAIL, a Public Sector Undertaking, to 200 metric tonne and to purchase the balance 150 metric tonne from firm 'A' was based on the consideration that SAIL were not able to keep up the delivery on commitments on certain occasions. The tender committee had not placed on record the documents in support of these lapses nor had it considered necessary to bring on record the track record of firm 'A'. Firm had not even released for production five purchase order placed on it by DLW during June to December 1983 pending finalisation of various commercial terms and conditions. Further the stocks in DLW were adequate to meet short falls even if there were slippages in the delivery schedule of SAIL. It was noted that the next order was placed in August 1985, again on SAIL for 152 metric tonne. The recommendation of the tender committee to allot 150 metric tonne to firm 'A' was, therefore, not judicious and resulted in an avoidable extra expenditure of Rs.3.18 lakhs.

3.32 South Central Railway : Procurement of Parabolic Antennae

The Railway floated a tender in March 1983 for the supply of eight parabolic antennae. The only offer received was from Electronic Corporation of India Limited (ECIL), Hyderabad for two types, viz., 10 HP at Rs.1.15 lakhs each and 10 HP at Rs.0.66 lakh each valid up to 30 July 1983. ECIL had asked for an advance of fifty per cent of the order value along with the order. The tender committee took up consideration of the tender only on 3 August 1983. A reference was made to ECIL for accepting an advance of 25 per cent of the order value. On ECIL agreeing on 17 November 1983 to accept an advance payment of rupees two lakhs only as a special case, the Railway Administration asked ECIL on 23 February 1984 to accept the condition of payment of interest on the amount of advance. This was rejected by ECIL on 29 February 1984. The matter was not pursued by the Railway Administration till 11 July 1984 when ECIL was again addressed to accept an advance of Rs.1.58 lakhs at 30 per cent of the value of the offer. As it was not within the competence of the General Manager to sanction an interest free advance the Railway Board was approached on 18 August 1984. Sanction of the Railway Board was accorded on 10 January 1985.

When ECIL was asked again on 28 January 1985 to extend the validity of its offer of 19 April 1983 it expressed on 13 February 1985 its inability to do so on account of revision in the prices of antennae and offered a revised price of Rs.0.95 lakh each against the initial offer of Rs.0.66 lakh. The revised offer was valid up to 31 March 1985. This was accepted and an order was placed on 29 March 1985 on ECIL for supply of Eight parabolic antennae involving an extra expenditure of Rs.2.42 lakhs.

Delay on the part of the Railway Administration at every stage in processing the case led to increase in cost of the Parabolic antennae and consequent avoidable extra expenditure of Rs.2.42 lakhs.

3.33 Nothern Railway : Procurement of retarders

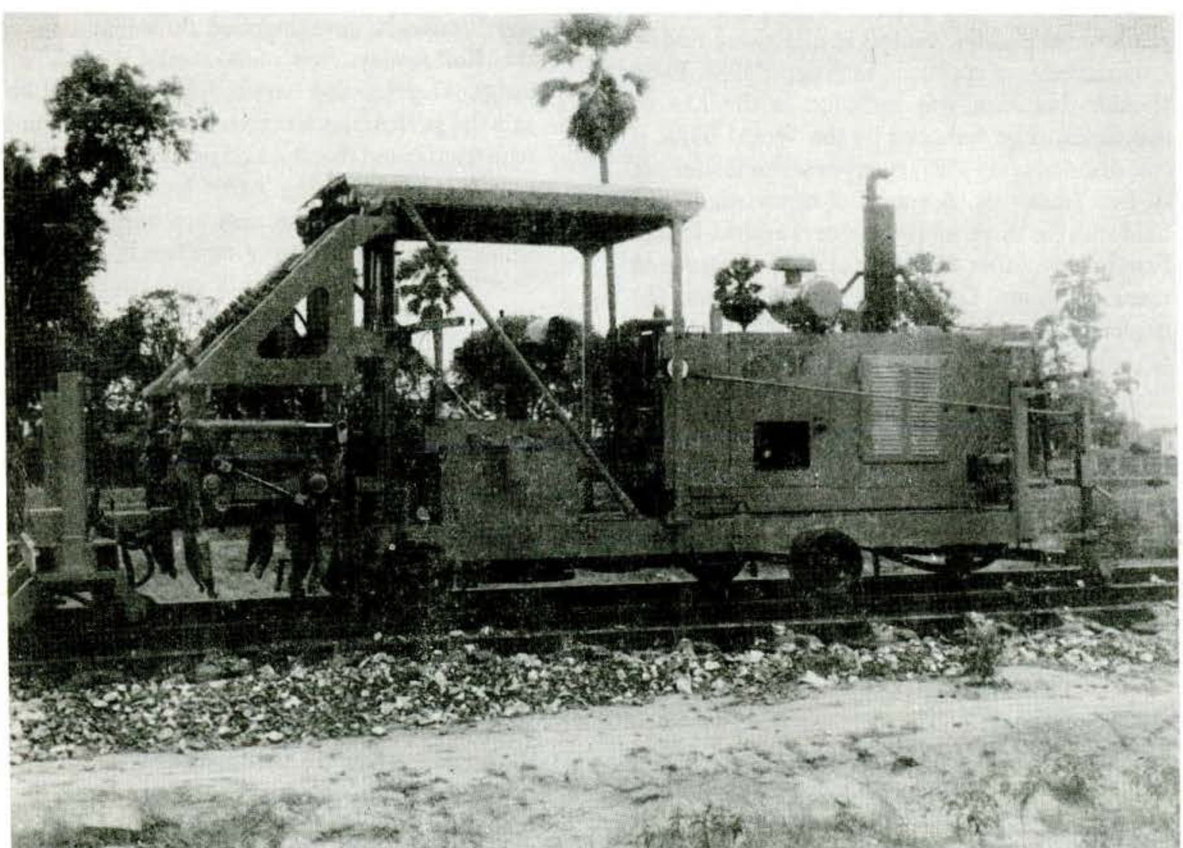
With a view to conducting trials on achieving retardation to wagons in sidings in connection with the machanisation of Railway marshalling yards, the Railway Administration, at the instance of the Railway Board, placed an order in March 1979 on a firm of England for import of seventy four High Duty Retarders at a cost of Rs.2.34 lakhs on 'sale or return' basis on the condition that the retarders would be retained for trial for a maximum period of six months from the date of importation and, if not found suitable, re-exported. As per terms of the agreement, the question of payment was to arise only after trials were completed and the equipment was found to be satisfactory.

The retarders were received on 27 December 1979 and cleared on a Guarantee Bond, valued at Rs.2.34 lakhs. These were installed at the Tughlakabad marshalling yard, where extensive trials were carried out between January and June 1980 and the trial reports were sent to the Railway Board. The prescribed period of six months for retention of the Retarders was only up to 27 June 1980 but the Railway Administration wrote to the Railway Board, only in December 1980, that as the purpose of the trials was over no further readings would be taken and sought the Board's instructions for disposal of the retarders. The Railway Board observed on 30 April 1981 that the performance of the retarders at Tughlakabad was not uniformly satisfactory and directed the Railway to make a few more measurements on 8 wheeler wagons so that the overall performance of the retarders could be ascertained. A report on these trials was sent to the Railway Board in December 1983. Meanwhile, on receipt of a show cause notice for forfeiture of the Guarantee amount of Rs.2.34 lakhs, as the retarders had not been re-exported within six months as stipulated in the import licence, the Railway Administration requested the Railway Board on 30 September 1983 to take an immediate decision for disposal of the retarders. It was only on 18 June 1984 that the Railway Board asked the Eastern Railway to examine the possibility of installation of these retarders in its Naihati yard. On 27 June 1984, the Railway Board accorded sanction to payment for the 74 Retarders installed in Tughlakabad yard. The Retarders were released from the Tughlakabad yard and the Eastern Railway was advised in December 1986 to collect them. Eastern Railway, after consulting the manufacturers, informed in August 1987 the Board that the retarders could not on their own be used to replace the existing retarders in the Naihati yard unless a massive regrading of the humpyard was carried out, which was almost impossible. Since the retarders were lying unused, the Northern Railway approached the Railway Board again in January 1988 for a decision regarding the disposal of the equipments. This was awaited (November 1989).

The Railway Board explained (November 1989) that when the actual trials were conducted it was found that the period of six months was too inadequate for arriving at a considered decision on the usefulness of the new technology and that ways and means for alternative use of the retarders were continued to be explored.

3.34 Procurement of "Light duty on track ballast tampers"

In pursuance of the Railway Reforms Committee's Recommendations for mechanisation of track maintenance, Railway Board has been planning and procuring B.G. "On-Track Ballast Tampers" on a year to year basis. The tampers so procured are of "Heavy Duty" type and are essentially meant to cater to Groups A, B & C routes. Tampers costing between Rs.35 and Rs.39 lakhs each were considered too costly for deployment on D & E routes where the traffic density is low and speed potential is 100 kmph. Only light duty on-track tampers were considered necessary for maintenance of 'D & E routes', construction of "New Tracks" and for "Track Renewals"..



Light Duty On -Track Ballast Tamper

The Railway Board in 1984, wanted to procure 'for trial' on Indian Railways four Light Duty On-track Tampers manufactured by an Austrian firm at an estimated cost of Rs.48 lakhs. The proposal was, however, kept pending as a Memorandum on "Policy for justification, financial implications and allocation of track maintenance machines" was under submission to the Railway Board. The Railway Board considered the above memorandum in May 1985 and accepted the inescapability for procurement of new track maintenance machines. Accordingly, procurement of 25 Broad Gauge. and 2 Metre Gauge light duty on-track ballast tampers was justified in August 1986 and global tenders were invited in December 1986.

Four foreign firms and three Indian firms submitted quotations which were opened in April 1987. The specification drawn up for Light Duty on-Track ballast tampers, inter-alia, provided for an output of sleeper packing of 350 metres per hour with lifting of not less than 120 mm in one cycle. Excepting one tender, which was for heavy duty tampers, the others offered a maximum output of only 180 to 200 metres per hour. After opening the tenders, a proposal made to the Railway Board to reduce the performance requirement from 350 metres to 180/200 metres per hour so that the tenders in question could be conisdered was approved in August 1987. Even though this item was included in the List of machines to be financed by the World Bank, it was decided (July 1987) to process this tender out of free resources. A round of negotiations was held with the three foreign bidders and the Indian firm in November 1987 for (a) obtaining revised rates for Light Duty on Track Tampers; (b) exploring the possibility of reduction in rates and (c) withdrawal of special conditions.

The lowest rates quoted by 'S' an Indian firm offering fully indigenous machines on the design of M/s. Tamper of U.S.A., were accepted after negotiations though no previously accepted rates were available. The value of the contract for supply of 25 Broad Gauge and 2 Metre Gauge. Light Tampers including taxes and duties was Rs.4.83 crores.

Firm 'S' failed to supply the machines by the stipulated date. The first machine was supplied after extending the delivery dates by nine months. As per the amendment issued in April 1989, the firm was to supply the machines at the rate of three per month and complete the by December 1989. The supply was behind schedule.

The performance of Light Tamper (No: GITD/80018) received by the North Eastern Railway revealed that no tamping could be done by it on running line and the tamping tools did not penetrate the ballast due to very feeble vibrations. The actual amount of lifting was also different from that specified. This had resulted in creation of lumps in the track. A number of other deficiencies were also noticed by the North Eastern Railway Administration. Its safety also needed three watchmen per day. The firm's representative deputed for demonstrating the working of this machine could not set it right. The mater was taken up by the Railway with the supplier who did not take any interest to rectify it. 95 per cent of the payment had been released against proof of despatch. When the matter was reported to the Railway Board, the North Eastern Railway Administration was directed to transfer the machine to a Construction Project. The performance of three more machines received and commissioned by the South Central Railway in September/October 1989 was yet to be assessed by that Railway.

In this connection the following points arise :-

(i) Even though the Principals of firm 'S' were stated to have supplied their machines to the Railway systems of Australia, North and South America and Africa, Railways could obtain the performance report from Australia only which indicated that the said machines were used only for spot surfacing. Apart from maintaining D&E routes, these tampers are required to be utilised in construction of new tracks and track renewals. The offer of firm 'S' could not have met the Indian Railway's requirements.

(ii) The basis on which the specification was drawn up for achieving an output of sleeper packing of 350 metres per hour and later reducing it to 180/200 metres per hour were not kept on record.

(iii) While procuring such machines for the first time, a large scale order costing Rs.4.83 crores was placed abandoning the cautious approach advoated in 1984 of procuring four tampers for trial.

(iv) Even though the item was included in the list of machines to be financed by World Bank it was decided to process the tender out of free resources in order to give weightage for 100 percent import duty to make the indigenous offer competitive.

(v) Notwithstanding the experience of light tamper received by the North Eastern Railway in March 1989, the delivery period was extended by eight months.

The Railway Board stated (October/November 1989) that the specifications drawn up by them were of general nature and not strictly in accordance with any known model. They added that the specifications formulated by its technical wing (RDSO) were not realistic for light tampers and the same were finally revised from 350 metres per hour to 180/200 metres per hour as major manufactures of the world had quoted an average output of 180/200 metres per hour. The Railway Board further mentioned that the firm needed more time to adopt the imported technology to suit Indian conditions.

3.35 Mechanised maintenance of Track

The track modernisation programme, initiated by the Railways, inter-alia, included mechanised maintenance with tie tamping machines to replace the conventional method of beater packing. The Railway Reforms Committee had also recommended mechanisation of track maintenance and progressive reduction of gang strength.

A beginning on mechanical tamping was made in the mid 60s and the Railways had till April 1988 procured 88 'heavy on track tie tamping machines'. The procurement of tie tamping machines had been justified both on considerations of technical advantages as well as financial savings following reduction in gang strength, though no productivity tests, as required under para 243 of the Financial Code, had been carried out to determine the precise quantum of savings.

The Railway Board had appointed from time to time committees to go into the question of gang strength following the introduction of tie tamping machines and to arrive at a return on capital. A committee, appointed in 1976, recommended procurement of tie tamping machines as a technical necessity though not as an economical proposition since the return on the capital worked out to only 6.75 percent. These recommendations were accepted by the Railway Board and the Zonal Railways were asked to keep the operative manpower at 95 percent of the gang strength arrived at under the new formula.

Yet another Committee appointed by the Board in May 1985 to explore the possibility of obtaining a higher rate of return by a further reduction of gang strength had not found it possible to reduce the gang strength.

By April 1987 a total of 11,503 kms. of track had been brought under machine maintenance with 82 machines. Men surrendered were shown as 4,856. An additional 2893 kms. were brought under machine maintenance and the consequent surrender in manpower had been assessed at 1104.

The saving of 5960 men (4856 already surrendered plus 1104 assessed for surrender) was arrived at by assuming the most unfavourable circumstances of the track, viz., formation factor, alignment factor and the rain-fall factor as Zero. It is open to question whether actual working conditions could be uniformly so unfavourable throughout the Indian Railways. Later (March 1988), using factors which were certified by the Track Directorate as reasonably average, the saving in man power was assessed at 8384 men. The short fall in surrender worked out to 2424 men. The Railway Board has since agreed (April 1988) to work out the gang strength (as on 1.4.1988) as per special committees formula applying the relevant correction factors. Action taken in this regard is still awaited. The consequent saving in wages worked out to Rs.2.37 crores per annum excluding the likely savings in the surrender of 1104 posts.

In December 1988, the Railway Board decided to constitute yet another committee to revise the "gang strength formula" taking into account fractors like introduction of higher speeds, higher traffic density, mechanised maintenance, inadequate time for maintenance, socioeconomic conditions, etc. The Railway Board stated (November 1989) that the committee had submitted its interim recommendations which were under consideration.

Mechanised maintenance of track, wherever introduced in progressive countries abroad, had resulted in economy. In contrast, on Indian Railways, mechanised maintenance of track was not only considered as not viable, but even the anticipated return of a mere 6.75 percent did not materialise even after two decades of mechanising track maintenance.

3.36 South Eastern Railway : Extra expenditure due to use of higher grade coal

The Railway Administration issued instructions in March 1984 that use of coal, grades A and B should be made exclusively for coaching power and coal grade 'C' be used on goods and shunting services so as to achieve, inter-alia, economy in the cost of operation.

A review of the supply and consumption of coal on various Divisions of the Railway revealed that against a total requirement of 6.97 lakhs tonnes of coal grade C for steam traction during 1984-85 to 1988-89 the Railway did not indent at all coal Grade 'C' during 1984-85 to 1986-87 and only 25312 and 32085 tonnes were indented for during 1987-88 and 1988-89 respectively. Consequently, 1.74 lakh tonnes of coal grade A and 7.12 lakh tonnes of coal grade B were used, as a matter of course, for operation of goods and shunting services during 1984-85 to 1988-89. This involved, during the period, an extra expenditure of Rs.3.65 crores by way of differential in issue rates as between coal grades A & B and Grade C.

3.37 North Eastern Railway : Injudicious diversion of scrap

The disposal of scrap arisings from the Gorakhpur workshop used to be done through auction sales at the Scrap Depot, Pipraich situated at a distance of about 20 kilometres from Gorakhpur. In December 1983 it was decided to gradually phase out the Pipraich Depot by diverting scrap arisings from the Gorakhpur workshop to the Track Supply Depot at Kanpur Anwarganj, at a distance of 343 kilometres from Gorakhpur with a view to achieving quicker disposal and possibility of obtaining better bids at the industrial city. The scrap was to be transported in traffic fit wagons (preferably covered) without escort. The Diversion to Kanpur Depot commenced from March 1984.

During a review of the auction sale accounts of scrap at the Pipraich and Kanpur Anwarganj Depots it was noticed that in the disposal of ferrous scrap at the latter Depot while there were gains of Rs.28.28 and Rs.8.41 lakhs in 1985-86 and 1988-89 respectively. There were lesser realisation of Rs.12.17 and Rs.24.76 lakhs in 1986-87 and 1987-88 respectively recknoed with reference to the unit rates obtained at the pipraich depot during the same period.

Despite availability of a 50 MT (MG) rail weighbridge at Gorakhpur, only approximate weight of the contents of wagons forwarding the scrap was noted on the Advice Notes and weight on weighment of the wagons at destination was adopted for the purpose of accountal. 7071.02 metric tonne of ferrous scrap were loaded mostly into open Metre Gauge wagons on approximate weight and despatched to Kanpur Anwarganj. Actual weighment of 928 Metre Gauge wagons at the Kanpur Anwarganj depot during 1985-86 to 1988-89 revealed shortages of 2890.47 metric tonne of scrap worth Rs.113.64 lakhs valued at the annual average auction rate at the Kanpur depot.

Out of 1027 wagon loads of scrap arising from Gorakhpur shop during 1985-86 to 1988-89 only 99 (89 covered and 10 open wagons) were despatched by the shorter Broad Gauge route and the balance was despatched by the longer Metre Gauge route via Gonda, Mailani and Lucknow entailing extra freight charges of Rs.33.56 lakhs for 753 kilometres, over the normal freight charges of Rs.35.87 lakhs by the Broad Gauge route. The wagons could not also be loaded to their full capacity due to uneven sizes and shapes of the scrap materials resulting in their under utilisation to the extent of 52 to 74 per cent and also leading to the use of 755 more wagons than actually needed and consequent loss of revenue, which could otherwise have been earned from these wagons, of Rs.39.84 lakhs.

The M.G. wagons also suffered detentions at Kanpur Anwarganj due to non-availability of cranes for unloading scrap involving demurrage charges of Rs.46.55 lakhs.

The decision of the Railway Administration to divert the scrap from Pipraich to Kanpur Anwarganj Depot was thus not to the best advantage of the Railway and resulted in a loss/extra expenditure of Rs.269.70 lakhs during 1985-86 to 1988-89.

3.38 Northern,North Eastern,Southern, South Central,Eastern &Western Railways - Short recovery of maintenance charges from private siding owners

Maintenance of private sidings is primarily the responsibility of the siding owners. Where the owners are unable to maintain the sidings or request the Railways to undertake maintenance on their behalf, charges are fixed by the Zonal Railways according to the orders issued by the Railway Board in consultation with their Financial Adviser and Chief Accounts Officers.

In order to lay down an uniform procedure for recovery of maintenance charges from owners of private sidings, the Railway Board decided in April 1982 that (i) maintenance and repair charges for private sidings should be levied on kilometre basis and (ii) a review of these charges applicable from 1 April 1982 should be made every five years and, for the interregnum, charges should be increased by 10 percent on the base rate every year. The guidelines for computing the cost of staff were revised by the Board in

June 1984, effective from 1 April 1984. Later in June 1987, the Board directed that while reviewing the maintenance charges for private sidings, with effect from 1 April 1987, the staff cost should be invariably worked out on the revised pay scales and in accordance with the Railway Board's instructions contained in Board's letter dated 27 June 1984.

A review conducted in Audit on the implementation of the instructions of the Railway Board revealed that on the Six Railways the revised norms for recovery of maintenance charges on kilometre basis effective from 1 April 1982 and the increase at 10 percent every year were not implemented and the quinquennial revision due from 1 April 1987 had not been made in respect of a large number of private sidings. The revision in the cost of staff with effect from 1 April 1984 and 1987 had also not been given effect to in many cases. The non-implementation of the Board's instructions from time to time resulted in short recovery of maintenance charges amounting to Rs.3.94 crores on the six Railways.

3.39 Southern Railway : Arbitration awards in contracts for Civil Engineering works

The General conditions of contract governing civil engineering works provide for settlement of disputes between the contractor and the Railway Administration through arbitration. The arbitration award is binding on the parties to the dispute and is ordinarily not liable to be set aside except as otherwise provided in the Arbitration Act, 1940. Payments in satisfaction of the awards are made to the contractor after approval by the General Manager in consultation with the Law Officer wherever considered necessary.

Arbitration awards involving payment of over Rs.1 lakh finalised during April 1984 to March 1988 were reviewed which indicated that out of 24 cases referred to arbitration during 1984 to 1988, 23 were decided partly or fully against the Railway for its specific failures. Details of cases resulting in payment to contractors which could be considered avoidable are set out in the succeeding paragraphs.

Incorrect assessment of quantities of works

The Railway Board issued instructions to Zonal Railways as early as in November 1967 that planning for the work should invariably be done with adequate care and in sufficient detail even in the initial stages and the final scope of the work should be fully determined before tenders are invited.

Works pertaining to earth work construction of bridges and tunnels in Reach IX of the main project construction of new MG line from Hassan to Mangalore were awarded to contractor A in October 1968 for a total value of Rs.39.14 lakhs with due date for completion as 3 October 1971. Extensions of time were granted up to 31 May 1973. Though the contractor sought further extension of time up to 31 December 1974, the Railway terminated the contract on 27 December 1973 at the risk and cost of the contractor and got the remaining work executed by another agency at an extra cost of Rs.17.45 lakhs. The plant and machinery of the contractor A were also taken over by the Railway.

Contractor A preferred before Arbitrators claims for Rs.55.47 lakhs which included claims towards higher rates for quantities in excess of 25 percent, unlawful take over of his plant and machinery by the Railway and freezing of payments due to him in adjacent reaches. An amount of Rs.18.50 lakhs was awarded to the contractor. The Railway thus incurred an avoidable expenditure of Rs.35.95 lakhs for irregular termination of the contract the estimated value of which was only Rs.39.14 lakhs.

Delays in handing over of site/land and approved plans to the contractors.

In order to avoid delay in completion of the project for want of land and approved drawings the Railway Board directed the Railways in September 1972 to finalise the site plans in advance and call for tenders only when in a position to handover sites and supply the plans etc. Contracts for earthwork in formation, bridge works in eight reaches of the project 'construction of new Broad Gauge line between Tirunelveli and Trivandrum Central' were awarded to contractors D,E,F between March 1973 and August 1973 for completion within 18 months. There were, however, delays in making available the land and approved drawings during the currency of the contracts and extensions of time were granted to the contractors on Railway's account. The contractors demanded special rates for new items of works and higher rates for the quantities executed beyond the original due dates but their demands were not conceded by the Railway.

The disputes of the three contractors were referred to arbitrators who awarded a total amount of Rs.16.47 lakhs in favour of the contractors. The delays on the part of the Railway had resulted in avoidable payment of Rs.16.47 lakhs in these disputes.

Similarly in the case of a contract for

earthwork in formation of Bank and cutting in the work yard arrangements at Gooty there was an award of Rs.1.22 lakhs plus interest Rs.0.39 lakh on account of delay in handing over sites to the contractor.

Injudicious termination of the contracts

In connection with works for (i) patch doubling of track between Shoranur and Alwaye in (a) Chalakudi-Angamali section (Reach I) (b) Trichur-Ollur section (Reach II) and (ii) construction of new Metre Gauge line from Hassan to Mangalore (Reach XII) contracts for earth work in formation and minor bridge works/ tunnels were awarded between November 1968 and February 1979.

Though there were delays due to variations in the quantities of the work, acquisition of the land, the Railway did not accept the demands for higher rates by the contractors and terminated the contracts at the risk and cost of the contractors. The balance works were got executed by the other contractos at an extra expenditure of Rs.21.38 lakhs. The aggrieved contractors submitted their claims to arbitrators and received awards in their favour. In these cases the Arbitrator held that the termination of the contracts was neither lawful nor maintainable. As a result the Railway had to bear the extra expenditure of Rs.21.38 lakhs in these three cases for carrying out the balance works through new agencies.

Inadequate planning for the works

The contract for earth work in formation, construction of bridges in doubling works of Renigunta and Guntakal-Bhakrapeta-Cuddappah section (Reach IV) was awarded to contractor G in June 1977. The work could not be completed by the due date (8 June 1978) and extension was granted up to 30 June 1979. The demand of the contractor for higher rates for all items of work executed beyond 8 June 1978 alleging the delay to Railway on account of inadequate planning resulting in idling of labour and machinery was not accepted by the Railway. When the claim was referred to the arbitrator an award of Rs.2.15 lakhs was given in favour of the contractor.

Similarly, in connection with the construction of the new Broad Gauge line from Ernakulam to Allepey (Reach IV) and doubling of track between Jolarpettai and Mulanur (Reach IV) the contractors could complete the works within the dates due to non-availability of site, non-removal of obtructions and extensions of time were granted on Railway's account. But the contractos' claims for enhancement in rates/ compensation for idle labour and machinery were not accepted by the Railway. When the claims were referred to the arbitractors awards of Rs.1.02/ Rs.3.57 lakhs respectively were given in favour of the contractors of these two works.

Thus, injudicious termination of the contracts, delays in handing over site/land and approved drawings to the contractos and inadequate assessments of the quantities of works resulted in avoidable expenditure of Rs.82.15 lakhs to meet the risk costs and arbitration awards besides delay in completion of works.

The Ministry of Railways (Railway Board) explained (October 1989) that it was not possible for the Railway to wait for complete possession of land before awarding tenders. The explanation is, however, contrary to instructions issued by the Railway Board in September 1972.

3.40 Chittaranjan Locomotive Works :

Delay in realisation of dues for periodical overhaul of locos from Public Sector Undertakings

Chittaranjan Locomotive Works (CLW) used to undertake periodical overhauling of locos belonging to Public Sector Undertakings (PSUs). The rules governing the undertaking of such desposit works provide for deposit of the cost of work by parties before works were undertaken and, if it was anticipated during execution of work that the deposit would fall short of the actual cost, the parties be asked to make further deposits. It was seen in Audit that in eighteen cases, where such overhaul was done for different firms in the Chittaranjan Locomotive Workshop, the cost of overhaul always exceeded the deposits by a margin ranging between 19 and 123 per cent. No attempts were made by the management to alert the Public Sector Undertakings of the repairing charges exeeding the deposits. The abnormal variation between the deposits and actual expenditure in all the cases indicated that estimation itselt was defective. The locos were also despatched to the firms after overhaul without collecting the additional expenditure incurred. Final bills in the cases mentioned above were preferred against the Public Sector Undertakings only in November 1988 after a delay of four to eight years from the date of despatch of the locos, reasons for which are not known. An amount of Rs.68.85 lakhs was remaining outstanding (May 1989).

The Railway Board accepted (November 1989) the delay on the part of the Chittaranjan Locomotive Works in preferring the [illegible]d that out of Rs.68.85 lakhs, an [illegible].5.47 lakhs had since been realised [illegible]ructions were being issued for insiste[illegible]dvance deposits and time bound preparati[illegible] of the final bills.

3.41 Chittaranjan Locomotive Works (CLW) : Avoidable expenditure on payment of central excise duty

In terms of the notification of November 1975, issued under the Central Excise Rules 1944, oxygen, falling under item No.14 H of the First Schedule to the Central Excise and Salt Act 1944, intended for use in the manufacture of iron in any crude form, steel ingots and iron or steel products, is exempt from the whole of the duty of excise leviable thereon provided the oxygen has been so used and the manufacturer has obtained in advance a L-6 licence to avail of the concession.

The CLW Administration, while procuring oxygen for use in the manufacture of steel castings and other articles of iron and steel in its steel foundry and workshops, made payments of central excise duty for an amount of Rs.29.18 lakhs during 1976-77 to 1988-89 overlooking the above provisions granting exemption from this payment. The matter of claiming refund of the excise duty already paid on purchase of oxygen taken up by the CLW Administration was rejected by the Central Excise Authorities on the ground that there was no provision/scope for refund of the central excise duty already paid, as exemption could be granted only against L-6 licence obtained in advance.

The Ministry of Railways (Railway Board) stated in August 1988 that the CLW Administration had already applied for the L-6 licence for obtaining exemption from excise duty on purchase of oxygen in future. This had not, however, been obtained so far (December 1989).

Again, all excisable goods, on which the duty of excise is leviable, and in the manufacture of which any goods falling under item No.68 of the First Schedule to the Central Excise and Salt Act 1944 have been used as raw materials or component parts (inputs), are exempt from so much of the duty of excise leviable thereon as is equivalent to the duty already paid on the inputs. The CLW Administration was accordingly eligible to the concession of set off of the amount of duty already paid in respect of the components used in the manufacture of dutiable items like traction motors, MAK engines, diesel shunters, etc. Although the CLW Administration made payments of central excise duty for Rs.27.92 lakhs on purchase of inputs for manufacture of traction motors alone during 1984-85 and 1985-86, the benefit of set off of this amount could not be availed while making payments of excise duty of Rs.3.06 and Rs.3.45 crores respectively during these years on the manufactured products as the Administration was not seized of the matter anytime. There was no scope for claiming refund of this amount as the same had become time barred. Details of the amount of set off duty relating to the periods prior to 1984-85 and from April 1986 to 31 May 1988 not claimed were not made available by the Administration. An exemption notification from the Ministry of Finance had been obtained for availing the MODVAT credits on steel castings with effect from 1 June 1988. The inputs on which MODVAT credit is to be obtained had not, however, been identified so far (December 1989).

Failure of the Administration to avail of the available concessions resulted in an avoidable expenditure of Rs.57.10 lakhs on account of payment of central excise duty not otherwise payable.

3.42 Western Railway : Outstanding dues against Gujarat Government

An agreement executed between the Western Railway and Gujarat State Government in 1942 provided for sharing the cost as well as maintenance expenses of common protection works of existing rail and road bridges across the Narmada Bridge at Bharuch in the ratio of 60:40. In July 1977, the State Government provided a new road bridge at Jadeshwar diverting the National Highway. Though the road traffic on the old bridge continued even thereafter, the State Government did not reimburse their share of expenditure on maintenance of the protection works. The amount outstanding for recovery on this account was Rs.6.69 lakhs from 1977-78 to 1986-87. A further sum of Rs.23.85 lakhs was also outstanding against the State Government on account of repairs to guide bund, groyne etc. carried out from 1968 to 1975 and survey of Narmada river and model studies for river training for the years 1970-71 to 1977-78. The oldest outstanding amount of Rs.3.48 lakhs pertained to the year 1968 which indicated that the issue had remained unsettled for the last twenty years.

In a meeting held between the representatives of Western Railway and the State Government on 30 August 1988 at Gandhinagar, the State Government representative maintained that the Railway carried out certain protection works after the floods in 1968 and 1970 without the

State Government's concurrence and, therefore, they were not liable to pay towards to cost of such works and added that a reply to the Railway was under issue. As regards maintenance cost, the State Government held the view that the old formula was not valid with the coming up of the new road bridge.

The Railway Administration stated (April 1989) that the stand of the State Government was not correct and that the heavy repairs to the guide bunds in the years 1968 and 1970 were carried out under emergency due to breaches. Their subsequent repairs in 1973 and 1975 were also a sequel to the repairs already carried out in the years 1968 and 1970. The Administration explained that the works carried out from time to time were advised to the State Government authorities who had accepted the estimates for repairs. The Administration, however, felt that there was a case for revision of the old formula about sharing of the expenditure on maintenance and repairs of the protection works.

No further reference on the subject had been received from the State government so far and the amount of Rs.30.54 lakhs due from them continued to be outstanding (April 1989).

The Railway Board stated (October 1989) that meetings between the representatives of the State Government and the Railway Administration would be held monthly till the issues are resolved to finality.

3.43 North Eastern Railway : Liability on non-realisation and remittance of U.P. sales tax

Mention was made in para 2.12.6 of the Report of the Comptroller & Auditor General of India for the year ended 31 March 1987 - No. 3 of 1988 - Union Government (Railways) about the failure by the North Eastern Railway to deduct and remit sales tax estimated at Rs.21 lakhs to the Government of Bihar. Contrary to the instructions of the Lok Sabha Secretariat no action has been reported on this audit paragraph.

Similar cases of failure on the Railway were noticed in respect of sales tax payable to Uttar Pradesh Government. According to notification dated 27 April 1987, issued by the Government of Uttar Pradesh, U.P. sales tax is required to be deucted from payments made to works contractors whose turn over of goods exceeds Rupees One lakh in a financial year at four per cent from 1 May 1987 and at two per cent from April 1988. The amount is to be remitted to the sales tax department by the end of the month following the month of deduction of tax failing w thority responsible to make the de liable to pay penalty up to twice the a tax.

It was noticed during a test che of works contract bills passed during 1987-88 and 1988-89 that deductions of sales tax were not made from the payments made. Consequently, an amount of Rs.9.28 lakhs remained unrealised from the contractors with the Railway running the risk of payment of penalty estimated at around Rs.18.56 lakhs.

3.44 North Eastern Railway : Infructuous expenditure on the repairs to a marine vessel

A steamer, P.S. Yamuna, was being utilised in ferry services run between Mahendrughat-Palezaghat and Bararighat-Mahendrughat. In September 1982, the General Manager ordered for undertaking the periodical overhaul/dry docking of steamer P.S. Yamuna on priority basis. The POH repairs and dry docking were taken up in September 1982 and completed in August 1984 at a cost of Rs.23.54 lakhs.

The Zonal Railway, because of reduction in ferry passenger traffic (by 90 to 95 percent between April 1982 to November 1982) and considering that the ferry service had outlived its utility suggested (January 1983) to the Railway Board for closure of ferry services between Mahendrughat and Palezaghat. Ministry of Railway's approval for closure was conveyed on 24 August 1983 and the ferry services between Mahendrughat and Palezaghat were closed with effect from 29 August 1983. Despite closure of the ferry services, the POH/dry docking repairs to P.S. Yamuna continued. The vessel, after extensive repairs was utilised between Sahibganj-Tejnarainpur from 25 August 1984 to 27 August 1984 only for 3 days on a newly opened ghat in this section. As the number of passengers using the service did not come up to the craft's full capacity and to run it so was uneconomical, the craft (P.S. Yamuna) was returned in July 1987 and since then the vessel was being kept in a floating condition. Though the steamer (P.S. Yamuna) had been declared surplus and was proposed to be disposed of (January 1985) on "as-is-where-is-basis" the Zonal Railway subsequently decided to keep the vessel as a museum piece.

The following comments arise in this case :-

The studies conducted in April-November 1982 by the Zonal Railway (after opening of the Mahatma Gandhi Setu in 1982) had disclosed that passenger traffic, using the ferry services, had considerably dropped. In fact, the reduction in passenger traffic had forced the Zonal Railway to reduce the frequency of ferry services which eventually had to be closed with effect from 29 August 1983. Despite the above, the POH/dry docking of P.S. Yamuna was undertaken at a cost of Rs.23.54 lakhs. Considering that the craft, after heavy repairs, was put to use for only three days and subsequently it was decided that it was to be kept in a museum, the heavy repairs done were not warranted. The expenditure of Rs.23.54 lakhs thus proved infructuous and was avoidable.

The Railway Board exp'ained (November 1989) that the passenger craft P.S. Yamuna was required to be maintained in good running condition in accordance with the provisions of Inland Steamers Act and to this end dry docking/ P.O.H. of this vessel was undertaken as per the laid down schedule to replace the other vessel which was overdue for P.O.H. This is not tenable as the P.O.H./dry docking of P.S. Yamuna was due in June 1980 but the repairs were commenced, on priority basis, in September 1982. The vessel after such extensive repairs was not utilised beyond three days on a new section. It did not replace any other vessel which was over due for overhaul.

3.45 South Eastern Railway : Non-recovery of demurrage charges from private siding

In accordance with extant rules, in no circumstances, are wagons to be placed in a siding unless the book delivery has been effected and freight and other charges have been collected at the serving station. After the arrival of inward wagons/vehicles at the station in the event of the user failing to effect book delivery, within the time provided for in the agreement, demurrage charges are to be levied. Demurrage charges amounting to Rs.6.95 lakhs accrued due to detention to wagons were, however, not collected from a firm on account of a strike in January-February 1974 in the Mill. The firm was asked in March 1974 to pay the outstanding charges but later, on its representation, the Railway decided in September 1974/April 1975 to realise 50 per cent of the outstanding charges for detentions at the siding and 20 per cent for detention at serving station provided the dues were paid immediately. Despite these concessions to the firm, it did not pay the demurrage charges and filed a writ petition in February 1975 in the Calcutta High Court. The firm was nationalised by the Central Government in April 1980. The dues payable up to this date amounted to Rs.14.40 lakhs. Out of this sum, Rs.14.18 lakhs related to the period prior to nationalisation (January 1974-October 1979). Consequent on nationalisation of the Jute Mill the claim was to be filed before the Commissioner of Payments by 31 August 1981 (further extended to 30 September 1981). Since the Railway Administration lodged the claim only on 19 November 1981, it was rejected by the Commisioner of Payments. Another claim of Rs.15,325.26 was preferred on 23 October 1982 on account of interest and maintenance charges of the assisted siding for the period from 1 April 1979 to 26 April 1980, which was also rejected.

The Zonal Railway was advised in August 1987 by the Legal Adviser to file an application before the High Court for condonation of delay so as to lodge claims with the Claims Commisioner but the application for condonation of delay had not been filed (November 1989).

There was failure on the part of the Zonal Railway (a) to collect the demurrage and other charges and later (b) for non-preferment of the claim before the Commissioner of Payment within the stipulated date. The responsibility as contemplated by the Administration in August 1987 for not filing the claim before 30 September 1981 had not been fixed (July 1989).

3.46 South Central Railway : Detention to rolling stock in a private siding

The work of providing a private siding to a firm in Guntakal Division was sanctioned by the Railway in March 1983 at an estimated cost of Rs.332.47 lakhs. While the entire cost of the work was to be borne by the firm, earth-work, service buildings, platforms, roads, water supply arrangement, supply of ballast and permanent way materials etc. costing Rs.177.49 lakhs were to be undertaken by the firm itself and the remaining viz., construction of bridges, linking of permanent way and insertion of ballast, etc. costing Rs.154.98 lakhs were to be done by the Railway Administration in the interest of safety and proper execution of the work. The work, which was commenced in August 1983, was due to be completed in a period of twelve months, i.e., by July 1984.

The Railway Administration decided in December 1983, with the approval of Railway Board, that construction of bridge and linking of track outside the Railway area, though forming part of the works to be executed by the Railway, should also be executed by the firm along with the sub-grade works but under its supervision for which necessary supervision charges were to be levied as per rules. Consequently, the value of the work to be done by the Railway got reduced to Rs.137.45 lakhs, the firm had deposited Rs.35.40 lakhs in cash in January 1983 and opened an irrecoverable letter of credit in favour of the Railway for Rs.119.57 lakhs valid up to 31 March 1984.

The work to be done by the Railway comprised two phases viz., Phase I which included the construction of main siding and Phase II construction of cross overs at a few locations. The siding was commissioned temporarily on 30 October 1986 with a speed restriction of 10 kilometres per hour for movement of goods traffic during day light hours only, with the understanding with the firm that the stone ballast would be provided after one monsoon instead of the moorum ballast initially provided. The firm, however, had not provided stone ballast so far (October 1989). Permission of the Additional Commissioner of Railway Safety before commissioning of the siding was also not obtained as required under the rules.

A further review of the execution of the work revealed that non-provision of stone ballast and poor maintenance of the track by the firm had resulted in a number of derailments and considerable detention to engines and wagons. Speed restriction of 10 kmph imposed due to non-provision of stone ballast resulted in extra running time of over one hour for each trip. The loss on this account during January 1987 to April 1989 was Rs.6.22 lakhs. The siding had not been opened regularly and speed restriction of 10 kmph continued to be in force (November 1989). As per agreement with the firm, it was required to provide two additional shunting lines as part of the work included in phase-II, but it had not done so far (November 1989). This resulted in avoidable detention to diesel engines for five to six hours per trip. The loss on this account was assessed at Rs.14.07 lakhs. The firm had not made further cash deposits nor had it renewed the Letter of Credit beyond 31 March 1989.

3.47 Eastern and Western Railways : Non-realisation of charges at enhanced rates from defence sidings

The Railway Board, in consultation with the Ministry of Defence and Ministry of Finance, issued instructions to Zonal Railways (in March 1979) to revalue the cost of the Railway's portion of defence sidings after every five years for the purpose of determining the maintenance charges recoverable from the Defencee Department on the updated cost. The orders were made effective from 1 April 1978. Instructions were also issued in February 1980 to the Zonal Railways to levy maintenance charges on the cost of land with effect from November 1962.

A test check conducted in the Sealdah division of the Eastern Railway revealed that the revaluation of seven defence sidings was done in August 1984 when the cost of Railway's portion of sidings, excluding the cost of land was worked out at Rs.85.59 lakhs against the initial cost of Rs.33.51 lakhs. The maintenance charges leviable on the updated cost of sidings at 4 1/2 per cent per annum was Rs.25.77 lakhs from 1 April 1978 to 31 March 1989. The Administration had not preferred a claim on the Ministry of Defence (August 1989). In the meantime, two revisions of cost had become due effective from April 1983 and April 1988.

As regards, the maintenance charges on the cost of railway land, the Railway Administration was yet to work out the same due from November 1962 to March 1978. The maintenance charges amounting to Rs.11.42 lakhs from April 1978 to 31 March 1989 had also not been preferred on the Ministry of Defence so far (August 1989).

Audit also noticed that in Asansol and Dhanbad Divisions of Eastern Railway and in Baroda and Bombay Divisions of Western Railway, no revision of cost of defence sidings had been made. The financial implications of non-revision in these cases could not be assessed in the absence of updated cost of sidings.

3.48 South Central Railway : Avoidable expenditure on transport of sleepers.

The Railway Administration sanctioned in September 1986 a work of Complete Track Renewal (CTR) for a length of 4.4 kilometre. from kilometres 209 to 213.40 on the UP line in the Secunderabad-Kazipet section. The renewal of the existing steel trough sleepers with prestressed concrete sleepers was justified on the consideration that 40 percent of the existing sleepers were unserviceable.

The Railway procured 6200 prestressed conrete sleepers for the work and got them unloaded in April 1987 alongside the track between kilometres 209 and 213 on the up line. In September 1987 the Senior Divisional Engineer in charge of the work found, during his inspection, that the existing steel trough sleepers in the track between kilometres 209 to 213 were laid during 1980 and their condition was good. It was accordingly decided in December 1987 that only rail renewal be taken up in this section and the prestressed concrete sleepers procured be utilised between kilometres 194.4 and 201.4 sanctioned in November 1985, where the available prestressed sleepers were not sufficient for completing the work in progress. The 6200 prestress concrete sleepers lying alongside the track between kilometres 209 and 213 were, therefore, transported by road through the agency of a contractor to the site between kilometres 194 and 201. This involved an expenditure of Rs.10.33 lakhs.

The Railway stated in June 1989 that the work between kilometres 209 and 213.4 on the up line, initialy proposed only as through rail renewal work, was finally processed at Headquarter and sanctioned as CTR work since the track diagram furnished by the Division showed that the sleepers were laid in 1954 with the indication that 40 per cent of the sleepers were unserviceable.

The Railway Board explained (November 1989) that the record of track structure kept in the Headquarters office was based on the Divisional records and it was extremely rare than the two records should be at variance with the physical condition at the site, and added that the Railway had issued warning to the staff responsible for the lapses. Thus the inclusion of the item of sleeper renewal in the Complete Track Renewal work on the basis of erroneous data led to an avoidable expenditure of Rs.10.33 lakhs on the transport of sleepers.

3.49 Northern Railway : Payment of interest and penalty on arrears of sales tax

The Deputy Collector (Sales Tax), Lucknow served a notice on 22 August 1984 on the Divisional Railway Manager, Lucknow to deposit by 27 August 1984 a sum of Rs.1.67 lakhs towards interest charges on delayed payments of sales tax on catering sales relating to 1971-72 to 1979-80 failing which penalty was to be levied. No action was taken by the Railway either to contest the case or deposit the amount of interest charges demanded by the Sales Tax Department. On 10 December 1987, another notice was served on the Railways for payment of arrears of sales tax of Rs.4.25 lakhs from 1976-77 to 1982-83 plus interest besides the arrear of interest charges of Rs.1.67 lakhs by 23 December 1987. The Deputy Collector (Sales Tax), Lucknow served yet another notice on 5 January 1988 demanding payment by 8 January 1988 of not only the arrears of sales tax and interest charges of Rs.4.25 lakhs and Rs.1.67 lakhs respectively but also a penalty of Rs.0.35 lakh (for 1976-77) failing which action for attachment of moveable property of the Catering Department would be taken. Thereupon, the Railway approached the Sales Tax authorities on 5 January 1988 for extension of time by one month on the plea that a check on the amount demanded was to be exercised. The Law Officer of the Railway was also asked to nominate an Advocate to contest the case. The nominated Advocate gave his opinion on 29 March 1988 that the case was time barred and that the amount had to be deposited. Instead of making the payment, the Railway requested the Sales Tax authorities on 21 June 1988 for another extension by one month on the ground that approval of the competent authority for payment of arrears was being obtained, but no payment was made by the Railway till the end of August 1988. The Sales Tax authorities obtained a court decree on 9 September 1988 ex-parte for attaching the moveable property of the Catering Department. This was not contested by the Railway. The Dy. Collector (Sales Tax) directed the State Bank of India, Lucknow on 9 September 1988 to make payment from the Railway's Account of arrears of sales tax from 1971-72 to 1983-84 for Rs.12.75 lakhs, comprising principal Rs.5.03 lakhs, and penalty Rs.0.35 lakh, and interest Rs.7.37 lakhs. The State Bank paid the amount on 12 September 1988 by debit to the Railway. Subsequently, an examination by the Railway of the records of the Sales Tax Department revealed that only an amount of Rs.2.23 lakhs as Principal plus interest should have been claimed by the Sales Tax department since creditor an amount of Rs.3.15 lakhs paid as tax during 1980-81 and 1981-82 had not been taken into account. The Railway asked the State Bank of India in December 1988 to get the amount refunded, but this had not been refunded so far (December 1989).

The Railway Board accepted (November 1989) the undue delay in responding to the notices from the Sales Tax authorities and explained that a Committee of three Administration Grade Officers constituted to go into the matter had held, inter alia, the then Superintandent catering and the dealing clerk responsible but no action against them was possible as they had retired. As it was clearly a case of total failure of the system, the desirability of an indepth study for evolving and enforcing an effective procedure to obviate such lapses is called for.

3.50 Central Railway : Refund of royalty charges earlier withheld

Two contracts for earthwork were awarded to firm A and B in September 1982 at

Adhartal. Total value of the works was Rs.32.23 lakhs. The contract agreements contained one non-scheduled item of work with contractor's earth. Both the contracts provided a clause that royalty chrages would be borne by the contractors and that they would produce royalty clearance certificate from the concerned Revenue Authorities after completion of the work but before release of the final bill. The rates for the works were finalised after taking into account the royalty charges payable to the Revenue Authorities of the Madhya Pradesh Government.

On the basis of instructions received from the Revenue Authorities in January 1983, Railway Administration withheld Rs.2.53 lakhs and Rs.3.16 lakhs from the bills of firms A and B respectively as royalty payable to the Revenue Authorities. In October 1983, the Revenue Authorities, however, advised the Railway Administration that royalty charges on ordinary land were not leviable as it was not covered under the terminology "minerals" and withdrew demands for royalty charges from the firms A and B. The Railway Administration, however, did not take up the matter with the firms A and B for reduction in the contract rates after it was known that royalty charges were not payable but released the amount of Rs.5.69 lakhs to the two firms in December 1983 without the concurrence of local finance.

The failure to consider a redution in the rates as soon as it became known that such charges were not payable by the firms to the Revenue Authorities, resulted in the unintended benefit to both the firms totalling Rs.6.57 lakhs.

The Ministry of Railways (Railway Board) stated (October 1989) that royalty charges withheld earlier had to be refunded as no such condition for reduction in rates was implicit in the tender condition. This indicated the failure of the Railway to incorporate a suitable clause in the contract when the rate specifically included royalty charges payable by the contractor.

3.51 Southern Railway : Non-recovery of damages from contractor

The Ministry of Railways (Railway Board), in consultation with the Ministry of Law, forwarded to Zonal Railways alongwith its instructions issued in December 1966, as further clarified in July 1983, a specimen of the First Sheet of Acceptance of Contract of the Standard Regulation for tenders and Contracts for adoption while awarding works contracts. This was considered necessary as it was felt that according to the corresponding document till then in use it was only the earnest money which could be forfeited in the event of the contractor not executing the agreement or to take up the works and not penalty in terms of clause 62 of the General Conditions of Contract.

Against an open tender invited in May 1987 the Southern Railway Administration awarded a contract in August 1987 to contractor 'A' for fuel handling works at Madurai Loco shed during September 1987 to August 1989 at a cost of Rs.9.35 lakhs without incorporating the substituted First Sheet in the tender documents stipulated by the Railway Board as mentioned above. The contractor neither commenced the work nor deposited the requisite amount of Rs.54,260/- towards security deposit despite his assurance that the work would be taken up from 1 October 1987. The Railway Administration, after obtaining the opinion of the Law Officer on 7 October 1987, terminated the contract on 13 October 1987 after forfeiting the earnest money deposit of Rs.14,520 available with the Railway.

Fresh tenders were invited in October 1987 for execution of the work and the contract was awarded in December 1987 to contractor 'B' for Rs.12.93 lakhs for fuel handling work during 1 January 1988 to 30 November 1989. The extra commitment to the Railway on this account due to the default of contractor 'A' amounted to Rs.3.73 lakhs based on the quantity included in the tender schedules of contractor 'B'. The actual amount of extra expenditure to be borne by the Railway on the basis of the actual work done against the contract would be available only on completion of the work expected in September 1989.

The Railway Administration was not in a position to enforce recovery of the extra expenditure from the defaulting contractor 'A' since there was not provision in the agreement with him for recovery of damages in terms of the revision ordered by the Railway Board in December 1966.

The Administration stated (March 1989) that since the decision of the Railway Board emanated from Engineering Directorate, the same was not known to the Operating Branch.

Failure of the Railway Administration to observe Board's instruction to incorporate the revised terms of contract in the agreement thus led to a loss of Rs.3.73 lakhs.

The Railway Board stated (November 1989) that the question of incorporation of the Liquidated Damages clause in fuel handling contracts was being examined.

3.52 Northern Railway : Delay in loading of ballast

A contract for supply of 10,000 cum of 40 mm size stone ballast duly stacked at nominated places and loading the same into hoppers/wagons was awarded to a contractor by the Railway Administration in February 1980 at an estimated cost of Rs.11.24 lakhs. The accepted rate was Rs.112 per cum (cost Rs.10, cartage Rs.96 plus loading Rs.6 per cum).

The date of completion was 27 November 1980 for supply and 27 January 1981 for loading, which was extended from time to time and the last extension for supply was given upto 30 April 1983 and for loading without penalty upto 30 June 1983.

The agreement provided that in the event of the contractor failing to load the rake within the time allowed under the agreement, penalty for the excess period of the time allowed for which the train was detained would be recovered at Rs.20 per hour detained or part thereof.

During a review of the records of supply and loading of ballast into wagons it was noticed that the total detention suffered by the wagons due to failure of the contractor to load them within the permissible time was worked out by the Railway Administration as 16,154 hours for which a penalty of Rs.3,23,080 was recoverable.

The contractor supplied 9,790.772 cum of stone ballast but actually loaded 9,147.950 cum into wagons upto June 1983 and was paid Rs.10.77 lakhs through thirteen on account bills and no penalty was recovered from the bills. The final bill had not so far been submitted by the contractor (July 1989).

A sum of Rs.63,700 by way of security deposit (including initial earnest money) is available with the Railway Administration in respect of the above contract which too had not been appropriated towards the recoverable amount (July 1989).

The Railway Administration stated in May 1989 that measurement of the work had been completed and final bill was under preparation. It was also stated that the security deposit of Rs.63,700 would be appropriated from the contractor's final bill and for the remaining amount of Rs.2,59,380 the contractor had been served with a notice to deposit the money with the Railway failing which the amount would be realised from the pending bills against other contracts.

Delay in effecting recovery of penalty was accepted (November 1989) by the Railway Board who assured speedy action in the matter. However, an amount of Rs.2.26 lakhs is still to be realised from the contractor (December 1989) although a period of more than six years had elapsed since the work was completed.

3.53 South Eastern Railway : Non-realisation of railway dues

A plot of railway land (92,679 sq. ft.) along with a building and siding (35,289 sq. ft.) was licensed to the Food Corporation of India (F.C.I.) at Cuttack from 5 June 1969 for transport and storage of food grains. The agreement, executed on 7 February 1970, provided for payment of occupation fee, in advance, at Rs.11,122 and Rs.48,157 per annum for the land and building respectively. Under the agreement for the site and building, initially licensed for one year, the occupation fee was to be enhanced, at its discretion, by the Railway Administration quinquennially and the licensee was bound to pay the enhanced fee on receipt of a notice of 30 days.

The rates of occupation fee were revised, quinquennially, by the Railway Administration effective from October 1970, 1975, 1980 and 1985. The Railway Administration, however, failed to give notice of 30 days to F.C.I., as required under the agreement, and there were delays of two and a half to six years in preferring bills at the enhanced rates. The licensee declined to pay the enhanced fee, but was willing to pay it with effect from 17 March 1977 (i.e. 30 days after the receipt of intimation of revision on 16 February 1977).

Similarly for the facilities of siding and electrical installations the maintenance charges were to be enhanced quinquennially. In the absence of an agreement, the maintenance charges which were revised in 1977, 1982 and 1987 for siding and since 1980 for the electrical installations could not be enforced. Consequently, an amount of Rs.3.19 lakhs towards licence fee for October 1970 to March 1988 and enhanced electrical maintenance charges from January 1980 to March 1988 could not be realised.

In reply to an audit objection in 1984 the Zonal Railway had stated in January 1985 that although the agreement had expired on 4 June 1970, the party was liable and bound by the terms and conditions of the previous licence agreement to pay the occupation fee. The Railway had held that there might be no legal difficulties in realising the amount. It is, however, observed that despite Railway Administration's assertion an amount of Rs.3.19 lakhs for the period up to March 1988 still remain unrealised (March 1989).

The Railway Board, while accepting the delay in issuance of the requisite notice, stated (November 1989) that the Railway would be addressed to ensure settlement without further loss of time.

3.54 South Eastern Railway : Non-realisation of risk cost from defaulting contractor

A contract for supply and loading of 14500 cubic metre of ballast 40 mm. size at Rs.36.75 and Rs.5.25 per cum. respectively in the Nagpur Division was awarded to a contractor 'A' in August 1980 for completing supply by 31 December 1981 and loading by 30 May 1982. The contractor supplied 8870 cubic metre of ballast and load 6697 cubic metre till December 1982 though he was given extensions up to 31 March 1983 for supply and 30 April 1983 for loading. As the contractor failed to effect further supplies after March 1983, the contract was terminated at his risk and cost after a delay of 20 months in December 1984. While the shortfall in loading of the quantity supplied (2173 cubic metre) was got done at a higher rate at Rs.8 per cubic metre in January 1985, a contract for supply and loading of the balance 5630 cubic metre (14500-8870) was entered into with contractor B in April 1985 at Rs.103 and Rs.5.25 per cubic metre respectively. The risk contract was completed in September 1986.

The amount of excess expenditure incurred on supply and loading of the left over quantity recoverable as risk cost from contractor A was in November 1986 worked out as Rs.3.79 lakhs and the Railway claimed an amount of Rs.2.84 lakhs on this account from the contractor after adjusting in March 1989 a sum of Rs.95,280 already available with the Railway. The Railway Administration belatedly approached the Collector, Durg in December 1988 requesting information regarding immovable property of the contractor with a view to filing a civil suit against him. The Railway Board stated (October 1989) that on receipt of the required details about the contractor's assets a civil suit would be filed to recover the dues. The amount of Rs.2.84 lakhs has not, however, been recovered so far (December 1989).

3.55 Eastern Railway : Outstanding dues from a firm

Rules for construction of a siding provide that before sanction is accorded for construction of a siding by the competent authority, the applicant should be required to execute an agreement and the ownership of the land acquired for a siding whether outside or inside the applicant's premises should vest in the Central Government. The party is liable to pay annually to the Railway Administration interest and maintenance charges.

A siding was constructed partly on assisted siding terms and partly on private siding terms and opened to traffic in April 1968 to serve firm 'A' without the firm executing an agreement as required under the rules and without the Railway ensuring that the title of the land was transferred to the Central Government. The length of the private portion of the siding was 4.737 kilometres and that of the assisted portion 3.165 kilometres. In 1968, the Railway Administration acquired the land, on which the assisted siding was constructed, from the Forest Department of the Uttar Pradesh Government without obtaining the title of the land in its favour. When the question of realisation of ground rent was taken up with the firm during 1983-84 it came to light that the same land had been trasferred earlier by the Forest Department to the firm. It was later detected that a part of the track built on assisted siding terms existed on either side of the private siding. To overcome this anomalous situation, the Railway Administration decided to convert the entire siding into a private siding and asked the firm in January 1986 to deposit an amount of Rs.13.95 lakhs which had been incurred by the Railway earlier towards permanent way and points and crossings. The firm had not deposited the amount and had also not executed the agreement for conversion of the siding till July 1989. A sum of Rs.1.86 lakhs was due from the firm towards interest and maintenance charges of the siding from 1973-74 to 1985-86.

The Railway Administration stated in February 1989 that there was no failure on the part of the Railway Administration as the acquisition of land was made in 1968 by paying due compensation to the Forest Department of the Uttar Pradesh Government and that the agreements were to be executed only after the siding was constructed and commissioned. The fact remains that the Administration constructed a siding on a piece of land without ensuring the transfer of the title in its favour. There was also failure on the part of the Railways in acquiring a piece of land without necessary verification. The Administration's contention that the agreement is to be executed after construction of siding is not tenable as the Rules specifically provide for execution of the agreement before commencement of work.

3.56 Northern Railway : Non-observance of the provisions of Minimum Wages Act

The Labour Enforcement Officer (LEO), Faridabad noticed during inspection of the establishment of the Permanent Way Inspector (P.W.I.), Gurgaon in April 1986 that 33 casual labour employed during 15 July 1984 to 14 March 1986 had only been paid wages at Rs.13.50 per day instead of the minimum wage of Rs.14.73, Rs.15.48, Rs.15.71 and Rs.15.96 notified by the Central Government/Haryana Government from time to time. The Labour Officer, therefore, served a notice on the Administration for arranging the payment of the difference of wages amounting to Rs.16,134.36 to the labourers within 15 days, failing which legal action by way of prosecution/ claim application was contemplated. Notwithstanding the notice, no payment was made.

The Labour Enforcement Officer filed on 1 September 1986 two claim applications in the "Court of Authority under the Minimum Wages Act, 1948 and the Regional Labour Commissioner (Central), Chandigarh". Summons were issued to the Railway authorities to appear before the Court on 8 September 1986. The Court, considering that the Railway Administration had sufficient time to pay the difference of wages and there was no good and cogent reason for not making payment, ordered in September 1986 for payment of difference of wages (Rs.16,134.36) as also compensation (Rs.1.61 lakhs) reckoned at ten times the amount of wages in favour of the casual labour. While payment of difference of wages was arranged in December 1987, the compensation amounting to Rs.1.61 lakhs was not paid. The Railway Administration, instead asked the Law Officer in March 1987 to review the case for filing an appeal in the High Court. The Law Officer, however, advised the Administration in April 1987 against filing a writ in the High Court. The Central Administration Tribunal, Chandigarh rejected in June 1989 the Railway Administration's application against the judgement of Regional Labour Commissioner, Chandigarh being time barred.

The Railway Board stated (November 1989) that instructions had been issued by the Zonal Railway for arranging payment of compensation to the casual labourers and added that disciplinary action against the official found responsible was being processed.

CHAPTER-IV

EARNINGS

4.1 North Eastern Railway: Avoidable tran shipment of foodgrains

In para 10.8 (iv) of the Report of the Comptroller and Auditor General of India for the year 1985-86 - Union Government (Railways) mention was made that there was a loss of revenue of Rs.2.23 crores on account of transhipment at Garhara of foodgrains traffic booked from Broad Gauge stations of the Northern Railway to BG/MG destinations on the Northeast Frontier Railway during November 1984 to June 1986 on account of the limited transhipment capacity at Katihar. The Northeast Frontier Railway Administration took a decision, in November 1986, in consultation with the Railway Board, that all sponsored foodgrains traffic for that Railway would be booked and routed via Malda and transhipped only at New Bongaigaon so as to optimise the output of the transhipment points there. The revised pattern of movement was anticipated to eliminate the extra lead involved in the transhipment of foodgrains at Garhara.

It was noticed in Audit that foodgrains booked from BG stations on the Northern Railway to BG/MG destinations on Northeast Frontier Railway, instead of being routed through Malda, continued to be routed via Garhara and transhipped from there to the MG route of Barauni-Bachhwara-Samastipur-Mansi-Saharsa-Purnea-Katihar resulting in an extra lead of 135 kms without corresponding freight charges for the extra distance being realised.

The loss of revenue involved in the transhipment of 23068 foodgrain BG wagons into 30,331 MG wagons at Garhara during July 1986 to June 1989 was Rs.4.80 crores.

4.2 North Eastern and South Eastern Railways - Irregular booking of freight traffic.

According to the general rules for acceptance, carriage and delivery of goods by Railways, prepayment of freight is compulsory for all description of goods traffic except in cases of booking in train loads/wagon loads where option is allowed to the consignors to book on 'Freight to pay' basis on payment of a surcharge of five per cent (increased from three per cent from October 1984) on the amount of total freight by the consignee at destination. The booking, in any case, is deemed to be complete when Railway Receipts are prepared and made over to the consignors either on the day the consignments are accepted for booking/loaded by the consignors or the day following, according to the conditions laid down in the rules.

It was noticed in Audit that in respect of 2479 consignments offered by the State Trading Corporation and 230 consignments offered by the Food Corporation of India at the MG goods shed, Kanpur on North Eastern Railway booked as 'Paid' during May 1984 to February 1989 Railway Receipts were prepared and freight charges realised 2 to 129 days after they were accepted for booking. Meanwhile, the goods loaded in wagons were despatched from Kanpur on the dates of completion of loading without the corresponding Railway Receipts accompanying the consignments in the wagons.

On the South Eastern Railway also, 3785 BOX/BOXN coal wagons were accepted and despatched from Belpahar and Brajarajnagar station colliery sidings during August 1986 to June 1987 but the Railway Receipts were issued and freight charges realised 6 to 182 days after the loading and despatch of goods.

The action of the Railways in these cases was in contravention of the rules prescribed for acceptance and booking of 'Paid' traffic. The irregular bookings led to accommodation by way of delayed realisation of freight charges for Rs.4.74 crores on the North Eastern (Rs.1.66 crores) and South Eastern (Rs.3.08 crores) Railways by 2 to 182 days. While the consignor on the South Eastern Railway agreed to pay an amount of Rs.14.78 lakhs towards surcharge as on 'To pay' consignments to regularise the bookings, no action had been taken in this regard by the North Eastern Railway so far (December 1989).

The Railway Board admitted (November 1989) that the delay in realisation of freight on the South Eastern Railway was mainly on account of delay in preparation of Railway Receipts and stated that instructions had been reiterated (October 1989) to all the Railways for strict complaince of the codal provisions.

4.3 South Central and South Eastern Rail ways: Carriage of consignments by longer route.

Tariff rules provide that in the absence of specific instructions in writing from the consignor to the contrary, goods will be despatched by the shortest route at charges by the cheapest route, i.e., the route by which the freight charges are at the lowest.

It was noticed in Audit that train load consignments of coal and cement on the South Central Railway and traffic in diesel oil on South Eastern Railway, though booked by the shortest route, were carried by longer routes involving loss of earnings of Rs.4.31 crores as mentioned below:

South Central Railway

The requirements of coal for the Karnataka Thermal Power Siding near Raichur served by the Krishna station are met from the coal fields served by Bhadrachalam Road, Mancherial, Ramagundam stations, etc. for which the shorter and the cheapest route is via Kazipet, Secunderabad and Wadi.

During May 1988 to December 1988 train loads of coal from collieries near Ramagundam and Bhadrachalam Road stations booked and charged by the shortest route via Kazipet, Secunderabad and Wadi were carried by the longer route via kazipet, Vijayawada, Gudur, Renigunta and Guntakal with extra lead ranging between 465 and 654 kms involving undercharges of Rs.3.36 crores.

Similarly, it was noticed during local inspection of the accounts of Manikgarh Cement siding and a private company's cement siding, both served by Gadchandur station and the Manikgarh station of the Railway, that train load consignments of cement booked to Solapur on the Wadi-Pune section of the Central Railway were charged by the shortest route via Kazipet, Secunderabad and Wadi but actually carried by the longer route via Balharshah, Wardha, Manmad and Daund with extra lead of 377 kms during August 1987 to July 1989 involving undercharges of Rs.0.46 crores.

The freight charges by the actually carried longer route in these cases were not leviable in the absence of specific instructions in writing from the consignor for routing the traffic by a longer route or a notification in advance by the Railway Administration specifying the carried route as the chargeable route. This resulted in a loss of revenue of Rs.3.82 crores.

South Eastern Railway

It was noticed in August 1986 that diesel oil was being carried from Visakhapatnam port to Jamshedpur via Kharagpur having a lead of 926 kms but freight was charged by the shorter route via Titlagarh with a lead of 823 kms. Despite the irregularity of undercharges of Rs.2.87 lakhs for July 1986 having been pointed out to the Railway Administration, it continued to occur. It was observed from a test check of the records in July 1988 for a period of two months from 8 December 1987 to 6 February 1988 that further undercharges for Rs.7.29 lakhs had been incurred by the Railway. A detailed review of the station records carried out by Audit revealed yet other undercharges of Rs.38.49 lakhs during April 1988 to March 1989. The total loss suffered on this account amounted to Rs.0.49 crore up to March 1989.

Carriage of consignments irregularly by longer routes entailed undercharges for Rs.4.31 crores on the South Central and South Eastern Railways.

4.4 Eastern Railway: Non-realisation of Railway dues from private siding holders.

Rules provide that, except in the case of goods for which prepayment of freight is compulsory, all freight charges must be paid either when goods are presented for despatch or at the time of delivery and that all goods are subject to lien not only for the freight, wharfage, demurrage, handling and other charges on the particular goods but also for any balance which may be otherwise due to the Railway by the owner or consignor or consignee of such goods. If the money in respect of which goods are detained be not paid, these may be sold by auction at once in the case of perishable goods and, in the case of other goods, on the expiration of five days' notice of the intended auction and the proceeds applied in liquidation or reduction of the amounts due.

Several consignments booked 'To pay' to private sidings served by Raniganj, Japla and Shyamnagar stations on the Railway were continued to be delivered without realisation of freight and other charges due for payment. Consequently, freight, demurrage, shunting and other charges amounting to Rs.48.36 lakhs relating to consignments received during February 1979 to September 1985 at the three stations were outstanding for recovery from the respective private siding owners to the end of September 1989.

Of these an amount of Rs.19.27 lakhs

was outstanding against the Bengal Paper Mills since October 1983 on account of freight and other charges. The Bengal Paper Mills was closed in November 1983 and with that the possibility of realisation of the dues from the mills has also become remote.

An amount of Rs.27.45 lakhs excluding Rs.5.82 lakhs towards interest and maintenance charges was also due from Sone Valley Port Land Cement which was under lock out since September 1985.

Similarly, an amount of Rs.1.64 lakhs was due from Gouri Shankar Jute Mills which, after remaining under lock out from December 1981, was closed in February 1983. In June 1984 a final notice was served on this Mill for clearance of the outstanding dues but in vain.

The Railway did not take action, though it was open to it under the rules, to auction the consignments and to appropriate the proceeds therefrom towards liquidation/reduction of the outstanding freight and other charges due from the siding owners. The least the Railways could have done, under the circumstances, was to have issued instructions to stations not to book cargo "To pay" to these sidings.

The Railway Board while conceding the Audit point stated (November 1989) that efforts to clear the outstanding dues would continue to the made.

4.5 Western Railway - Irregular grant of concession in freight

The Ministry of Railways (Railway Board) issued instructions to the Railways in Novemeber 1985 to grant, with effect from 1 December 1985, a concession of six per cent in freight rates for Cement and Chemical Manures - Division A and B loaded in block rakes of open wagons on the condition that tarpaulins for covering the open wagons were provided by the consignors. In December 1985 the Railway Board clarified that the rebate should be allowed even in cases where tarpaulins were not provided by the consignors if they undertook to bear the full risk for damage/ pilferage.

On 11 September 1986 a consignor booking rock phosphate in block rakes classified under Chemical Manure Division B from Udaipur/ Umra stations of the Railway represented that the concession was not being allowed by these stations as instructions to this effect had not been received by them. The Chief Commercial Superintendent of the Railway issued instructions to the stations on 12 September 1986 that as rock phosphate was chargeable as mineral phosphate under the head Chemical Manures Division B, freight charges should be levied under the concessional rates. The Deputy Chief Operating Superintendent, however, pointed out on 16 December 1986 that the rebate of six per cent was intended only for items like fertilisers and cement which were traditionally transported in covered wagons and that it should not be admissible on rock phosphate loaded in open wagons which were not required to be covered by tarpaulin. The Zonal railway, therefore, recommended to the Railway Board on 19 December 1986 that since rock phosphate is a commodity which is not "damaged by wet" the concession should not be allowed on it. The Railway Board responded only on 29 September 1988 advising that the concession would not be permissible in respect of rock phosphate with effect from 15 October 1988. In the meantime, freight concession in respect of Rock Phosphate booked from four stations of the Railway from September 1986 to October 1988 amounting to Rs.43.29 lakhs had been allowed.

The irregular grant of concession in freight and delayed instructions from the Railway Board for its discontinuance resulted in loss of revenue of Rs.43.29 lakhs.

The Railway Board explained (November 1989) that on a specific reference from the Western Railway, the matter was examined in depth and was also referred to the Commercial Committee and that the delay in withdrawing the rebate was to ensure thorough examination in the delicate area of rating.

4.6 South Central Railway - Irregular routing of traffic

As per instructions contained in the Route Rationalisation Scheme - General Order No. 1 of 1987, all goods traffic from dual gauge stations to MG stations and vice-versa were required to be booked, routed and charged by all MG route with effect from 1 March 1987. It was noticed during an audit inspection of the accounts of Madgaon station conducted in May 1989 that train load consignments of Raw Petroleum coke booked from New Bongaigaon, a dual gauge station on the Northeast Frontier Railway to Madgaon, a MG station on the South Central Railway, were booked and charged by BG cum MG route via Malda, Asansol, Waltair, Guntur and Guntakal (3040 kms) with transhipment at Tadepalli instead of by the all MG route via Katihar, Achnera, Phulera, Khandwa, Londa (4464 kms). This resulted in undercharges and consequent loss of revenue of Rs.35 lakhs during the period June 1987 to April 1989.

The traffic was sent by a route longer than the booked route viz. via Malda, Asansol, Waltair, Vijayawada, Wadi and Pune with transhipment at Miraj, on another BG cum MG route, involving additional haulage for 594 kms. The cost of avoidable extra haulage on this account was Rs.11.52 lakhs.

Thus irregular routing of traffic resulted in a loss of revenue of Rs.35 lakhs besides an avoidable expenditure of Rs.11.52 lakhs on extra haulage.

4.7 Northern and Western Railways: Non-observance of Rationalisation Orders

To optimise the utilisation of available routes, the Ministry of Railways (Railway Board) issue instructions from time to time for carriage and freighting of traffic by specified rationalised routes.

A review made by Audit of the implementation of the rationalisation orders revealed losses of revenue of Rs.37.76 lakhs on the Northern and Western Railways as detailed below:

Northern Railway

According to the rationalisation order in force from march 1982, all foodgrains traffic for BG destinations on the Northeast Frontier Railway and for transhipment at New Bongaigaon are required to be booked and charged via Malda. Foodgrain traffic from Nabha, Shahjanpur, Barnala and Patiala station of the Railway booked to New Guwahati were routed and charged by a shorter route via Barabanki-Garhara involving less realisation of freight for Rs.10.03 lakhs during May 1982 to August 1986.

Western Railway

Para 8.6 of General Order No. 1 of 1986, as amended from 20 February 1986 in force till 30 April 1989 stipulated that all goods traffic from BG stations on the Western Railway, either originating or transhipped (except salt and goods traffic from Kota Division), to BG stations on the Northern, North Eastern, Eastern and Northeast Frontier Railways for which the shortest route is via Bhopal or via Tundla be booked and charged via Mathura Junction - Tughalakabad. Rock Phosphate in block loads from Umra station(MG) on the Western Railway to Rae Bareilly and Ayodhya stations on the Northern Railway was booked via Ratlam transhipment point, Bhopal and Kanpur. This resulted in a loss of revenue of Rs.8.98 lakhs in respect of the traffic moved in July 1986, November and December 1986, May, July, August 1987 and June 1988. Similar undercharges amounting to Rs.4.65 lakhs were detected by the Accounts Office of the Railway in respect of traffic booked in June 1986, September 1987 and June 1988.

The Railway Board advised (December 1989) that debits for Rs.2.24 lakhs relating to the three stations (Nabha, Shahjahanpur and Barnala) for the period May 1982 to October 1985 had been raised by the Northern Railway and the Northeast Frontier Railway had been requested to raise debits for the balance amount. No action in respect of the undercharges on the Western Railway had, however, been taken so far (December 1989).

According to para 5.11.1 of the General Order No. 1/1986 issued by the Railway Board in December 1985, piecemeal traffic from Western Railway to stations on Moradabad Division of Northern Railway and vice versa was to be booked and routed via Tughlakabad and Khanalampura with effect from 1 January 1986. It was noticed by Audit, during the check of 'Incorrect Statement' for the month of April 1986, received in the Foreign Traffic Accounts Office from the Northern Railway, that piecemeal traffic in grains and pulses, de-oiled rice bran, jaggery, etc. booked from stations on the Moradabad Division to the Western Railway stations was actually routed and charged by the shorter route via Tughlakabad/Mathura, Kanpur/Bhopal or Jamuna Bridge instead of via Khanalampura/Tughlakabad resulting in short recovery of freight of Rs.37,905/

A review by Audit of the records of 17 stations of the Railway revealed undercharges to the extent of Rs.4.88 lakhs during January 1986 to February 1987. The Accounts Office, also in a few cases reviewed by it raised debits for Rs.8.84 lakhs against 30 stations on six Divisions and the Bombay Port Trust Railway but these had been disputed by the station staff.

The Railway Board stated (November 1989) that the loss of revenue was notional as the freight had been recovered as per the carried route. The fact, however, remains that once a general order is issued it leaves no option to the consignor or the railway staff to book and route the traffic by a route other than the rationalised one.

Non-observance of the routing instructions of the Railway Board resulted in non-realisation of the freight charges due and consequent loss of revenue of Rs.14.10 lakhs.

4.8 South Central Railway - Non-realisation of charges for maintenance of milk tank wagons

Five milk tank wagons (8 wheelers) with the Andhra Pradesh Dairy Development Corporation (APDDC), Hyderabad are maintained by the South Central Railway from 1984. Charges at four per cent of the cost of wagons or the present day cost of similar vehicle, whichever is higher, are recoverable from the APDDC by the Railway. The Railway Administration had not taken action to prefer bills for recovery of maintenance charges so far. Consequently, an amount of Rs.14.40 lakhs assessed on the present day (1989) cost of a tank wagon (Rs.12 lakhs) as estimated by the Railway was due from the APDDC, Hyderabad on account of maintenance charges from 1984 to 1989.

4.9 South Central Railway: Wrong classification of goods.

When Cable is tendered for conveyance for construction, working and maintenance of Government Telegraph lines or of telegraph offices or for batteries in use in Signal Offices it is chargeable concessionally at class 190 (wagon loads) rates as for "Telegraph and Telephone materials, NOC", provided the forwarding Telegraph officer furnishes a certificate to that effect at the time of despatch. In other cases, consignment of Cable is chargeable under class 230.

Consignments of cable in wagon loads booked by Messrs. Hindustan Cables Limited from Sanatnagar station of the Railway to officials of the Telephone/Telegraph Department, though neither tendered for booking by any Telegraph officer nor certified at the time of despatch by any such officer that the cables were meant for construction, maintenance and working of Government Telegraph lines, etc., were, however, classified by the Railway Administration in class 190 (wagon loads), instead of in class 230 resulting in undercharging of freight amounting to Rs.11.61 lakhs during January 1987 to August 1988. The Railway Administration had, however, started realising the applicable freight on such consignments by levying rates for class 230 with effect from September 1988.

In October 1989, the Railway proposed to realise the undercharges in freight for the period up to August 1988 from the consignor but under charges were yet to be assessed and debits raised against the firm (December 1989).

4.10 Northern Railway: Short realisation of freight charges due to delayed observance of correct axle load restriction.

The Railway Administration issued instructions in September 1983 that the existing axle load restriction of 11.1 tonnes instead of 12.2 tonnes for four wheeler wagons on Ratangarh-Sardar Shahar MG section of the Railway be enhanced to 12.2 tonnes per axle.

A test check by Audit of records relating to Inward and Outward goods traffic at Sardar Shahar Station in October 1986 revealed that the enhancement in the axle load restriction to 12.2 tonnes was actually implemented with effect from 15 September 1984. The delay in observance of the correct axle load restriction resulted in under loading of wagons and consequent short realisation of freight charges to the extent of Rs.9.61 lakhs during October1983 to September 1984.

The Railway Board stated (November 1989) that the Railway had since raised the debits against the station and that action for recovery had also been taken in hand by it.

4.11 Western Railway - Non-implementation of revised station to station rates.

In order to introduce the proposed new rationalised freight structure for goods traffic with effect from 1st December 1986, the Ministry of Railways (Railway Board) asked the Zonal Railways in November 1986 to undertake a review of the existing station to station rates immediately and to implement the changes, if any considered necessary, after giving 14 days' notice to the trade.

The station to station rate for lime stone traffic ex Gop to Sikka for a distance of 49 kms, effective for one year from 1 April 1986, approved by the Railway Board in July 1986 at Rs.2.85 per quintal was related to the normal train load rate of Rs.3.34 per quintal. Consequent on increase in the train load rate from Rs.3.34 per quintal to Rs.3.61 per quintal, with effect from December 1986, the Railway Administration informed the Railway Board on 4 December 1986 that the station to station rate for this traffic had been revised provisionally to Rs.3.09 per quintal with effect from 15 December 1986 on pro rata basis subject to re-examination with reference to road rates later. Without any confirmation or otherwise of this rate from the Railway Board and while the rate of Rs. 3.09 per quintal was being charged, the Railway Administration, after a fresh review of the issue, restored the earlier rate of Rs. 2.85 per quintal with effect from 1 January 1987 on the ground that the adhoc increase was not justified as there was no change in the road rates, although this required the sanction of the Railway Board. The rate was again revised to Rs. 3.43 per quintal with effect from 5 February 1987, the basis of which was not on record. As no advance notice of such revision was given to the party the revised rate had to be withdrawn on 20 February 1987 and the old rate of Rs. 2.85 per quintal valid up to 31 March 1987 restored.

In April 1987 the Railway Administration sought Railway Board's sanction for continuance of the rate of Rs. 2.85 per quintal up to 31 March 1988 on the ground that the party had represented that there was no change in the prevailing road freight rates. The Railway Board did not, however, agree to this proposal and fixed the rate applicable from 1 April 1987 at Rs.3.10 per quintal.

As the Zonal Railways are not empowered to quote station to station rates in respect of movements for less than 150 kms in train load/ wagon load the reduction by the Railway Administration of the rate from Rs.3.09 to Rs.2.85 per quintal with effect from 1 January 1987 was without justification and without sanction of competent authority. This resulted in a loss of revenue of Rs. 7.25 lakhs during the period January to March 1987.

The Railway Board stated (November 1989) that the question of loss did not arise as the increased rate of Rs.3.09 per quintal charged by the Railway did not have the sanction of the Railway Board and that, on a review of the matter, based on the available relevant data, they increased the rate to Rs.3.10 per quintal from April 1987. This is not tenable as the revision of the rate to Rs.3.09 per quintal and its implementation from 15 December 1986 by the Railway was pursuant to the directive of the Railway Board in November 1986 in view of the new rationalised freight structure effective from 1 December 1986.

4.12 South Central Railway - Loss due to delayed receipt of instructions.

Consignments of cement and urea, in wagon/train loads, booked from Raghavapuram, Manikgarh, Mancherial and Ramagundam stations located between Kazipet-Balharshah and hitherto charged by the longer route via Balharshah, Badnera, Bhusaval and Itarsi were allowed to be booked by the shortest route via Balharshah, Nagpur and Itarsi from June 1985 following the amendment to route rationalisation orders notified by the Railway Board in May 1985. The instructions issued by the Railway Board were received by the stations on 10 July 1985. In the meantime, traffic from these stations was continued to be routed via the longer route entailing higher freight charges compared to those leviable by the prescribed shorter route. On the consignors claiming refund of the amount of overcharges, after the revised instructions, the Railway refunded an amount of Rs. 6.27 lakhs during April 1987 to November 1988. In these cases freight charges had been realised for the route on which the traffic was actually carried and the Railway claimed that the staff could not be blamed since the circular reached them late.

Delayed receipt of the Railway Board's orders thus resulted in loss of earnings of Rs. 6.27 lakhs besides extra haulage of goods by longer route involving an avoidable expenditure of Rs.4.22 lakhs.

The Railway Board stated (November 1989) that sufficient time lag between the issuance of rationalisation scheme and its implementation in the field would be provided to obviate such instances.

4.13 South Central Railway - Non-weighment of jaggery consignments

There is seasonal traffic of jaggery consignments in wagon loads from Anakapalli on South Central Railway to stations mostly on Central, South Eastern and Western Railways for which freight charges are leviable on actual weight subject to a minimum weight of 205 quintals for a BG four-wheeled wagon. As no weighbridge was available at Anakapalli station for weighment of these wagon load consignments, these were booked and charged on computed weight with endorsement on the invoices for weighment of the wagons on weighbridges en route and the destination stations to collect undercharges, if any.

It was noticed in Audit that though over 900 wagons were being booked every year, advice of weighment of wagons en route had been received only in respect of 19 wagons in 1986 of which 13 wagons were seen overloaded and 3 underloaded. In respect of the wagons loaded in 1987, advice of weighment was received for 14 wagons of which all but one were seen overloaded. On an average, it was seen from these that the actual weight of the consignments was 12 quintals more than the charged weight per wagon for which freight charges were not realised by the destination stations due to non-weighment of the wagons en route. Failure of the Railways to raise the minimum weight is resulting in a recurring loss of revenue around Rs.2 lakhs per annum.

The Railway Board stated (November 1989) that instructions had been issued to the Railway to conduct test weighment of atleast 20 BG wagons loaded with Jaggery and to furnish the result thereof urgently to see if there was a case for revision of the minimum weight condition of 205 quintals.

New Delhi 23 MARCH 1990
2 CHAITRA 1912

Dated the

(R. PARAMESWAR)
Additional Deputy Comptroller and
Auditor General of India (Railways)

Countersigned

T.N. Chaturvedi

New Delhi 23 MARCH 1990
2 CHAITRA 1912

Dated the

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

ANNEXURE I

(cf para 1.3)

Summary of salient indicator of the financial and operating performance of the Railways for the years 1984-85 to 1988-89

	1984-85	1985-86	1986-87	1987-88	1988-89
1. Capital-at-charge at the end of the year (Rs. in crores)*	8,285.65	9,078.07	10,373.10	11,622.22	12,987.51
2. Total Block assets (Rs. in crores)	10,377.15	11,931.03	13,836.59	15,807.17	17,965.20
3. Revenue Receipts (Rs. in crores)	5,469.09	6,590.67	7,683.08	8,679.46	9,528.63
4. Revenue expenditure	5,198.99	5,904.80	7,002.24	7,956.31	8,791.29
(of which amount appropriated to funds) (Rs. in crores)	1,084.09	1,212.44	1,630.92	1,872.51	2,113.58
5. Net revenue including subsidy (Rs. in crores)	270.10	685.87	680.84	723.15	737.33
6. Net revenue excluding subsidy (Rs. in crores)	169.67	557.73	536.93	549.59	529.93
7. Revenue surplus after providing for dividend due (Rs. in crores)	(-) 195.59	178.83	101.99	84.29	21.67
8. Return on Capital-at-charge (reckoning subsidy-percentage of item 5 over item I)	3.26	7.56	6.56	6.22	5.68
9. Return on Capital-at-charge (without reckoning subsidy-percentage of item 6 over item 1)	2.05	6.14	5.18	4.73	4.08
10. Return on Block assets (Percentage of item 5 over item 2)	2.52	5.75	4.92	4.57	4.10
11. Return on Block assets (Percentage of item 6 over item 2)	1.58	4.67	3.88	3.48	2.95
12. Total indebtedness (Rs. in crores)					
a) On account of shortfall in dividend liability	545.16	428.44	428.44	428.44	428.44
b) On account of deferred dividend payable in respect of new lines which have completed moratorium.	63.49	58.48	60.67	60.25	60.71
c) On account of shortfall in Development Fund	336.36	336.36	348.17	401.96	529.28
Total (a to c)	945.01	823.28	837.28	890.65	1,018.43

13. Revenue earning goods traffic in million tonnes	236.44	258.55	277.75	290.20	302.01
14. Total traffic (million tonnes)	264.17	286.38	307.31	318.50	336.79
15. Passenger Kilometres (in millions)	226,582	240,614	256,467	269,389	2,63,731
16.					
a) Goods earnings (Rs. in crores)	3,602.42	4,376.38	5,133.24	5,839.23	6,343.11
b) Passenger earnings (Rs. in crores)	1,458.82	1,710.68	1,940.96	2,060.06	2,455.50
17. Fuel consumption by locomotives per thousand gross tonne Kilometres					
a) Passenger Service					
(i) Coal (Kg)	82.3	81.9	81.0	78.9	73.6
(ii) Diesel (Litres)	5.25	5.27	5.37	5.27	5.44
b) Goods Services					
(i) Coal (Kg)	97.0	99.8	105.4	107.6	103.6
(ii)Diesel (Litres)	3.6	3.5	3.48	3.46	3.52
18. Number of staff (thousands)	1,603	1,613	1,612	1,617	1,624
19. Average annual wages per employees (Rupees)	14,797	16,883	21,076	24,808	27.262
20. Operating ratio (Percent)	96.3	90.6	92.2	92.5	93.05

* Excludes expenditure on Metropolitan transport Project.

ANNEXURE II

(cf. Para 1.11.1)

Details of Audit Objections issued upto 31 March 1989
but outstanding on 31 August 1989

Sl. No	Railways and other Units	Where Money Value Known								Where money value not known					
		Part I Audit Notes & Special letters				Part I Inspection Reports				Part I Audit Notes & Special letters			Part I Inspection Reports		
		No.	Items	Amount (Rs.000)	Oldest pertains to	No.	Items	Anmount (Rs.000)	Oldest pertains to	No.	Items	Oldest pertains to	No.	Items	Oldest pertains to
1.	Central	29	43	121692	85-86	67	152	59520	86-87	3	7	85-86	10	43	86-87
2.	Eastern	22	36	101826	81-82	163	389	514703	80-81	5	6	80-81	29	80	82-83
3.	Northern	370	445	286593	80-81	206	716	187884	83-84	933	1013	76-77	268	1518	78-79
4.	North-Eastern	144	191	92641	77-78	461	2127	371314	77-78	106	106	78-79	347	1502	77-78
5.	North-East Frontier	257	308	130322	75-76	218	1196	100874	71-72	469	633	74-75	918	7379	70-71
6.	Southern	104	138	52734	86-87	25	106	42484	87-88	295	571	83-84	84	273	86-87
7.	South-Central	172	272	343268	81-82	133	388	69142	82-83	46	86	79-80	88	408	81-82
8.	South-Eastern	194	209	217319	76-77	299	681	966649	78-79	26	26	75-76	47	70	81-82
9.	Western	138	187	87049	84-85	316	1038	234983	82-83	37	83	85-86	193	517	82-83
10.	Chittaranjan Locomotive Works	28	30	45505	76-77	115	226	289360	77-78	-	-	-	72	195	77-78
11.	Integral Coach Factory	1	1	179	86-87	-	-	-	-	65	142	87-88	35	136	86-87
12.	Diesel Locomotive Works	41	42	17479	80-81	46	141	748213	77-78	39	39	78-79	97	151	77-78
13.	Metropolitan Transport Project, Calcutta	6	6	9963	87-88	24	41	38737	86-87	-	-	-	7	35	86-87
	Total	1506	1908	1506570		2073	7201	3623863		2024	2712		2195	12307	

Note: (a) Audit Notes and Inspection Reports - Part I deal with more important matters.

(b) Special letters deal with individual irregularities of important and serious nature.

ANNEXURE III
(cf. Para 1.11.2)

Details of outstanding under the Suspense Head 'Cheques & Bills'

Railways/ Units	Balance upto 84-85	85-86	86-87	87-88	88-89	Total (Rupees in thousands)
Central	NA	NA	NA	NA	204921	204921
Eastern	NA	NA	NA	-	608257	608257
Northern	NA	NA	NA	NA	181814	181814
North-Eastern	4069	(-)4616	136407	(-)146245	(-) 28387	(-) 38772
North-East-Frontier	-	-	-	-	84826	84826
Southern	(-)61372	641	1559	(-)13474	117006	44360
South-Central	87	10467	10485	50274	123716	195039
South-Eastern	-	-	-	-	1573448	1573448
Western	-	-	-	-	211992	211992
I.C.F.	(-) 3	(-) 1	7	(-) 2	70913	70914
D.L.W.	-	-	-	-	(-) 39945	(-) 39945
MTP,Calcutta	-	-	-	-	32348	32348
MTP, Delhi	237	20	-	-	88	345
MTP, Madras	2	1	23	3372	1858	5256
MTP, Bombay	-	6	129	-	47942	47977
WAP	-	-	-	-	23486	23486
RE/Allahabad	25875	39411	39012	41013	55196	200507
COFMOW	12	46	-	20	10674	10752
DCW/Patiala	205	-	(-)62	548	8456	9147
CLW	-	-	-	-	263398	263398
RCF,Kapurthala,	-	-	-	-	41128	41128

ANNEXURE IV
(c.f. Para 1.11.4)

Statement showing the number and value of Vouchers/Tender/Contract files not made available to Audit as on 31 March 1989.

Railways/Units	No. of vouchers outstanding	Amount (Rs. in lakhs) outstanding	No. of Tender/ Contracts files	Amount (Rs. in lakhs)
Central	1265	793.49	1367	3698.22
Eastern	6932	6513.21	1494	8450.90
Northern	1200	267.20	3217	2782.60
North-Eastern	1918	526.83	132	4021.78
Northeast Frontier	3592	1351.58	1499	3540.00
Southern	512	257.33	983	3858.74
South Central	317	21.48	251	734.93
South Eastern	897	2947.88	2305	12224.41
Western	861	1168.24	436	1804.24
Integral Coach Factory	10	55.72	340	4839.21
Chittaranjan Locomotive Works	2133	4293.31	1076	19354.55
Metro Railway	-	-	-	-
Diesel Locomotive Works	202	197.31	255	3556.00
Total	19839	18393.58	13355	68865.58

ANNEXURE V

(c.f. Para - 2.1.6)

Statement showing the turn over ratio achieved by Railways.

Railway	1983-84	1984-85	1985-86	1986-87	1987-88
Central	25	27	25	19	26
Eastern	33	-	30	36	28
Northern	28	27	28	30	32
North Eastern	69	65	60	61	45
Northeast Frontier	41	-	97	73	79
Southern	39	31.9	28	25	2
South Central	42	42	36	30	29
South Eastern	42	42	37	38	31
Western	34	31	28	30	31
Production Units	31	40	35	30	32
All Railways	35	35	33	31	

ANNEXURE VI

(c.f. Para 2.3.8)

Extra expenditure due to surplus staff in Steam sheds/Marshalling Yards

Railway	Division	Date of closure of shed/ yard	Date upto which posts remained surplus	No. of surplus posts	Extra expenditure (Rs. in lakh)
Southern	Trivandrum	1.10.1982	August/ 1987	17	8.40
	Tiruchchi-rappalli	1988-89	NA	114	17.40 p.a.
Northern	Bikaner	1985-88	1985-89	232	21.98
	Firozepur	1985	1988	11	5.68
	Delhi	1980-85	1984-86	87	6.93
	Allahabad (Marshalling Yard)	1985-86	1986-87	167	15.61
	Lucknow	1987-88	-	21	2.42
Western	Bhavnagar	Reduction in no. of steam engines from 26 to 15	April 1987 to June 1989	40	14.12
South-Eastern	18 (Locoshed)	1988-89	-	2721	NA
Eastern	3 (Locoshed)	1.1.1987 to 31.12.1987	-	477	NA
	39 (Tranship-ment yard)	1.1.1987 to 31.12.1987	-	NA	NA
	2 Gomoh Marshalling Yard(fully closed) Asansol Hump Yard (two shifts)	1.1.1987 to 31.12.1987	-	30	NA
North-Eastern	Lucknow	March 1986 to May 1988	167	NA	46.63
					139.17

(Note : Position on Central, North-east-Frontier, South Central Railways not available.)

ANNEXURE VII

(c.f. Para 2.3.12)

TRAFFIC UNITS PER EMPLOYEE

(In thousands)

Year	Central Railway	Eastern Railway	Northern Railway	North Eastern Railway	Northeast Fronteir Railway	Southern Railway	South Central Railway	South Eastern Railway	Western Railway	Indian Railways
1980-81	214	121	194	109	66	120	200	182	202	166
1981-82	235	133	203	108	77	136	223	197	208	179
1982-83	238	143	219	122	80	137	217	193	202	183
1983-84	243	137	217	111	79	135	220	193	203	182
1984-85	245	136	207	108	73	147	233	201	207	184
1985-86	272	148	236	112	86	155	257	218	224	202
1986-87	289	162	268	133	99	153	259	233	249	218
CHANGE SINCE 1980-81	35.31%	33.53%	38.18%	21.5%	44.92%	26.60%	29.36%	27.93%	22.84%	31.12%

ANNEXURE VIII

(c.f. Para 2.3.12)

STAFF STRENGTH BASED ON BEST PRODUCTIVITY LEVEL ACHIEVED

S.No.	Railway	Traffic Units in 1986-87 (billion)	Staff Strength			
			Actual	Based on best performance achieved (289.2 thousand Traffic Units per employee	Variation (Col. 4 minus Col .5)	
					Number	Percentage
1.	Central Railway	62.200	2,15,073	2,15,073	-	-
2.	Eastern Railway	36.745	2,27,342	1,27,057	1,00,285	44.1
3.	Northern Railway	62.008	2,31,516	2,14,412	17,104	7.4
4.	North Eastern Railway	14.460	1,09,096	50,00	59,096	54.2
5.	Northeast Frontier Railway	8.340	84,160	28,838	55,322	65.7
6.	Southern Railway	21.690	1,42,202	75,000	67,202	47.3
7.	South Central Railway	33.685	1,29,941	1,16,476	13,465	10.4
8.	South Eastern Railway	48.010	2,06,012	1,66,010	40,002	19.4
9.	Western Railway	51.983	2,09,131	1,79,748	29,383	14.1
	Indian Railways	339.121	15,54,473	11,73,429	3,81,044	24.5

ERRATA

	Page No.	Para No. (Line No.)	For	Read
1.	Page -(ii)	Sl. No-34	Baleast	Ballast
2.	Page -1	Para - 1.1.2- (last line)	addtional	additional
3.	Page -1	Para - 1.1.5- (line 5)	march	March
4.	Page -1	Para - 1.1.5 (line-2 from bottom)	certied	certified
5.	Page -3	Para - 1.41 (penultimate line)	fist	first
6.	Page -3	Para - 1.4.2 (line 2)	Deprectiation	Depreciation
7.	Page -4	Para - 1.5.1 (last line)	R	Rs.
8.	Page -4	Para - 1.6.2 (line 11)	Railwlays	Railways
9.	Page -9	item -(iii) R.S. (last line)	Raiways	Railways
10.	Page -11	Table -6 (i) 6 - Repairs & maint.	Mainte	Maintenance
		(ii)In Col. (5) of 1987-88	758.16	785.16
11.	Page -14	line 5 from top (i) Para - 1.11.4 (i) line 6	setions	sactions
		(ii)Para - 1.11.4 (i) Sub-para-3- penultimate line	availble	available
12.	Page -72	Para - 3.7 Sub para-2-line 6	comissioned	commissioned
13.	Page -93	Para - 3.34 penultimate para - line 9	manufactures	manufacturers
14.	Page -104	Para - 3.55 Sub para 2 - line 17	trasferred	transferred
15.	Page -108	(i) Para - 4.4 last line	the	be
		(ii)Para - 4.5 2nd line	Novemeber	November
16.	Page -116	Column 6 - line 7 from bottom	47942	47842

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