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CENTRAL GOVERNMENT

**AUDIT REPORT**

**RAILWAYS**

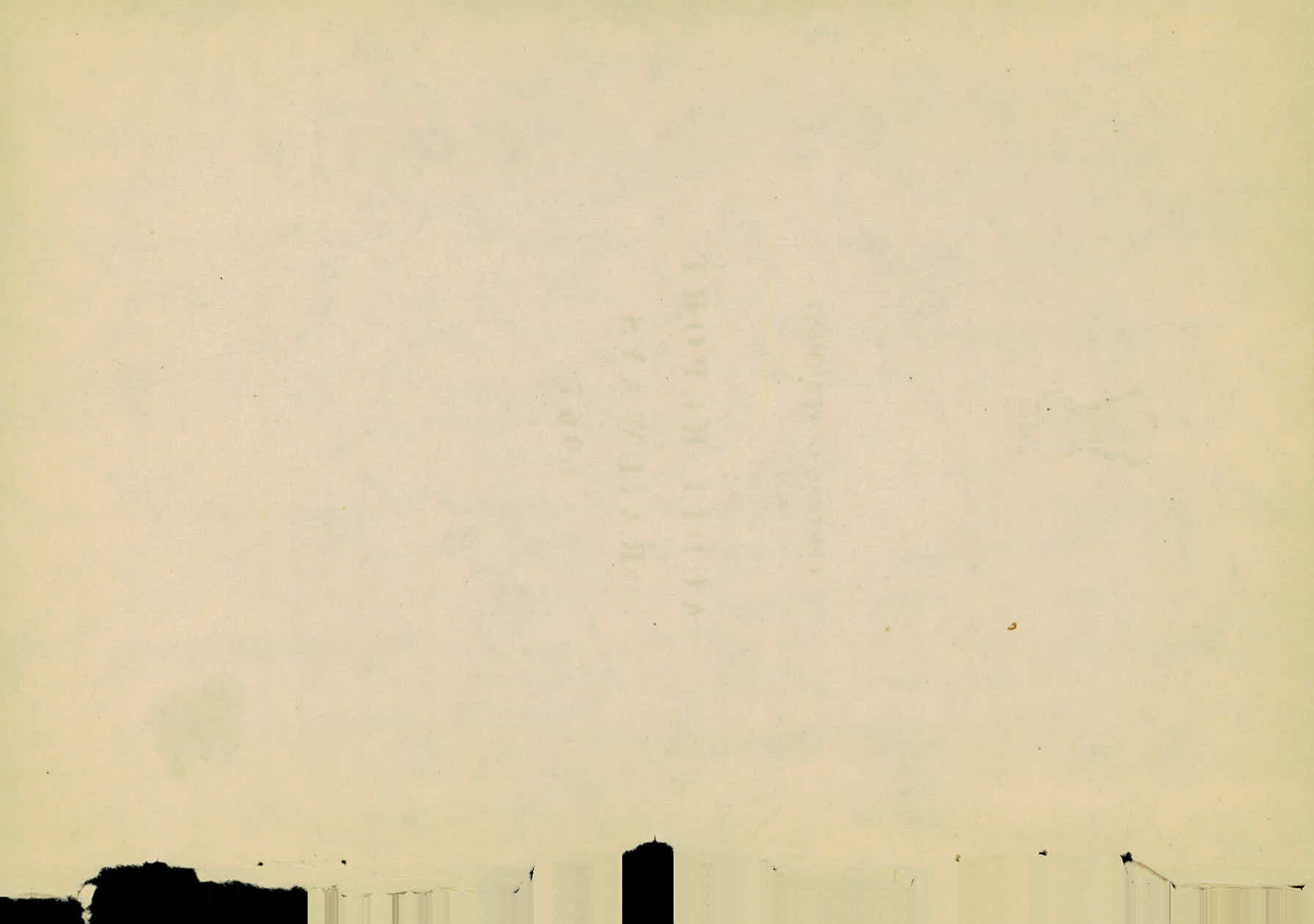
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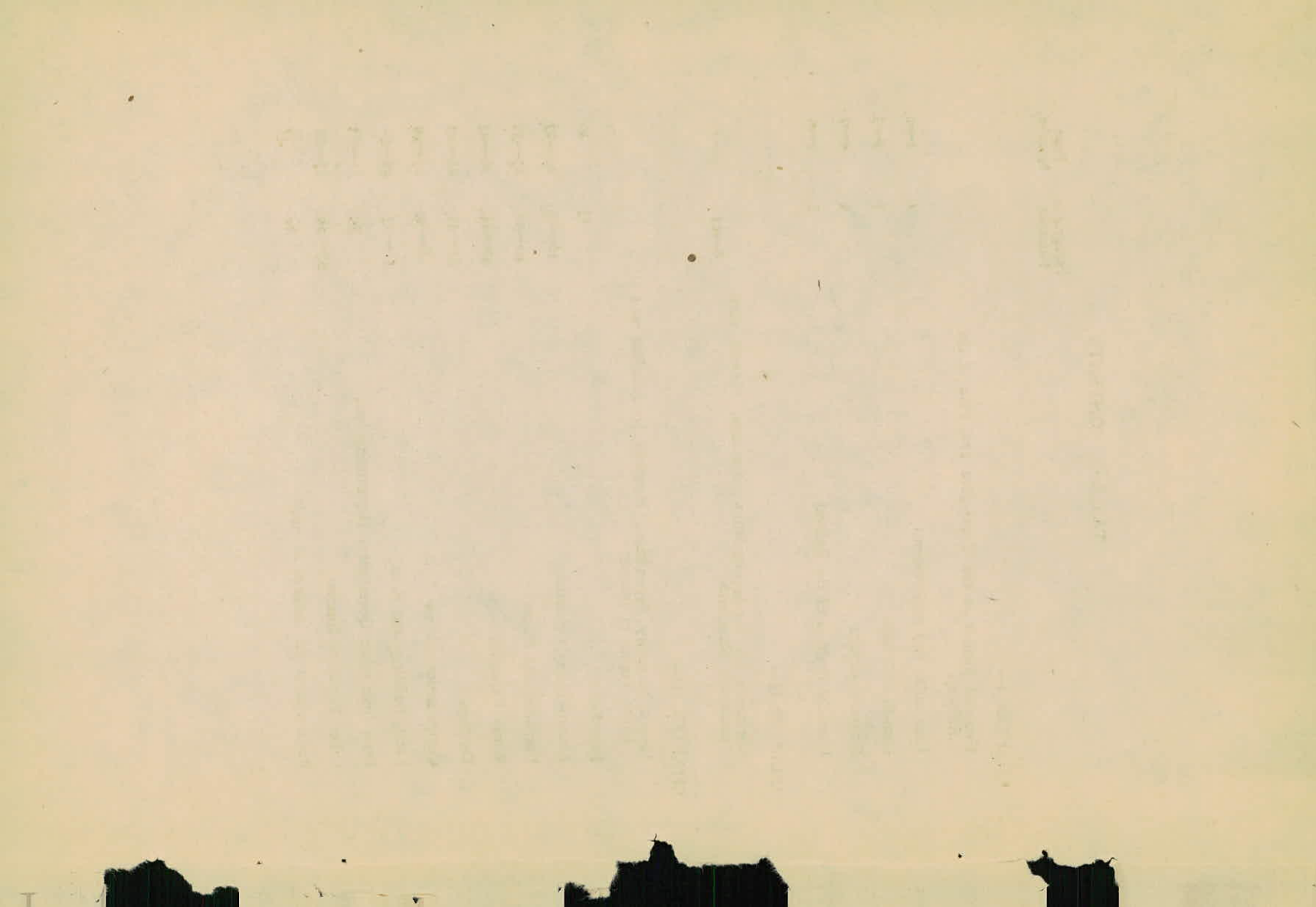
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## TABLE OF CONTENTS

	Paragraph Number	Page Number
<b>CHAPTER I—</b>		
Financial Review of the Third Five Year Plan of the Railways :		
Plan outlay and achievements . . . . .	2	<del>1—2</del>
Growth of Traffic . . . . .	3	<del>2—3</del>
Financial Results . . . . .	4	<del>4—7</del>
Financial Position of the Railways . . . . .	5	<del>7—8</del>
 <b>CHAPTER II—</b>		
Comments on the Appropriation Accounts, 1965-66 and connected documents . . . . .	6—14	9—19
 <b>CHAPTER III—</b>		
Losses, Nugatory Expenditure, Financial Irregularities and Other Topics of Interest :		
Introductory . . . . .	15	20
Manufacturing Operations. . . . .	16—19	<del>20—27</del>
Purchases and Stores . . . . .	20—31	<del>27—36</del>
Works Expenditure . . . . .	32—44	<del>36—43</del>
Earnings . . . . .	45—47	<del>43—47</del>
Compensation Claims . . . . .	48—50	<del>47—49</del>
Land, Buildings and Rent . . . . .	51—53	<del>49—51</del>
Dues from other Government Departments etc. . . . .	54	51—53
Other Topics of Interest . . . . .	55—58	53—56
Recoveries at the instance of Audit . . . . .	59	57





## CHAPTER I

### Financial Review of the Third Five Year Plan of the Railways

The year 1965-66 was the last year of the Third Five Year Plan. This chapter reviews the progress achieved by the Railways during the Plan period. The Appropriation Accounts for the year 1965-66 are dealt with in Chapter II.

#### PLAN OUTLAY AND ACHIEVEMENTS

2. The anticipated expenditure during the Third Five Year Plan on Works, Machinery and Rolling Stock Programme and Inventories of Railways was Rs. 1,325 crores of which Rs. 505 crores was expected to be financed from their own resources, that is, from Revenue, Depreciation Reserve Fund and Development Fund. The actual outlay amounted to Rs. 1,686 crores of which the Railways' contribution was Rs. 546 crores.

The actual outlay and physical achievements as compared with the anticipated expenditure and physical targets of some of the major items are indicated below :—

	Targets		Achievements	
	Physical	Expenditure (In crores of rupees)	Physical	Expenditure (In crores of rupees)
1. New Lines . . . . .	1,920 Kms.	147	1,801 Kms.	212
2. Track renewals— . . . . .		170		216
(a) Complete tracks . . . . .	8,000 Kms.		9,657 Kms.	
(b) Rail renewals . . . . .	4,000 Kms.		2,785 Kms.	
(c) Sleeper renewals . . . . .	3,600 Kms.		3,907 Kms.	
3. Electrification . . . . .	1,760 Kms.	70	1,678 Kms.]	81
4. Line Capacity Works— incl. Doubling . . . . .	2,560 Kms.	183	3,228 Kms.	319
5. Rolling Stock— . . . . .		510		542
(a) Locomotives . . . . .	1,764 Nos.		1,864 Nos.	
(b) Carriages . . . . .	7,433 Nos.		7,362 Nos.	
(c) EMU coaches . . . . .	1,027 Nos.		657 Nos.	
(d) Wagons . . . . .	1,17,144 Nos.		1,44,789 Nos.	
6. Workshop, Machinery and Plant . . . . .	..	62	..	59
7. Stores Suspense . . . . .	..	35	..	50
8. Staff Quarters and Staff Welfare . . . . .	..	50	..	61

NOTE :—The targets under some of the items had been revised upwards in 1964-65 as below :—

New Lines . . . . .	2,200 Kms.
Electrification . . . . .	1,770 Kms.
Doubling . . . . .	3,250 Kms.
Locomotives . . . . .	1,860 Nos.
Wagons . . . . .	1,47,671 Nos.

The total commitments for the new works etc., sanctioned during the Third Plan amounted to Rs. 2,181 crores (including Rs. 427 crores thrown forward from the Second Plan) against which the actual expenditure was Rs. 1,686 crores. The balance thrown forward to the next Plan thus amounted to Rs. 495 crores.

The increase in the Plan outlay was attributed by the Ministry of Railways to increase in costs mostly due to cumulative effects of steadily increasing prices of steel, cement and non-ferrous metals throughout the Plan period; enhancements of customs and excise duties and also increase in inventories incidental to the extension and diversification of activities and increase in prices.

### GROWTH OF TRAFFIC

#### 3. (a) Goods traffic.

The originating goods traffic moved in the last year of the Second Plan was 156 million tonnes. The Third Plan outlay of Rs. 1,325 crores was based on the expectation of increased traffic with a target of 249 million tonnes of originating goods traffic for the last year of the Plan (1965-66). While the outlay had increased by about 27% over the anticipated expenditure, the traffic moved in 1965-66 (203 million tonnes) was 18% less than the anticipated quantum.

The year to year materialisation of traffic was also below expectations from the beginning of the Plan period. At the time of deliberations of the Railway Convention Committee, 1960 which considered the Railway finances for the five year period ending with 1965-66 coinciding with the Third Five Year Plan, the Ministry of Railways expected to reach a target of 239 (later revised to 249) million tonnes by 1965-66. The anticipated year to year traffic compared with actual materialisation is as under:—

	(In million tonnes)	
	As anticipated at the time of 1960 Convention	Actual traffic moved
1961-62	175	160
1962-63	187	179
1963-64	200	191
1964-65	214	194
1965-66	239	203
TOTAL	1,015	927

The total traffic of 1,015 million tonnes during the Plan period anticipated in 1960 comprised 199 million tonnes of Railways' own traffic (including coal for their use) and 816 million tonnes of revenue earning traffic. While the actual revenue earning traffic was 723 million tonnes (about 11% less) the Railways' own traffic was 204 million tonnes (an increase of 2.5%) during the Plan period. The commodity-wise break-up of the actual traffic carried is as follows:—

(In million tonnes)

Particulars	Traffic anticipated in 1960	Traffic handled
1. Revenue earning traffic		
(a) Coal	234	202
(b) Raw materials for steel plants other than coal	86	77
(c) Finished products from steel plants	34	29
(d) Cement	50	37
(e) General Goods	412	378
2. Railways' own traffic		
(a) Coal	99	107
(b) Other materials	100	97
TOTAL	1,015	927

The Ministry of Railways stated that the Third Plan began with a shortage of rail capacity for freight transport, mainly due to the progressive accumulation of transport demands for a wide range of commodities inherited from the first two Plans. This was successfully overcome by late 1962. Still the main effort was to provide adequate capacity to overtake all anticipated needs and some small extra limited capacity to take care of unforeseen demands etc. But in the later years of the Plan, mainly due to smaller growth of traffic in the Coal and Steel industries, demand for rail transport slowed down and Railways had to rephase their development programmes and cut back their rolling stock procurement. At the end of Third Plan, it was stated, there was marginal spare capacity on the Broad Gauge, particularly in motive power and wagons, on the Metre Gauge, capacity and demand were practically balanced with no margin available for seasonal peaks or changes in pattern of movement or transshipment at the break of gauge points.

(b) *Passenger traffic.*

In the case of passenger traffic, an increase of 3 per cent per annum in the non-suburban traffic was anticipated during the Third Plan and the actual increase was 3.4 per cent.

## FINANCIAL RESULTS

4. (a) On the basis of the above anticipated increase in traffic the Ministry submitted to the Railway Convention Committee, 1960, that the Gross Receipts of the Railways during the Plan period would be Rs. 2,701 crores at the then prevailing rates and fares and the working expenses, including works to be met from Revenue, would be Rs. 1,953 crores. The Convention Committee recommended (approved by Parliament in December, 1960) the contributions to the Depreciation Reserve Fund at Rs. 350 crores and payments to General Revenues at 4.25% per annum of the Capital-at-charge. The net surplus as per these estimates was placed at Rs. 11 crores to be credited to the Development Fund. The anticipated expenditure on works to be met from Development Fund was Rs. 115 crores and the Ministry submitted to the Convention Committee, 1960 that, apart from taking recourse to temporary loans from General Revenues, the position in regard to re-adjustment of freights and fares would require careful consideration at the appropriate time.

The contribution to the Depreciation Reserve Fund was revised to Rs. 380 crores in 1963-64 and the rates of dividend to General Revenues to 4.5% per annum in 1963-64 and to 5.75% per annum in 1964-65 on fresh capital provided after 31st March, 1964. The fares and freights had undergone revision during the Plan period; while increase in costs resulted in increase in the Working Expenses. With these changes the actual surplus amounted to Rs. 147 crores which was credited to Development Fund (see also Para. 5). The details are as below:—

Particulars	(Amount in crores of rupees)			Percentage increase over estimates of 1960
	Anticipated in 1960	In the Budgets	Actuals during 1961-66	
1. Earnings . . . . .	2,763*	3,029	₹ 3,099	12
2. Working Expenses . . . . . [see sub-para (c)].	1,953	2,023	2,075	6
3. Appropriation to Depreciation Reserve Fund . . . . .	350	380	380	..
4. Appropriation to Pension Fund . . . . .	..	31	23	..
5. Net Revenue [ 1-(2+3+4) ] . . . . .	460	595	621	35
6. Payments to General Revenues . . . . .	449	472	474	6
7. Net surplus transferred to Development Fund (5-6) . . . . .	11	123	147	..

\*Includes an estimated Rs. 62 crores being the effect of merging Passenger Fare Tax.

The average ratio of net revenue to Capital-at-charge (see Para. 5 below), compared with the previous two Plans, is as below:—

	Return before payments to General Revenues	Return after payments to General Revenues
First Plan . . . . .	5.4%	1.5%
Second Plan . . . . .	5.1%	1.4%
Third Plan . . . . .	5.9%	1.6%

(b) *Earnings.*

The larger earnings than anticipated (instead of less revenue corresponding to less traffic moved) were mainly due to (i) major changes in the goods tariff made in the last four years of the Plan, and (ii) two increases in passenger fares, mainly for the non-suburban traffic, made from 1st July, 1962 and 1st April, 1965 and larger passenger traffic than anticipated. The break-up of the gross earnings is as follows:—

(In crores of rupees)

Source of receipts	Anticipated in 1960	Estimated in the Budgets	Actuals
1. Goods earnings . . . . .	1,836	1,906	1,927
2. Passenger earnings . . . . .	747	890	924
3. Other coaching earnings . . . . .	129	161	170
4. Sundry other earnings (including suspense and miscellaneous receipts)	51	72	78
TOTAL . . . . .	2,763	3,029	3,099

(c) *Working Expenses.*

The actual working expenses of Rs. 2,075 crores was made up of expenditure on works met from Revenue (Rs. 53 crores), miscellaneous expenditure including subsidy to Branch Lines (Rs. 22 crores) and Ordinary Working Expenses (Rs. 2,000 crores).

The break-up of the Ordinary Working Expenses, as compared with those in the First and Second Five Year Plans, is as follows:—

(Amount in crores of rupees)

Particulars	I Plan		II Plan		III Plan	
	Expenditure	Percentage to total Expenditure	Expenditure	Percentage to total Expenditure	Expenditure	Percentage to total Expenditure
1. Staff (Administration, Operating & Labour Welfare)	379	37.7	497	36.1	703	35.1
2. Repairs and Maintenance	346	34.5	462	33.5	633	31.7
3. Fuel	124	12.4	249	18.1	424	21.2
4. Miscellaneous	153	15.4	169	12.3	240	12.0
<b>TOTAL</b>	<b>1,002</b>		<b>1,377</b>		<b>2,000</b>	

a) Traffic Receipts (in crores of rupees)	1,439		1,997		3,094	
b) Percentage of Ordinary Working Expenses to Traffic Receipts	70%		69%		65%	
c) Goods Traffic carried (in million tonnes originating)	521		701		927	
(a) Passengers originating (in millions)	6,104		7,295		9,404	

As against an increase of 32% in the goods traffic and 29% in the passenger traffic over that carried in the Second Plan, the increase in the working expenses was of the order of 45%. The proportion of expenditure on Fuel has steadily increased; the increase of Rs. 175 crores over the expenditure during the Second Plan being 70%.

The Ministry of Railways explained the increase in the Ordinary Working Expenses as due to increase in the prices of coal and freight thereon, increase in wage bills due to appointment of additional staff for the improved maintenance of track considered necessary to ensure speed and maximum safety, increase in the rate of various allowances to the staff, more expenditure on repairs to Rolling Stock, both on periodical overhauls and other running repairs, and increased expenditure on restoration of damage to track, bridges etc., by natural calamities.

## (d) Zonal Railways working on loss.

Three of the Zonal Railways, namely, Southern, North Eastern and Northeast Frontier Railways continued to work on loss during the Third Plan period as during the Second Plan, although there was a marked improvement in the proportion of working expenses to earnings on North Eastern and Northeast Frontier Railways. The amounts of losses during the last year of the Third Plan as compared with the last year of the Second Plan are as shown below :—

	(In crores of rupees)					
	Southern		North Eastern		Northeast Frontier (Commercial)	
	1960-61	1965-66	1960-61	1965-66	1960-61	1965-66
Gross Earnings	63.8	95.8	20.9	36.4	13.3	31.0
Working Expenses*	57.7	85.2	25.6	36.0	19.8	31.4
Net Revenue	6.1	10.6	(-)4.7	0.4	(-)6.5	(-)0.4
Payments to General Revenues	7.3	17.0	3.4	5.6	2.6	4.9
Net Loss	1.2	6.4	8.1	5.2	9.1	5.3

The Railway Convention Committee, 1960 recommended that the dividend to the General Revenues on the Capital-at-charge of the Northeast Frontier Railway might be made at the average borrowing rate of the Government instead of the normal dividend rates as this Railway was not being operated entirely on commercial considerations. The reduction in the dividend on this account came to Rs. 3.16 crores during the Plan period.

### FINANCIAL POSITION OF THE RAILWAYS

5. The total Capital-at-charge of the Railways as on 31st March, 1966 was Rs. 2,680 crores as against Rs. 1,521 crores at the end of the Second Five Year Plan. The total assets of the Railways as on 31st March, 1966, including those created out of their own resources, stood at Rs. 3,255 crores representing an increase of Rs. 1,387 crores over

\*Includes miscellaneous expenditure and expenditure on works met from Revenue also appropriations to Depreciation Reserve Fund and Pension Fund.

the value of the assets at the end of Second Plan, as per details given below :—

	(In crores of rupees)	
	As on 31st March, 1961	As on 31st March, 1966
1. Assets financed from Loan Capital—		
(a) Fixed assets . . . . .	1,405	2,477*
(b) Investments in Commercial undertakings . . . . .	12	20
(c) Floating assets—		
(i) Stores Suspense . . . . .	90	139
(ii) Manufacture Suspense . . . . .	4	30
(iii) Miscellaneous Advances . . . . .	10	14
TOTAL . . . . .	1,521	2,680
2. Other Assets.		
(Financed from Revenue, Depreciation Reserve Fund, Development Fund etc.) . . . . .	347	575
Grand Total . . . . .	1,868	3,255

The fixed assets comprise land, permanent way, structural works, equipment, rolling stock etc.

The position of Reserve Funds at the end of the Plan was as follows:—

	(In crores of rupees)			
	Balance at the end of the Second Plan	Contrib- utions, interest etc. during Third Plan period	Withdrawals during Third Plan period	Balance at the end of Third Plan
Depreciation Reserve Fund . . . . .	20	393	360	53
Development Fund . . . . .	19	172	161	30
Revenue Reserve Fund . . . . .	53	10	..	63
Pension Fund . . . . .	..	30	5	25
Total . . . . .	92	605	526	171

The withdrawals from the Development Fund comprise (i) repayment of loan of Rs. 29 crores from General Revenues obtained during the Second Plan period, (ii) Plan expenditure of Rs. 132 crores on users' amenities (Rs. 15 crores), staff welfare (Rs. 58 crores) and unremunerative operating improvements (Rs. 59 crores).

\*Includes assets valued at Rs. 19 crores originally financed from Development Fund.



## CHAPTER II

### Comments on the Appropriation Accounts, 1965-66 and connected documents

#### 6. Financial results.

The actual surplus of the Railways during the year 1965-66 amounted to Rs. 18.56 crores against Rs. 29.24 crores anticipated in the Budget for the year, as indicated below:—

Particulars	(In crores of rupees)		
	Budget	Actuals	Variations
1. Gross Receipts . . . . .	716.17	733.76	(+)17.59
<i>Deduct</i>			
2. (a) Revenue Expenditure . . . . .	571.03	598.92	(+)27.89
(b) Payments to General Revenues . . . . .	115.90	116.28	(+)0.38
3. Net Surplus . . . . .	29.24	18.56	(—)10.68

(N.B.—The figures given under Budget take into account the figures of Revised Estimates and Supplementary provisions.)

The entire surplus was credited to the Railway Development Fund. The shortfall of Rs. 10.68 crores in the net surplus over the Budget anticipation was mainly due to increase in the working expenses being considerably more than the increase in the gross receipts as explained in the succeeding paragraphs.

#### 7. Receipts.

The increase of Rs. 17.59 crores in the Gross Receipts was mainly due to increase in the goods earnings (Rs. 23.59 crores) which was

partly set off by shortfall in passenger earnings (Rs. 2.33 crores) and in other earnings (Rs. 3.67 crores), as indicated below:—

Particulars	(In crores of rupees)		
	Budget	Actuals	Variations
1. Goods earnings . . . . .	441.90	465.49	(+)23.59
2. Passenger earnings . . . . .	221.50	219.17	(—)2.33
3. Other earnings (including suspense and miscellaneous receipts) . . . . .	52.77	49.10	(—)3.67
Gross Receipts . . . . .	716.17	733.76	(+)17.59

(N.B.—The figures given under Budget do not take into account the figures of Revised Estimates).

The variation between actuals and the Budget Estimates of goods earnings was the highest since 1961-62.

It was explained in the Budget for 1965-66 that the estimates of goods earnings took into account an increase of 10 million tonnes of originating traffic over 1964-65. The total anticipated goods traffic was 164 million tonnes of originating revenue earning traffic, apart from Railways' own traffic estimated at 42 million tonnes. The actual originating goods traffic materialised during the year was 162 million tonnes of revenue earning traffic and 41 million tonnes of Railways' own traffic.

The Budget Estimates also included additional earnings of Rs. 6.90 crores expected to be realised as a result of selective increases in the freight rates of a few bulky commodities, of which a substantial tonnage was moving, partly offset by reductions in the rates applicable to certain commodities in the higher brackets of commodity classification, like cotton piece goods. Later, at the time of presenting the Revised Estimates for the year, along with the Budget for the following year, it was explained that, in the first nine months of the year, an improvement had been noticed over the proportionate targets for the period in certain relatively better rated traffic such as miscellaneous general goods as also an improvement in the lead of traffic. The Revised Estimates of goods earnings were, therefore, placed at Rs. 20.10 crores higher than the Budget. The actuals, however, exceeded even the Revised Estimates by Rs. 3.49 crores.

## 8. Revenue expenditure.

The details of the increase of Rs. 27.89 crores in the Revenue Expenditure over the anticipations in the Budget are as under:—

Particulars	(In crores of rupees)		
	Budget	Actuals	Variations
<b>A—Working Expenses—</b>			
(i) Staff-Administration including Labour Welfare and Operating	168.46	176.76	(+)8.30
(ii) Repairs and Maintenance	146.37	157.58	(+)11.21
(iii) Fuel	94.74	101.05	(+)6.31
(iv) Miscellaneous Expenses including operation other than staff and fuel, payments to worked lines and suspense	48.43	50.65	(+)2.22
(v) Appropriation to Depreciation Reserve Fund	85.00	85.00	..
(vi) Appropriation to Pension Fund	12.00	12.00	..
<b>Total Working Expenses</b>	<b>555.00</b>	<b>583.04</b>	<b>(+)28.04</b>
<b>B—Miscellaneous Expenditure such as cost of Railway Board and its attached offices, Surveys, Audit &amp; subsidy paid to Branch Line Companies</b>			
	5.03	5.14	(+)0.11
<b>C—Open Line Works—Revenue</b>			
	11.00	10.74	(-)0.26
<b>Total Revenue Expenditure</b>	<b>571.03</b>	<b>598.92</b>	<b>(+)27.89</b>

The increase in the Working Expenses under 'Staff' and 'Repairs and Maintenance' amounting to Rs. 19.51 crores [c.f., Items (i) and (ii)] was attributed mainly to:—

- Post budget enhancements in the rates of dearness allowance sanctioned with effect from 1st March, 1965 and 1st December, 1965 (Rs. 14.49 crores) and house rent allowance with effect from 1st July, 1965 (Rs. 1.70 crores); and
- Increased expenditure on repairs to Rolling Stock and Workshop Plant and Machinery arising partly from intensive utilisation of the Rolling Stock and partly from increase in prices (Rs. 5.44 crores).

The above increases were partly off set by savings mainly due to non-filling up of certain posts as a measure of economy (Rs. 2.37 crores).

The increase of Rs. 6.31 crores under 'Fuel' was attributed mainly to increased consumption of coal, diesel oil and electricity (Rs. 3.11 crores) and post Budget revision in the prices of coal and Customs/Excise duty on diesel oil (Rs. 2.74 crores).

#### 9. Budgetary control.

The number of Demands voted during the year 1965-66 was 18 against 19 in the previous year, due to merger of former Demands Nos. 15 and 16, namely, "Open Line Works—Additions and Replacements" and "Open Line Works—Development Fund" respectively, to form a single demand, to achieve simplification in Works Grants.

There was a substantial increase in the number and amounts of supplementary grants obtained during the year under report—14 (for Rs. 49.33 crores) as against 10 (for Rs. 25.07 crores) in 1964-65.

The number of Charged Appropriations obtained for the year was 7 against 12 in the previous year, due to no provision being made for charged expenditure under Works Grants and "Grant No. 16—Withdrawal from Pension Fund". The number of supplementary appropriations obtained during the year was 5 (for Rs. 0.07 crore) as against 3 (for Rs. 0.09 crore) in the previous year.

The actual total disbursements approximated closely—the closest since 1961-62—to the total Final Grants and Appropriations as given below:—

	(In crores of rupees)		
	Voted Grants	Charged Appropriations	Total
1. Original . . . . .	1,363.49	0.99	1,364.48
2. Supplementary . . . . .	49.33	0.07	49.40
3. Total Grants/Appropriations . . . . .	1,412.82	1.06	1,413.88
4. Actual disbursements . . . . .	1,397.86	0.71	1,398.57
5. Net saving . . . . .	14.96	0.35	15.31
6. Proportion of net saving to total Grants/Appropriations . . . . .	1.1%	33.0%	1.1%
7. Proportion of net saving in the previous year (1964-65) . . . . .	2.8%	31.3%	2.8%

Under voted Grants, there were savings under 12 Grants aggregating to Rs. 16.60 crores (of which Rs. 10.68 crores were due to reduction in net surplus) partly counterbalanced by excesses under four Grants totalling Rs. 1.64 crores.

Under charged Appropriations, there were savings under ten out of eleven Appropriations (including supplementary) obtained during the year.

#### 10. Savings in Grants and Appropriations.

(a) There was considerable reduction in the total amount of savings under voted Grants as compared to the previous year (Rs. 16.60 crores as against Rs. 41.66 crores in 1964-65). The substantial reduction in the total savings occurred mainly under 5 Grants, 3 of which related to expenditure on works. There was, however, an increase in the amount of savings under 3 other Grants as shown below:—

No. & Name of the Grant	(In lakhs of rupees)					
	Final Grant		Total Amount of savings		Percentage of savings to Final Grant	
	1964-65	1965-66	1964-65	1965-66	1964-65	1965-66
6. Revenue—Working Expenses—Operating Staff	99,75	114,02	7	73	0.1	0.6
9. Revenue—Working Expenses—Miscellaneous Expenses	29,61	31,33	67	92	2.3	2.9
10. Revenue—Working Expenses—Labour Welfare	17,01	20,17	56	1,26	3.3	6.3

A supplementary grant of Rs. 723 lakhs was obtained under Grant No. 6 in March, 1966. The final savings were Rs. 73 lakhs, that is, about 10 per cent of the supplementary grant.

In respect of Grant No. 9 also, a supplementary grant of Rs. 136 lakhs was obtained in March, 1966 but the Grant closed with savings of Rs. 92 lakhs, that is, about 68 per cent of the supplementary grant.

The supplementary grant of Rs. 31 lakhs obtained in March, 1966 under Grant No. 13—Open Line Works—Revenue proved entirely unnecessary as the final savings under this Grant amounted to Rs. 55 lakhs. An amount of Rs. 11 lakhs of the savings was attributed to non-finalisation of plans and estimates by the South Eastern Railway. The recurring feature of savings under this Grant was commented upon in Para 10(a) of the Audit Report, Railways, 1965 and Para 7 of the Audit Report, Railways, 1966.

The final savings of Rs. 159 lakhs under Grant No. 14—Construction of New Lines was about 59 per cent of the supplementary grant of Rs. 273 lakhs obtained in March, 1966.

(b) Bulk of the savings under charged expenditure occurred under 2 Appropriations, namely, "No. 8—Revenue—Operation other than Staff and Fuel" and "No. 9—Revenue—Miscellaneous Expenses" which together accounted for Rs. 31.80 lakhs, that is, 91 per cent of the total saving of Rs. 34.88 lakhs. The following table would indicate that large savings occurred under these two Appropriations during the three previous years also. While the savings under Appropriation No. 9 are steadily coming down, the position in respect of Appropriation No. 8 is deteriorating year after year.

Year	(In lakhs of rupees)	
	Appropriation No. 8	Appropriation No. 9
1962-63 . . . . .	6.35	10.79
1963-64 . . . . .	24.95	9.58
1964-65 . . . . .	27.99	4.42
1965-66 . . . . .	29.65	2.15

No provision was made in the Budget under Appropriations No. 14—Construction of New Lines and No. 15—Open Line Works—Capital, Depreciation Reserve Fund and Development Fund. However, supplementary appropriations for Rs. 1.88 lakhs and Rs. 4.70 lakhs respectively were obtained in March, 1966, of which Rs. 0.76 lakh and Rs. 0.70 lakh remained unutilised.

#### 11. Excess over Grants.

There were excesses under 4 voted Grants totalling Rs. 1.64 crores. In respect of three of these Grants, namely, Nos. 5, 8 and 15, supplementary grants were obtained in March, 1966 for a total amount of Rs. 28.15 crores. During the previous two years also excesses occurred under Grants Nos. 5, 8 and 15 though supplementary grants were obtained during those years also towards the close of the years. The excesses were as shown below:—

Year	(In lakhs of rupees)		
	Grant No. 5	Grant No. 8	Grant No. 15
1963-64 . . . . .	33	60	707
1964-65 . . . . .	47	24	303
1965-66 . . . . .	65	8	80 (includes the former Grant No. 16).

The Grant-wise details of excesses during 1965-66, which are comparatively small in each case but require to be regularised under Article 115 of the Constitution are as under:—

No. & Name of the Grant	Final Grant	Actual Expenditure	Excess	Percentage of excess to Final Grant
2. Revenue—Miscellaneous Expenditure . . . . .	3,63,64,000	3,73,84,480	10,20,480	2.8

The excess which occurred under Miscellaneous Establishments attached to the Railway Board was mainly due to adjustment of heavier debits in respect of Railways' share of expenditure on Central Bureau of Investigation (Rs. 14 lakhs); partly counterbalanced by savings under publicity (Rs. 2 lakhs).

5. Revenue—Working Expenses—Repairs and Maintenance . . . . .	1,78,77,14,000	1,79,42,27,624	65,13,624	0.4
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The excess occurred under all the Railways except South Eastern and Western and was mainly on account of increased expenditure on periodical overhauls and other repairs to Rolling Stock, Workshop Plant and Machinery chiefly due to increase in prices of materials (Rs. 28 lakhs); increased expenditure on maintenance of Electrical services (Rs. 20 lakhs), fluctuations in the adjustments under stock adjustment account (Rs. 7 lakhs), more expenditure on repairs to service buildings etc. (Rs. 4 lakhs) and expenditure incurred for the restoration of a line damaged in enemy action (Rs. 4 lakhs). The above excesses were partly counterbalanced by savings due to non-filling up of certain posts and less engagement of temporary labour (Rs. 5 lakhs).

8. Revenue—Working Expenses—Operation other than Staff and Fuel . . . . .	34,31,08,000	34,39,56,616	8,48,616	0.2
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The excess occurred mainly on two Railways, namely, Central (Rs. 20 lakhs) and North Eastern (Rs. 11 lakhs) which was partly counterbalanced by savings on other Railways, particularly on Western Railway (Rs. 14 lakhs) and Eastern Railway (Rs. 12 lakhs). The net excess was chiefly due to more expenditure on clothing, stationery, printing and other stores (Rs. 18 lakhs) and on electrical services for traction purposes (Rs. 4 lakhs), partly set off by savings resulting from less payment of compensation claims for goods lost or damaged

(Rs. 7 lakhs) and adjustment of less credits for conference hire and penalty charges on interchanged stock (Rs. 7 lakhs).

15. Open Line Works—Capital, Depreciation Reserve Fund & Development Fund	5,33,82,39,000	5,34,62,70,640	80,31,640	0.1
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The excess occurred mainly under Stores Suspense (Rs. 65 lakhs), Manufacture Suspense (Rs. 43 lakhs) and Rolling Stock (Rs. 27 lakhs) partly set off by savings under Miscellaneous Advance—Capital (Rs. 53 lakhs) and under 'Works' (Rs. 2 lakhs) as per details given below:—

(a) The bulk of the excess of Rs. 65 lakhs under 'Stores' related to three Railways, namely, Western (Rs. 70 lakhs) and Northeast Frontier and South Eastern Railways (Rs. 37 lakhs each) which was partly set off by savings on two Production Units, that is, Chittaranjan Locomotive Works (Rs. 44 lakhs) and Integral Coach Factory (Rs. 38 lakhs) and was attributed to issues to Works etc., within the Grant being less than anticipated (Rs. 91 lakhs); more receipt of stores from manufactures into Stock (Rs. 40 lakhs) and of surplus stores returned from works etc., (Rs. 34 lakhs). The above excesses were partly counterbalanced by savings owing to less receipt of debits for cost of stores, customs duty etc., (Rs. 64 lakhs) and fluctuations in adjustment under 'Stock Adjustment Account' (Rs. 30 lakhs).

(b) The excess under "Manufacture Suspense" was mainly on Diesel Locomotive Works (Rs. 114 lakhs) and was due to adjustment of heavier debits for customs duty on imported stores towards the close of the year. This was partly counterbalanced by savings on Integral Coach Factory (Rs. 41 lakhs) and Chittaranjan Locomotive Works (Rs. 31 lakhs) resulting from less receipt of debits for customs duty (Rs. 47 lakhs) and more issues to works etc., within the grant (Rs. 19 lakhs).

(c) The excess of Rs. 27 lakhs under 'Rolling Stock' related to Railway Board's bulk orders for the purchase of Rolling Stock items and was on account of accelerated delivery of wheel sets and other component parts (Rs. 107 lakhs), partly counterbalanced by shortfall in the production of Rolling Stock (Rs. 25 lakhs), non-adjustment of certain payments made out of A.I.D. loans (Rs. 20 lakhs), revision in the allotment of stock (Rs. 22 lakhs) and non-receipt of certain debits for customs duty (Rs. 6 lakhs).

(d) The saving of Rs. 53 lakhs under 'Miscellaneous Advance—Capital' occurred mainly on the Eastern (Rs. 28 lakhs) and Central (Rs. 21 lakhs) Railways owing chiefly to deferment of shipment of



imported steel and payments therefor including sea freight etc., beyond 31st March, 1966 (Rs. 111 lakhs), partly counterbalanced by excesses resulting from more debits placed under this head in respect of cost of certain stores including customs duty, sea freight etc., pending clearance to final heads on receipt of full particulars (Rs. 41 lakhs) and more issues of stores from Depots for fabrication (Rs. 16 lakhs).

(e) The saving of Rs. 2 lakhs under 'Works' was made up of a saving under Development Fund works (Rs. 14 lakhs) partly offset by excess under other works (Rs. 12 lakhs).

12. *Unnecessary provision in the budget for a work.*

The entire provision of Rs. 10 lakhs for the work "Provision of Tokenless Block working on Barauni—Katihar Section" on the North Eastern Railway was surrendered in March, 1966 as the work could not be commenced due to late receipt of import licence for signalling materials.

The above work was first included in the Budget for 1962-63 as a new item with a provision of Rs. 0.5 lakh. The work was treated as "work in progress" in the Budget documents of the subsequent years but the provisions as under were surrendered year after year:—

		(In lakhs of rupees)
1962-63	. . . . .	0.5
1963-64	. . . . .	2.0
1964-65	. . . . .	0.5
1965-66	. . . . .	10.0

13. *Expenditure held under objection.*

The total amount of expenditure held under objection as at the end of the year (and not regularised upto 15th October 1966) was Rs. 105.90 crores representing an increase of Rs. 8.72 crores over that at the end of the previous year. Of this amount, Rs. 18.92 crores have been pending regularisation for more than 3 years as indicated below:—

Category	No. of cases	Amount (in crores of rupees)	Remarks
1. Want of estimates	24	15.87	Represents expenditure on works undertaken without obtaining sanction to detailed/construction estimates.
2. Excess over estimates	32	2.39	Represents expenditure on works incurred in excess of the detailed estimates sanctioned by competent authority.
3. Miscellaneous items	4	0.66	

Nine of the works mentioned against items (1) and (2) above were completed on varying dates between December, 1958 and March, 1964, that is, two years before the close of the financial year under report. In respect of these cases completion reports have not been finalised till 15th October, 1966. In one case the estimate sent to the Railway Board for sanction on 19th March, 1964 was returned to the Railway Administration on 4th September, 1966 (that is, after a lapse of nearly 2½ years) for recasting. In two other cases detailed statements showing excesses over estimates sent to the Railway Board in July and September, 1965 are stated to be still pending regularisation.

The miscellaneous items comprise:—

(i) Certain service taxes claimed by Bombay Municipal Corporation and provisional payments made by the Railway Administration under protest (Rs. 51 lakhs). The payment relates to the period from 1st April, 1954 to 31st March, 1959. The finalisation of rate is stated to be still under correspondence with the Corporation;

(ii) Grant of authorised scales of pay to casual labourers without sanctioned posts on the Southern Railway (Rs. 8 lakhs);

(iii) Payment made to Maharaja of Gondal and Gujarat State and its predecessor in respect of Silver Jubilee Workshop, Gondal on account of rent of land, interest and depreciation charges for the years 1950-51 to 1965-66, pending execution of necessary agreement (Rs. 5 lakhs). The agreement is stated to be under finalisation; and

(iv) House tax paid provisionally to Lonavla Municipality for the period from 1931 (Rs. 2 lakhs). A case filed against the Municipality for refund in the lower court was decided in Railway's favour but the High Court of Bombay reversed the decision on an appeal filed by the Municipality. A further appeal to Supreme Court against the High Court's decision is stated to be under consideration.

#### 14. Losses.

The losses adjusted in the accounts for the year are mentioned in "Annexure 'H' to the Appropriation Accounts of Railways in India—Part II—Detailed Accounts". The total amount of losses adjusted

during the year was Rs. 184 lakhs. The break up is as below:—

Reasons for losses	(In lakhs of rupees)
	Amount
1. Damage to Railway properties caused by accidents* . . . . .	64
2. Thefts (including theft of fittings)** . . . . .	50
3. Loss arising from civil disturbances*** . . . . .	36
4. Losses attributed to natural calamities such as breaches, fire .	18
5. Inefficient balances under suspense heads and irrecoverable over-payments to staff, contractors etc., written off . . . . .	3
6. Other losses . . . . .	13
TOTAL . . . . .	184

\*The losses due to accidents occurred mainly on five Railways, namely, the Central (Rs. 23.1 lakhs), South Eastern (Rs. 17.6 lakhs), Western (Rs. 10.5 lakhs), Southern (Rs. 6.6 lakhs) and Northern (Rs. 6.2 lakhs) Railways.

\*\*During the year under report the total loss attributed to thefts registered an increase of 61 per cent over that of the previous year. Bulk of the loss occurred on four Railways as shown below:—

	(In lakhs of rupees)	
	1964-65	1965-66
1. Eastern . . . . .	0.7	14.1
2. Southern . . . . .	10.6	13.8
3. Central . . . . .	11.8	11.2
4. Northern . . . . .	5.2	7.8
TOTAL . . . . .	28.3	46.9

\*\*\*The entire loss on account of civil disturbances related to Southern Railway.

## CHAPTER III

### Losses, Nugatory Expenditure, Financial Irregularities and Other Topics of Interest

#### INTRODUCTORY

15. This chapter deals with certain financial irregularities noticed in the course of audit of the accounts for the year 1965-66. It includes a few irregularities pertaining to earlier years which could not be dealt with in previous Reports. Certain matters relating to the period subsequent to the year 1965-66 noticed during concurrent audit have also been included, wherever considered necessary.

#### MANUFACTURING OPERATIONS

##### 16. *Chittaranjan Locomotive Works—Manufacture of Electric Locomotives and Components.*

The Ministry of Railways decided in March, 1961 to adopt the design of a foreign firm for A.C. freight B.G. electric locomotives and entered into an agreement with the firm in January, 1963 for the supply of 10 complete locomotives at a cost of Rs. 96 lakhs and also for rendering technical assistance for the indigenous manufacture of mechanical parts and assembly of these locomotives in India. An order for the supply of 32 sets of electrical and other equipment (for fitting them into mechanical parts to be manufactured in India) at a cost of Rs. 2.08 crores was also placed on the firm. The supplies which were to be made by October, 1963 were completed by the firm only in July, 1965. The production was consequently delayed and the first locomotive scheduled for completion in November, 1962 could be commissioned only a year later. The question of levying liquidated damages for the delays in supply is stated to be under consideration.

The same firm had offered earlier in January, 1960 and January, 1961 technical assistance in the indigenous manufacture of the electrical equipment also and stated that the Railways could expect to be in a position of obtaining after a very short period, between 90 to 100 per cent of the electrical equipment from indigenous sources. The Ministry of Railways accepted this offer in March, 1961 and a

collaboration agreement was signed in November, 1962. This agreement, operative for 8 years upto November, 1970, provided for the granting of manufacturing rights and giving technical assistance for the indigenous production of 13 specified items, covering about 60 per cent of the total cost of electrical equipment fitted in an electric locomotive. The remaining 40 per cent of the equipment was also expected to be developed indigenously. It was anticipated by the Ministry of Railways (October, 1962) that cent per cent indigenous production could be established within a period of about five to six years from the date of signing the agreement with the firm. The agreement also provided that Government should buy their requirements of the 13 specified items, manufactured by the firm, as long as they are not manufactured indigenously at 'normal commercial prices covering the actual cost of production including normal overhead charges and a profit ordinarily not exceeding 10 per cent but in no case exceeding 15 per cent'.

There have, however, been delays in the development of indigenous manufacture of the electrical components. At the time of execution of the agreement it was expected that the Heavy Electricals, Bhopal (HEIL) would undertake the manufacture of all the 13 specified items covered by the agreement and reach the target of full indigenous production by the end of 1965. However, immediately after the execution of the agreement, it was decided in November, 1962 that the HEIL would start the manufacture of only 2 items, namely, traction motors and transformers and would start deliveries from 1964-65 onwards. After a series of discussions with the HEIL during November, 1962 to January, 1964, it was finally decided by the Ministry of Railways in June, 1964 that the manufacture of transformers alone should be entrusted to the HEIL and that traction motors should be manufactured in Chittaranjan Locomotive Works in which some spare capacity was expected due to the tapering down of production of steam locomotives. According to the original anticipations, the indigenous manufacture of these items was expected to commence from April, 1965 and July, 1966 respectively. While the first transformer (with 50 per cent imported components) was produced in December, 1966, traction motors (with 73 per cent imported components) are expected to be produced only by March, 1967. As regards the remaining 11 items, for the manufacture of which the firm was to give technical assistance, 7 items are now expected to be manufactured by the indigenous trade to specifications developed by the Railways. The manufacture of the other 4

items is expected to be developed in Chittaranjan Locomotive Works by July, 1966 to October, 1967.

At the time of finalising the agreement, it was expected that the cost of purchase of the 13 specified items from the foreign firm would initially work out to Rs. 2.41 lakhs per locomotive (estimated total cost of the electric locomotive being about Rs. 10 lakhs) and gradually come down to a small fraction of this figure. Due to delayed development of indigenous manufacture, however, equipment worth Rs. 3.21 crores were imported from the firm upto the end of March, 1966, by which time 61 locomotives were manufactured.

By the end of the Third Plan the indigenous content (electrical and mechanical parts) of the electric locomotives manufactured reached a level of 38 to 40 per cent. According to the present anticipations, the proportion is likely to reach 71 per cent by 1970-71 (when the collaboration agreement for the manufacture of electrical components is due to lapse) and components etc., of specified nature of about 29 per cent would still be required to be imported.

There was also delay in the development of capacity for the manufacture of electric locomotives. In January, 1961, the Ministry of Railways planned the production capacity of 6 locomotives per month by April, 1963, but in the Project Report prepared in December, 1961, it was anticipated that a period of 2½ years from the date the facilities were created and made available, would be required to attain that level, which was actually attained only in March, 1966. Against the anticipated production of 100 electric locomotives during the Third Plan, the actual production came to 61. Meanwhile, to meet the requirement of the Third Plan partially, 85 electric locomotives at a cost of Rs. 8.4 crores were imported. While the requirements of goods services were thus met, bulk of the passenger services on the electrified sections continue to run on steam/diesel traction.

#### 17. Diesel Locomotive Works—Manufacture of Diesel Locomotives.

[c.f. Recommendation No. 10 of the Public Accounts Committee, 1964-65—32nd Report, Third Lok Sabha].

In order to develop the capacity for indigenous manufacture of B.G. diesel locomotives, the Ministry of Railways decided in June, 1961 to set up the Diesel Locomotive Works at Varanasi at an estimated cost of Rs. 19.57 crores. Arrangements for technical collabo-

ration with a foreign firm and their associates were finalised in February, 1962. The Project Report received from the collaborators in June, 1962 envisaged commencement of production in December, 1963 and attainment of the full-rated annual production of 150 locomotives by June-July, 1967. The anticipated production during the Third Plan period was 83 locomotives. It was anticipated that the indigenous content of the locomotives would be progressively increased upto about 90 per cent in the later part of the Fourth Plan and the balance 10 per cent representing only some specialised items would still be imported.

The Diesel Locomotive Works, however, produced only 54 B.G. diesel locomotives during the Third Plan period. (During this period the Ministry had imported 312 B.G. locomotives at a cost of about Rs. 36 crores). The Ministry decided in January, 1966 that the out-turn in the last quarter of 1965-66 should be restricted to 4 locomotives per month because of the uncertain foreign exchange position required for the import of components and raw materials. It was also decided that the production from April, 1966 would be 5 locomotives per month, that is, 60 locomotives during 1966-67. The Ministry, however, stated in February, 1967 that according to the present anticipations the full-rated output of 150 locomotives per annum would be attained towards the end of 1968-69. It was also stated that necessary foreign exchange had been provided for the production upto the middle of 1968-69 and arrangements for subsequent years were under consideration. It may be mentioned that according to an earlier assessment made by the Ministry in May, 1965, the full-rated output could be expected to be reached only by 1970-71 on the basis of production of 95 locomotives in the year 1966-67 to be stepped up gradually in the subsequent years.

As regards the indigenous content (which is expected to reach a level of 90 per cent in the later part of the Fourth Plan) the level attained by August, 1966 was of the order of 29 per cent.

Efforts to develop the manufacture of certain major components in the public sector undertakings had not been quite successful so far as indicated below and the shortfall had, therefore, to be met mainly by imports.

(i) The Heavy Electricals, Bhopal, undertook in July, 1962 to supply a good portion of the traction equipment, including traction motors, generators and control equipment, required for the locomotives constituting about 30 per cent of the total cost of a locomotive and a letter of intent was issued to them in September, 1962 for the

supply of 120 sets of complete traction equipment during 1964-65 and 1965-66. It was, however, subsequently found in November, 1962 that only traction motors would be manufactured at Bhopal of which 60 sets were expected to be delivered by March, 1966. Actually, no deliveries had been made till March, 1966. The actual requirement of traction equipment obtained by imports for the 54 locomotives produced upto March, 1966, is estimated to have cost 4.48 million dollars.

The Ministry of Railways explained (February, 1967) that the deliveries could not be adhered to by the HEIL for several reasons, namely, unavoidably long time required for finalising the design of the electrical equipment, considerable delay in the procurement of imported machinery and raw materials and delays on the part of HEIL's suppliers in supplying tools and components according to schedule.

(ii) The Heavy Engineering Corporation, Ranchi, informed the Ministry of Railways in July, 1962 that they could manufacture crankshafts and later, in July, 1964, stated that they had sufficient capacity for producing heavy and medium size crankshafts to meet the entire demand of the Diesel Locomotive Works. As the forging technology of Heavy Engineering Corporation had not been found suitable to the needs of the Diesel Locomotive Works, it was decided in August, 1965 that the requirements would be imported. The actual requirement obtained by imports for the 54 locomotives is estimated to have cost 0.43 million dollars.

The Ministry of Railways explained (February, 1967) that, only recently, the Heavy Engineering Corporation finalised all the technical details preliminary to the manufacture of the requisite type of crankshafts and indicated that the first prototype would be delivered in 1969-70.

(iii) Wheels and axles required by Diesel Locomotive Works were expected to be supplied by Durgapur Steel Plant and orders were placed for 315 axles and 630 wheels in December, 1963 and 964 axles and 1928 wheels in March, 1965. Against these orders, only 94 wheels and 31 axles were supplied till March, 1966. As the supplies were not sufficient, orders for 25 loco sets (a set comprising 6 axles and 12 wheels) at a cost of Rs. 5 lakhs had been placed on a Japanese firm in March, 1966. This was followed by further orders placed on the same firm in June and October, 1966 aggregating to wheel sets for 145 locomotives and axle sets for 70 locomotives.



18. *Integral Coach Factory—Heavy expenditure on premature renewals due to extensive use of a new type of flooring material for coaches.*

The Administration decided in 1961 to use a compressed jute insulation board known as 'Barmil' (an indigenous product marketed by a Calcutta firm) in place of the standard cork (an imported material) as underlay in the flooring of EMU coaches to be manufactured for use on Eastern Railway. The Research, Designs and Standards Organisation of the Railways, stated in July, 1961 that Barmil boards had high water absorption and had certain other drawbacks and hence their use was not recommended. The Administration, nevertheless, decided in August, 1961 to use these boards in view of the foreign exchange involved in the import of cork and also because action to procure Barmil had already been initiated and any change would seriously hamper production. The boards to be used were stated to be a special product made to suit the purpose. Accordingly, orders were placed in September, 1961 for the supply of these boards for the initial 72 coaches. The cost of flooring with Barmil boards overlaid with Aluminium chequered sheets was estimated to be Rs. 5,167 per coach as against the cost of conventional cork flooring and Ferobestos top (also imported) of Rs. 8,772 per coach.

Subsequent detailed tests conducted by the Research, Designs and Standards Organisation revealed that, apart from water absorption, Barmil boards retained the water absorbed for long periods. In view of the foreign exchange difficulties, however, they recommended the use of Barmil boards for 'large scale trials' (March, 1962). They further stated that it was necessary "to take all possible precautions to minimise seepage of water to the boards and to employ adequate protective measures". In June, 1962, they again recommended that large scale practical trials "under actual working conditions" should be carried out. However, no detailed trials under actual working conditions were undertaken and the only precaution taken against the seepage of water was that the joints in the Aluminium chequered sheets were sealed with a water sealing composition.

Later, in February, 1963, the firm suggested that the floor boards should be coated with bitumen on both sides. A similar suggestion was also made by the Research, Designs and Standards Organisation at about the same time and was reiterated on a number of subsequent occasions but this process was introduced only in coaches turned out after September, 1964, upto which time a total number of 260 coaches had been turned out and sent to the Eastern Railway.

The coaches were put on the suburban services in the Sealdah area. At the time of periodical overhaul of the first formation of 4 coaches in April, 1965, it was found that the underlay of the floor had perished and there were white powder deposits. The Eastern Railway Administration then undertook a random check of the coaches and reported that the flooring of 160 coaches was completely perished and that of 56 other coaches partially damaged. It was decided that the flooring of all these coaches as well as of the 44 coaches, which had not been put in service by April, 1965, should be renewed. 98 coaches have so far been renewed at an estimated cost of Rs. 5.26 lakhs.

Subsequent trials by the Integral Coach Factory Administration revealed that even bitumenised Barmil was not a satisfactory underlay for flooring as water seepage had taken place when the flooring was subjected to a high pressure water jet for 4 days. It was also felt that bitumenised Barmil was expensive and increased the tare weight. It was, therefore, decided in July, 1965 to eliminate the use of the Barmil boards and instead use wooden boards with Aluminium chequered plates on top.

The Administration had in all procured Barmil boards equivalent to the requirements of 592 coaches valued at Rs. 11.84 lakhs of which orders for material worth Rs. 6.48 lakhs were placed after November, 1963. 356 coaches were turned out with these boards. Part of the material was thereafter utilised for endwall panelling in coaches and part of it was transferred to Eastern Railway leaving a balance valued at Rs. 2.37 lakhs with the Administration (July, 1966).

19. *Chittaranjan Locomotive Works—Loss in the manufacture of Aluminium Bronze fittings.*

The Administration undertook, in December, 1960, the manufacture of aluminium bronze fittings required for overhead traction for the Railway Electrification Project to be used as a substitute for imported fittings. The fittings were supplied to the Railway Electrification Project Administration at a fixed rate of 25 per cent over the imported cost of the fittings obtaining at that time. It was expected that the cost of production would initially be higher than this fixed rate but would gradually come down below the fixed rate, eventually wiping out the accumulated loss.

As the fittings were manufactured, it was noticed that number of them were defective and out of a total of 3.08 lakhs fittings manufactured upto March, 1966 as many as 35,000 were rejected by Chittaranjan Locomotive Works inspecting staff themselves and

another 75,000 by the inspecting staff of the Railway Electrification Project. The total rejections work out to about 36 per cent of the production and the loss suffered by the Administration on the manufacture of these defective fittings works out to Rs. 5.99 lakhs after giving credit for the metal value of the rejected fittings.

The anticipation that the cost of production would eventually come down did not also materialise and it was noticed, in April, 1966, that the cost at which the fittings were manufactured by the Administration was more than double the prices of imported articles at the time of commencement of production and much higher than the current prices. The production was, therefore, stopped with effect from April, 1966. The loss due to the difference between the cost of production and the fixed selling rate during the years 1960 to 1966 was of the order of Rs. 8.90 lakhs.

The Ministry of Railways stated (January, 1967) that in assessing the loss, the administrative and township overheads should not be taken into account as they would have been incurred even if the manufacture of the aluminium bronze fittings had not been taken up.

### PURCHASES AND STORES

#### 20. *Extra expenditure in the procurement of rail cranes.*

The question of indigenous manufacture of rail mounted steam cranes required by the Railways during Third Five Year Plan was reviewed by the Ministry of Railways in November, 1960 in consultation with some private firms who signified their interest in undertaking the manufacture of these cranes. It was decided that, while cranes of 75 ton BG, 35 ton MG and 20 ton MG capacity may be left to be manufactured by the private firms, the manufacture of other steam cranes of lower capacities should be undertaken in the Railway Workshops. Accordingly, it was decided that 10 ton BG cranes, the requirement of which was placed at 65 during the Third Plan Period, should be undertaken by the Jamalpur Workshops, as it was held that these Workshops had sufficient capacity to manufacture these and other types of cranes required for the Third Plan. The Workshops had, in fact, already gone forward with the preparation of drawings, procurement of material etc.

While the Workshops were proceeding with the manufacture of cranes, one of the above firms, which originally had been requested to consider manufacturing 20 ton MG cranes, was asked on 23rd October, 1964 (followed by a formal order on 25th June, 1965) to

manufacture 24 numbers 10 ton BG cranes. The price payable for each crane was Rs. 2.55 lakhs and the delivery was to commence from December, 1966 at the rate of one crane per month for the first 12 cranes and at the rate of two cranes per month thereafter. The firm was also released foreign exchange of Rs. 2.5 lakhs for the purpose.

The expenditure on the manufacture of cranes in the Railway Workshops, on the other hand, was Rs. 2.30 lakhs per crane. 36 cranes were manufactured in these Workshops between August, 1963 and March, 1966. The foreign exchange spent in the manufacture of 36 cranes was Rs. 64 thousand. The Ministry was also aware in February, 1963 that the existing capacity of 2 cranes per month in the Jamalpur Workshops could be stepped up to meet the entire requirements of Railways.

Thus by ordering the 24 cranes from the private firm the Ministry had incurred an extra expenditure of about Rs. 6 lakhs involving more foreign exchange and with deliveries commencing from a much later date than what would have been possible had the manufacture of these cranes been undertaken in the Railway Workshops.

The Ministry of Railways stated (December, 1966) that Jamalpur Workshops could have undertaken the manufacture of 10 ton BG cranes but the fact that 45 numbers 3 ton coaling cranes ordered by them were under execution and the contemplated production of 75 ton BG Breakdown cranes were factors which had to be duly taken into account.

It is, however, seen that these coaling cranes were ordered as early as June, 1962 and their manufacture was expected to be completed by September, 1966. The manufacture of 10 ton cranes could, therefore, have been taken up immediately thereafter.

#### *21. Extra payment of Sales Tax on EMU stock.*

In April, 1955, an order was placed by the Ministry of Railways on a Calcutta firm for the manufacture and supply of 104 BG EMU coaches suitable for operation in the Calcutta suburban area on 3,000 volts DC. The agreement included a clause whereby the Ministry was liable to reimburse the State or Inter State Sales Tax payable by the firm under Law. The delivery of the coaches was to be made ready for service on rail ex-firm's works. The firm was directed in March, 1958 to convert 54 coaches to 1,500 volts DC for use on the Western Railway, but no amendment to the original delivery clause was made. In August, 1960, the Ministry

instructed the Eastern Railway Administration to take over the coaches from the firm's works for being moved to Bombay in rakes of 9 coaches in view of the lack of space in firm's works. The normal procedure of documentation for the despatch of coaches, namely, preparation of a Forwarding Note by the firm and issue of a Railway Receipt by the Eastern Railway showing the firm as the consignor and the Western Railway as the consignee, was, however, not followed at the time of taking delivery between September, 1960 and August, 1963.

The sale of the EMU stock to the Western Railway should normally have been an Inter State sale subject to the concessional rate of Central Sales Tax, which came into force from 1st October, 1958, at 1 per cent of the cost of supplies upto 1st April, 1963 and 2 per cent thereafter, but, since the delivery clause in the original order had not been amended to provide for delivery at Bombay and the normal procedure of documentation for the despatch of the stock had not been followed, West Bengal Sales Tax at 5 per cent of the cost of supplies was levied in March, 1965 resulting in extra expenditure of Rs. 9.51 lakhs.

A second order was placed on this firm in April, 1963 for 100 EMU coaches for use in the Bombay area. The advice of the firm, in November, 1963, to amend the delivery clause to enable the coaches to be delivered to the Eastern Railway as "Carriers" was not accepted. The Ministry has so far paid the firm only Central Sales Tax and the levy of West Bengal Sales Tax has been contested by the firm on the advice of the Ministry.

The Ministry of Railways explained (November, 1966) that they were guided by the legal opinion given by the Ministry of Law at all stages and that there was uncertainty about the correct legal position in the field of Sales Tax.

In the third order placed on the same firm in October, 1965, for 106 EMU coaches for the Bombay area, the Ministry revised the delivery clause.

## *22. Extra expenditure in the purchase of girders.*

A contract for the supply of 14 girders required for the Kharagpur—Tatanagar doubling was entered into in November, 1963. The Tender Committee for the purchase of girders felt, in August, 1963, that, since the target date for the completion of doubling work had been fixed as March, 1964 and the progress of other works was commensurate with this target fixed, it would be necessary to have the

girders shipped by December, 1963. The higher offer of £ 73,950 F.O.B. was, therefore, accepted stipulating delivery of 2/3rd of the material by December, 1963 and the balance in January, 1964, in preference to the lowest acceptable offer of £ 66,016 F.O.B. as this offer was for delivery of girders by the end of October, 1964.

The supply was actually completed in February, 1964, after the delivery period was extended, and the girders were received in India in April/May, 1964. 10 of them were utilised in the above work only in May, 1965, that is, a year after their receipt and the other 4 subsequently in certain other works. The extra cost of £ 7,934 (Rs. 1.06 lakhs) on account of earlier delivery had thus proved to be unnecessary as the girders were actually put to use much later than the date by which the lowest tenderer offered to supply them.

The Ministry of Railways stated that the work of assembling and erecting of girders was commenced in July, 1964, and if the offer of the lowest tenderer had been accepted there would have been at least 6 months' delay in the opening of the section. At the time of consideration of the tenders, however, it was felt that a period of 3 to 4 months would be sufficient for erecting the girders.

### 23. *Loss due to delay in the supply of rails.*

On 25th August, 1962, the Ministry of Railways placed an order on a Calcutta firm for the supply of 70,000 tonnes of rails from Canada. The formal contract for the supply was executed on 29th September, 1962 according to which 50,000 tonnes were to be shipped by the firm by 30th November, 1962 and the balance by 31st December, 1962.

Under the terms of agreement, the Ministry had the right to carry out an independent inspection of the material before despatch. There was delay in finalising the arrangements for the inspection and the inspectors of the Director General, Supplies and Disposals reached Canada only on 24th November, 1962. The delay was attributed to an unsuccessful attempt to arrange the inspection through India Supply Mission, Washington, though the then Ministry of Works, Housing and Supply had informed the Ministry of Railways as early as 27th March, 1961 that the India Supply Mission could not undertake or arrange for such inspections. Due to delay on the part of the firm in furnishing 'Performance Guarantee Bond' (which was required to be submitted by 8th October, 1962 but was actually submitted on 28th November, 1962) the Letter of Credit which had been established in October, 1962 could not be made

operative until 10th December, 1962, that is, till after the expiry of the date for shipping the first 50,000 tonnes. The date for shipping 50,000 tonnes was thereupon extended upto 28th February, 1963, and for 20,000 tonnes upto 31st May, 1963 without reserving any right to levy liquidated damages on the firm.

The actual supplies were completed by the firm by 31st July, 1963 only, that is, after the extended date of supplies. The Ministry of Railways called upon the firm, in September, 1964 to reimburse a total sum of Rs. 42,280 towards extra expenditure on inspecting staff (Rs. 8,947) and token liquidated damages (Rs. 33,333) for the delayed supply of rails after 31st May, 1963. The latter amount represented the extra expenditure incurred in extending the Letter of Credit. After negotiations with the firm, it was finally decided, in July, 1965, that the matter should be settled by accepting half the amount namely, Rs. 21,140 as offered by the firm in full settlement of the claim.

The delayed delivery of rails (49,600 tonnes received after 1st March, 1963) resulted in an incidental loss of Rs. 8.44 lakhs as customs duty at 5½ per cent on the import of rails not previously leviable had to be paid with effect from 1st March, 1963.

*24. Northeast Frontier Railway—Delay in adjustment of 'on account' payments made to a firm.*

An order for the fabrication and supply of 18 numbers 100' span M.G.M.L. Standard girders at Rs. 71,535 each was placed on a firm in December, 1961. The contract provided for 'on account' payments (i) for steel and other materials purchased by the firm, at 90 per cent of the value of the materials upto a ceiling of half the total value of the order, namely, Rs. 12.8 lakhs plus sales tax and (ii) for fabricated steel work, at Rs. 580 per ton of invoice weight on inspection and proof of despatch and the balance 10 per cent on production of consignee's Receipt Note. The delivery of fabricated steel was to commence in 8 to 10 working weeks after the receipt of all materials and to continue at the rate of 70 tons per month, the weight of each girder being 47.21 tons approximately.

However, only 2 girders and part supply of 3 other girders were received by January, 1966. It was then decided that only 8 girders would be purchased against the order and the balance treated as cancelled. By that time, 'on account' payments totalling Rs. 7.29 lakhs against the total cost of 8 girders amounting to Rs. 5.72 lakhs

had been made to the firm. The question of adjusting the excess 'on account' payment of Rs. 1.57 lakhs has not so far been decided.

The Administration stated (February, 1967) that the firm had not yet agreed to the proposed reduction in the number of girders and that the amount of Rs. 1.57 lakhs was covered by a duly executed 'Idemnity Bond' in terms of the contract.

25. *Western Railway—Loss due to procurement of defective bearing plates.*

The Administration incurred an expenditure of Rs. 2.47 lakhs in procuring Two Key anti-creep bearing plates (M.G.) which were found to be defective. An order for the supply of 75,000 plates was placed on a firm by the Director General, Supplies and Disposals in April, 1962. The plates were duly inspected by an officer of the Director General, Supplies and Disposals and despatched between July, 1962 and March, 1963. A total of 74,880 plates were received by the consignee, namely, Depot Store Keeper, Western Railway, Bharatpur, between 9th August, 1962 and 6th May, 1963. 90 per cent payments for the supplies were made on the basis of inspection conducted by the officer of the Director General, Supplies and Disposals and the balance 10 per cent payments on the basis of certificates issued by the Depot Store Keeper, as provided in the contract.

When the plates were put on the track later in May, 1963, certain defects were noticed. A preliminary report was made to the Director General, Supplies and Disposals on 31st July, 1963. A detailed report was, however, made only on 5th June, 1964, that is, more than a year after the receipt of the last consignment and 22 months after the receipt of the first consignment. After a delay of 7 months, the Director General, Supplies and Disposals enquired as to the places where the defective plates were lying so that re-inspection of the stores could be arranged. The locations were advised to the Director General, Supplies and Disposals after a further delay of 7 months. A joint inspection carried out on 25th November, 1965 (not attended by the firm's representatives) revealed that there were a number of technical defects and 54,393 plates were declared unfit for use. The firm was thereupon asked to remove the defective plates by the Railway Administration on 29th December, 1965, that is, more than 3 years after the receipt of bulk of the supplies. The firm replied, in April, 1966, that they were not prepared to take them back. Subsequently, in September, 1966, a further quantity of 8,780 plates was reported to be defective.



The Ministry of Supply, Technical Development and Materials Planning, stated (November, 1966) that under the terms of contract the consignee was empowered to reject the stores if they were not in conformity with the terms and conditions of the contract in all respects and it was for the Railway Administration to report the supply of defective stores within a reasonable time. It was further stated that since there was a long delay in taking up the matter, the claim against the firm would not be legally sustainable.

The Railway Administration stated (December, 1966) that the consignees' responsibility was limited to the receipt of the supplies in good condition and not of any technical inspection of supplies, the responsibility for technically passing the supplies being entirely that of the Director General, Supplies and Disposals. It was also stated that a total amount of Rs. 28,552 due to the firm in respect of other contracts had been withheld in September-October, 1966 against the total value of the defective plates amounting to Rs. 2.47 lakhs.

26. *Integral Coach Factory—Purchase of a defective Electric Heat Treatment Furnace.*

The Director General, Supplies and Disposals placed an order in January, 1963 on a firm for the supply of an electric heat treatment furnace at a cost of Rs. 80,800 to the Integral Coach Factory. The furnace, received at Integral Coach Factory in June, 1964, was put into commission in July, 1964. It broke down after a week's service. Attempts made by the firm to set right the defects were not successful and a rejection note was finally issued on 12th July, 1966 on the grounds "performance unsatisfactory, developing faults frequently".

A sum of Rs. 64,640, being 80 per cent cost of the equipment, was paid to the firm on initial inspection and proof of despatch. An additional expenditure of Rs. 6 thousand, towards freight and workshop facilities afforded to the firm for rectifying the defects, was also incurred. The Railway Administration stated (January, 1967) that at the instance of Director General, Supplies and Disposals a final opportunity had again been given to the firm to set right the furnace.

27. *Southern Railway—Purchase of a defective Locomotive Weighing Machine.*

The Director General, Supplies and Disposals placed an order, in April, 1961, on a firm for the supply of a locomotive weighing machine costing Rs. 1.29 lakhs to the Southern Railway for the

Hubli Workshops. The components of the machine were received at Hubli between December, 1961 and December, 1962 and the machine was erected in February, 1963. The trial weighment conducted by the firm's representative in the presence of the Inspecting Officer of the Director General, Supplies and Disposals disclosed inaccuracies in the weighments. The result of test was advised to the firm on 21st February, 1963 by the Railway Administration and on 2nd March, 1963 by the Inspecting Officer of the Director General, Supplies and Disposals. The firm maintained that the sum total of the reading during test was correct in all respects and they should be issued final inspection note. They were informed on 13th April, 1963 that final inspection note could be issued only when the machine was handed over in good working order. The matter relating to the rectification of the defects remained under correspondence and as a result of subsequent tests carried out in May, 1965 and November, 1965 the weighing machine was finally rejected by the Inspecting Officer of the Director General, Supplies and Disposals in December, 1965.

A sum of Rs. 1.04 lakhs, being 80 per cent cost of the machine, had been paid to the firm in the year 1962 on the basis of preliminary inspection and proof of despatch under the terms of the contract. The firm has not taken any action so far (December, 1966) to replace the machine.

28. *Southern Railway—Unsatisfactory working of imported Centrifugal Casting Machines.*

Two vertical type centrifugal casting machines were imported by the Administration at a cost of Rs. 1.47 lakhs for the iron foundry of the Locomotive Workshops, Perambur.

The machines, one big and the other small, were received on 13th December, 1954. The bigger machine was erected in October, 1955 in the iron foundry and commissioned in March, 1961, after a delay of over five years. The smaller machine was erected in January, 1956 in the brass foundry and commissioned in May, 1956. Even after commissioning both the machines, regular jobs on production basis could not be done. A proposal to transfer one of the machines to the workshops at Golden Rock did not find favour with them as it was found that the vertical type was not suited to their requirements. A centrifugal casting machine of the horizontal type was, however, manufactured for the Perambur Workshops departmentally at a cost of Rs. 18,382 and it was commissioned in March,

1964. While the performance of this machine has been satisfactory, the two imported machines purchased at a cost of Rs. 1.47 lakhs have not been put to use on a production basis so far (January, 1967).

29. *Northern Railway—Loss due to defective supplies of lubricating oil for use in Diesel Locomotives.*

Seven Diesel Locomotives procured from a West German firm at a cost of Rs. 44 lakhs, and commissioned during 1961-62, had to be put out of service between April and October, 1964 as their crankshafts developed cracks and pittings. Investigations revealed that these were due to inferior quality of lubricating oil supplied by the local agents of a foreign firm as the additive content was stated to be much lower than that specified for this grade of oil. The question of claiming damages from the firm is stated to be under consideration.

To put the locomotives back in service two orders for crankshafts and other parts were placed on the West German firm in December, 1964 and July, 1965 involving a total expenditure of Rs. 2.48 lakhs in foreign currency. Part of the material against the first order meant for one diesel engine was air lifted at a cost of Rs. 5 thousand to reach Bombay on 21st May, 1965. The material air lifted, however, reached the Diesel Loco Shed of the Northern Railway only on 6th August, 1965 and one engine was re-commissioned on 30th August, 1965. The material shipped by sea reached Bombay on 23rd June, 1965 but reached the Shed only on 6th August, 1965 and 4th September, 1965. Five engines were re-commissioned between 24th September, 1965 and 13th January, 1966. The material against the order placed in July, 1965 was received in May and July, 1966 but the seventh engine was ready for commission only in January, 1967. Avoidable delays appear to have occurred in procuring the material and re-commissioning the engines.

The Railway Administration did not also test the lubricating oil supplied by the firm at any time before the defects came to notice. It was stated that no detailed tests on branded lubricants are carried out.

30. *Chittaranjan Locomotive Works—Non-utilisation of stores.*

The Chittaranjan Locomotive Works procured between the years 1951 and 1957, 23 items of counter sunk rivets for the manufacture of water tenders for W.G. locomotives as per the drawing supplied

by a foreign firm. As these could not stop water leakage, their use was abandoned after manufacturing a few tenders in their initial stage of production. 20 of these items, valued at Rs. 1.87 lakhs, became surplus in the year 1959. Out of this surplus, 6 items were disposed of by transfer to other Railways by the year 1962 and 5 items were partially disposed of in the years 1963 and 1964 and the balance valued at Rs. 1.65 lakhs remains to be disposed of (December, 1966). Attempt to sell these articles in December, 1965 did not prove successful as the highest bid offered was Rs. 50,014.

The Administration stated in December, 1966 that lists of these surplus rivets were circulated in June, 1966 to the Public Sector Undertakings, and only the Hindustan Steel Limited, Rourkela expressed interest in 4 sizes of rivets. In the meantime, the Railways have paid during the period from 1958-59 to 1965-66, dividend to General Revenues amounting to Rs. 52 thousand on the locked up Capital.

31. *Diesel Locomotive Works—Excessive purchase of glass sheets.*

Out of 2.60 lakhs glass sheets of different sizes purchased in the year 1963-64 at a cost of Rs. 1.84 lakhs, only 23 thousand sheets, valued at Rs. 16 thousand were utilised and the balance were declared surplus to requirement. Glass sheets valued at Rs. 14 thousand could since be disposed of by contacting other Railways. Attempts to sell the remaining glass sheets valued at Rs. 1.51 lakhs in August, 1966 by open sale did not prove successful as the highest offer received was for Rs. 22 thousand.

The procurement of glass sheets in excess of the requirement was attributed to a clerical mistake for which the Head Estimator had been given a warning.

The Administration stated in December, 1966 that efforts were being made to dispose of the glass sheets to other Railways and Public Sector undertakings.

### WORKS EXPENDITURE

32. *Eastern Railway—Irregular award of a contract.*

In connection with the construction of a road overbridge near Gariahat, three separate tenders were invited in July, 1962 for

- I. Pile foundation and construction of piers;
- II. Fabrication and erection of steel girders; and
- III. R.C.C. in deck system.

It was, however, decided at the time of consideration of tenders in February, 1963 that all the three items should be got executed through one agency. Accordingly, the offer of one of the firms who quoted for items I and III was rejected though their combined offer for the two items was the lowest. The combined offer of another firm (firm 'A') for the three items was for Rs. 6.84 lakhs, which was the lowest for the nature of work as notified. A third firm (firm 'B') also tendered for all the three items at Rs. 5.67 lakhs, but specified that they would use prestressed concrete girders in place of steel girders for item II. Their offer was accepted without retendering or giving an opportunity to the original tenderers to quote with the modified design of prestressed concrete girders.

Subsequently, the value of the contract was enhanced to Rs. 7.13 lakhs as it was found that more piles were required to be driven and for greater depths.

The Administration stated that the extra piling work was mainly necessitated by the soft soil conditions met with in the course of execution of work and partly due to extra piles required to be driven for making use of heavier prestressed concrete girders in the place of steel girders. The extra expenditure on account of the latter is estimated by the Administration to be Rs. 21 thousand.

33. *Western Railway—Extra expenditure due to failure of a contractor.*

The offer of a contractor for the supply of 26.2 lakhs cft., of ballast at a cost of Rs. 5.46 lakhs from the Railway quarry at Tajpur was accepted in July, 1963 on a single tender basis, after it was found that the lowest rate for the supply obtained in the tenders called on three previous occasions was very high. Though this contractor was not on the approved list, his credentials were not verified before accepting his offer.

The contractor started the work in October, 1963. It was stipulated that he should complete the entire supply in two years, by September, 1965. After 13 months, it was noticed by the Railway Administration in November, 1964 that he had supplied only 1.75 lakhs cft., of ballast against the proportionate supply of 14 lakhs cft., which should have been made by him by that time. As it was considered that at this rate the contractor would not be able to supply the remaining quantity within the stipulated period, alternative arrangements at his risk and cost were made in January, 1965 to obtain 23 lakhs cft., of ballast, involving an extra expenditure of

Rs. 1.86 lakhs. Against this amount only a security deposit of Rs. 12,969 was available with the Railway.

The Railway Administration stated (October, 1966) that the question of having recourse to legal redress was under their examination.

34. *Northern Railway—Additional expenditure due to acceptance of higher rates.*

In connection with the construction of a Defence siding at Delhi Cantonment, a tender for earthwork at the rate of Rs. 227 per thousand cft., was accepted by the competent authority in August, 1963 on grounds of operational urgency, though the Tender Committee considered the rate obtained as "unreasonably high" and recommended invitation of fresh tenders. The work was to be completed by the end of February, 1964. The work could, however, be completed only four months later as necessary drawings, concrete slabs and girders could not be supplied to the contractor in time. There was a further delay of about six months in the construction of the approach roads by the Defence authorities.

The rates for earthwork in the area during the same period were considerably lower ranging from Rs. 90 to Rs. 163 per thousand cft. Adopting the latter rate the additional expenditure on the execution of this work came to Rs. 45 thousand.

35. *Northern Railway—Extra expenditure due to changes in the sites for construction of Transit camp and quarters at New Delhi.*

Contracts were entered into by the Railway Administration in January, 1964 with two contractors for the construction of a Transit camp for officers at Lajpat Nagar and 96 units staff quarters at Sarojini Nagar, New Delhi. Shortly thereafter, between March, and June, 1964, the site for Transit camp was changed to Sarojini Nagar and that for staff quarters to Shakurbasti. The contract for staff quarters had to be terminated in August, 1964, on the contractor refusing the work at the new site at the stipulated rates and a fresh contract entered into in August, 1965 with another contractor at increased rates.

An extra expenditure of Rs. 98 thousand was incurred on account of (a) increased rates accepted in August, 1965 in the new contract (Rs. 94 thousand), (b) compensation paid in December, 1964 as a result of arbitral award to the previous contractor (Rs. 1 thousand),

and (c) infructuous expenditure (Rs. 3 thousand) incurred in March, 1964 on some excavation works etc., carried out on the site subsequently abandoned.

36. *Western Railway—Extra expenditure due to provision of additional bridges.*

As part of the Guna-Maksi Construction Project, the Administration awarded a contract in September, 1962 for the construction of 17 minor bridges as provided in the final location survey at a cost of Rs. 4.07 lakhs on the section between Sinduria and Karanwas (16 miles). It was subsequently realised that 16 additional minor bridges were also required to be constructed on this section. The construction of these additional bridges was entrusted to another contractor in September, 1965 at much higher rates involving an extra expenditure of Rs. 1.05 lakhs.

The Railway Administration explained that “the necessity for modifications to suit some minor site conditions always arise as the work progresses chain by chain”. The Administration further stated (November, 1966) that construction of 2 of the additional bridges had since been dropped “as they were not found to be required on subsequent re-assessment”.

37. *Western Railway—Extra expenditure due to execution of work without soil exploration.*

In connection with the re-modelling of Ahmedabad station, a contract for providing goods shed, platform, roads, circulating area, compound walls etc., was awarded on 4th June, 1962 without exploring the soil with trial bores etc., though it was known to the Railway Administration that the land on which structures were to be provided was a filled up tank. In July, 1962 the contractor was informed that the soil, where the goods facilities were proposed to be provided, was very unstable upto a great depth and hence changes in the items of work to be executed for foundation were necessary. The contractor took the stand that he did not have the necessary equipment to execute specialised items like pile foundation. He was allowed to execute some earthwork and the compound walls and all the other items of work were got executed through other contractors on much higher rates. These included surfacing of platforms and circulating areas. The extra expenditure on such items of work which were originally entrusted to the first contractor came to Rs. 82 thousand.

38. *South Eastern Railway—Extra expenditure due to erroneous compilation of data at the time of calling for tenders.*

An agreement for earthwork in one of the sections of the Hijli-Balasore doubling was entered into, in April, 1964, with a contractor at a cost of Rs. 9.55 lakhs, providing for 60 lakhs cft., of earthwork in embankment at Rs. 75 per thousand cft., and 11 lakhs sft., of turfing at Rs. 35 per thousand sft., besides other items. In December, 1964, it came to notice that the quantities of earthwork in the tender schedule were wrongly exhibited due to "a clerical mistake". The quantities to be actually executed were then assessed at 98 lakhs cft., of earthwork in embankment and 14 lakhs sft., of turfing. On being approached to execute the enhanced quantities, the contractor expressed his inability to undertake work in excess of the agreemental quantity. The section, for which the contractor had quoted uniform rates, was thereafter split into two sub-sections and he was allowed to execute the work in one of the sub-sections. The other sub-section, was let out to another contractor at higher rates (Rs. 97 per thousand cft., for earthwork and Rs. 38 per thousand sft., for turfing) involving an extra expenditure of Rs. 83 thousand.

39. *South Eastern Railway—Extra expenditure due to variations in the quantities of work.*

The Administration had incurred an extra expenditure of Rs. 69 thousand on account of revision of the quantities to be executed in a work on a section of the Korea Coal Field Construction Project. A contract for this work valued at Rs. 7.14 lakhs approximately was awarded in November, 1962 on the basis of open tenders. The quantities to be executed were subsequently enhanced considerably in respect of (i) excavation in cutting and in side drain requiring blasting for formation (from 7 lakhs cft., to 14.97 lakhs cft.,) and (ii) earthwork in excavation in rock requiring blasting for bridges (from 0.20 lakh cft., to 1.26 lakhs cft.,), thus increasing the value of the work to Rs. 9.24 lakhs. In respect of these items the lowest tenderer, to whom the contract was awarded, quoted higher rates than other tenderers. With these and other variations in quantities the above tenderer ceased to be the lowest, the value of the work done at his rates being higher than the value at the rates of the second lowest tenderer, who became the lowest. The extra expenditure of Rs. 69 thousand was mainly on account of changes in quantities under bridge work.



The Administration stated (November, 1966) that these variations were due to a decision taken to provide an arch bridge at a site where originally only a hume pipe bridge was to have been provided. This change, it was stated, was made in view of the demand of the local civil authorities who had been pressing for a road over-bridge.

40. *Northeast Frontier Railway—Extra expenditure due to incorrect assessment of quantities of work at the time of invitation of tenders.*

In connection with the earthwork in formation and yards in one of the sections of the Rangapara North—North Lakhimpur—Murkong Selek Project an agreement entered into with contractor 'A', in November, 1962, provided for the execution of (i) earthwork with lead upto 200 ft. of about 20 lakhs cft., and (ii) earthwork by carting of about 16 lakhs cft. The contract was awarded on the basis of open tenders, the rate of the contractor being Rs. 60 per thousand cft., and Rs. 175 per thousand cft., for items (i) and (ii) respectively, with provision for payments for extra leads at the rate of Rs. 4 per thousand cft., per lead for item (i) and Rs. 15 per thousand cft., per lead for item (ii). Subsequently, in view of the abnormal rise in rates in the border area as a result of declaration of Emergency in November, 1962 the contractor was allowed a 40 per cent increase in rates. In the course of execution the quantities were varied considerably by reducing the quantity for item (i) to about 6 lakhs cft., and increasing the quantity for item (ii) to about 35 lakhs cft. There were also upward variations in the quantities for which extra lead by carting was payable. With these variations in quantities contractor 'A' ceased to be the lowest, the value of the contract at the rates of the next lower tenderer (Rs. 70 and Rs. 170 for earthwork and Rs. 4 and Rs. 12 per lead for extra lead against item (i) and (ii) respectively), after taking into account the 40 per cent increase in rates, being less by Rs. 75 thousand.

41. *Northeast Frontier Railway—Infructuous expenditure due to abandonment of three minor bridges under construction.*

The Railway Administration tentatively decided in September, 1963 to provide certain yard facilities at Jogighopa which were linked up with the development of an inland port there. A meeting was called by the Transport Ministry on 17th January, 1964 to consider the facilities. However, on 16th January, 1964, that is, a day before the scheduled meeting, it was decided to go ahead immediately with the

provision of the yard facilities from the Railway side at Jogighopa without waiting till such time as the Transport Ministry's port requirements were finalised. At the meeting held on 17th January, 1964 it was decided to appoint a special committee to look into the requirements at Jogighopa. The Committee decided by the first week of February, 1964 that an inland port running perpendicular to the bank of Brahmaputra should be provided at Jogighopa and that the length of the port inward from the existing bank would be about 4000 feet. This necessitated shifting of the site of the yard to Kabiatory towards Bongaigaon. Consequently, the construction of 3 minor bridges, which had already been taken up in December, 1963 at the old site, was abandoned in March, 1964 resulting in an infructuous expenditure of Rs. 55 thousand.

42. *Northeast Frontier Railway—Infructuous expenditure on the construction of a Diesel shed.*

The construction of an open roofed shed to attend to repairs to diesel engines and an approach line for a length of 0.35 mile at Damanpur was undertaken in 1963, at a cost of Rs. 1.06 lakhs without any recorded justification, although two bigger sheds for Diesel Locomotives were already constructed at Siliguri Junction and New Gauhati by May, 1962 and October, 1962, respectively. This work formed part of the estimate of a subsidiary marshalling yard at Damanpur. The construction was completed by January, 1964. It was later decided (June, 1966) that the diesel shed at Damanpur was unnecessary and should, therefore, be dismantled. The infructuous expenditure, after giving credit for released materials, was estimated to be Rs. 49 thousand.

43. *Western Railway—Avoidable expenditure on repairs and rehabilitation of track.*

In connection with the development of Kandla Port, a new M.G. link line was constructed between Deesa and Gandhidham at a cost of Rs. 5.68 crores and was opened to traffic in October, 1952. However, in 1953 monsoon itself, heavy breaches occurred on two sections of the line and the traffic had to be suspended for eight days. Thereafter, breaches occurred almost during every monsoon at various points, the heaviest being in 1956 and 1959. During 1956 and 1959 the traffic was completely suspended for periods ranging from a few hours to 14 days. An expenditure of about Rs. 6.95 lakhs was incurred upto 1959 in repairing the breaches. In view of these continuing breaches, it was decided in February, 1961 to carry out

certain remedial measures by providing additional waterways and strengthening the track by blanketing with coal ashes and providing additional ballast, at an estimated cost of Rs. 59.6 lakhs.

The Railway Administration explained that breaches had occurred due to flooding by rains because (i) the line passes through flat country where there are no well marked channels of flow, (ii) the shifting sand dunes of the region change the contours and thus alter the catchment areas of particular openings or necessitate provision of new openings, and (iii) local soil, which was not quite suitable for construction of railway embankments, was used in view of the prohibitive cost of transport of good soil over a long distance. The rains were also unusually heavy being 300 to 400 per cent higher than the average rainfall of 10". It was further explained that the designing of a waterway for an all time high discharge was not an economical proposition.

The rainfall data at 3 stations in the area as recorded by the civil authorities, between the years 1930 and 1950 revealed that the annual rainfall was higher than 20" during a number of years and was generally higher than 10".

44. *North Eastern Railway—Infructuous expenditure on rental charges of telegraph wires provided by the Posts and Telegraphs Department.*

Token telegraph iron wires for a length of 135 miles on the Gonda-Gorakhpur loop were provided by the Posts and Telegraphs Department and were handed over to the Railway Administration in December, 1956. These wires could not be put to use for long periods as the token instruments could be installed for small lengths in March, 1961 and November, 1962 and for the remaining portions only in September, 1964 and March, 1966. The Administration, however, had to pay rental charges of about Rs. 40 thousand to the Posts and Telegraphs Department, although the wires remained unutilised.

The Administration stated (January, 1967) that the instruments for this section which were ordered in February, 1955 were actually received in 1958-59 but were utilised to meet the requirements for other works.

### EARNINGS

45. *Western Railway—Incorrect classification of a commodity.*

In January, 1964 the Ministry of Railways (Railway Board) tentatively decided that limestone crushed or chips and dolomite crush-

ed or chips, should be classified and charged at rates applicable to "Marble (including Baroda green) ballast or chips". These orders were issued on a recommendation made by the South Eastern Railway Administration that, taking into account the uses and prices of limestone crushed or chips, these should be indexed as above. Consequent on the issue of these orders representations were made to the Ministry of Railways to the effect that limestone chips, the size of which varied from less than 1" to 6", were being consumed by many industries particularly the steel industry, which would not be able to bear the higher freight. The Railway Board thereupon decided, on 5th August, 1964, to grant concession of a separate lower rate in respect of limestone or dolomite crushed or chips booked to steel plants only. The commodities booked to all other industries were to be charged as for the classification already decided by them.

On receipt of the orders of the Ministry of Railways of January, 1964, the Western Railway Administration issued instructions that the classification as decided by the Board should be made effective from 25th February, 1964. It was then reported by the Station Master, Ranawao, on 24th May, 1964 that the limestone chips being booked from Ranawao to chemical factories in Mithapur and Dharangdhra, were being declared, after the receipt of these instructions, as limestone though the same commodity was being declared as limestone chips before. The Station Master was thereupon instructed on 6th June, 1964 to levy charges on higher rates. These instructions were, however, revised 5 days later on 11th June, 1964 stating that pending final decision, the commodity "may continue to be charged as hitherto". The Railway Administration simultaneously asked the Divisional Superintendent concerned to make a detailed enquiry as to whether the commodity offered was limestone or limestone chips. The Divisional Superintendent reported on 7th July, 1964 that the commodity being booked varied from 2½" to 6" in size and was actually limestone chips, a fact admitted by the representatives of the chemical factories. The Administration on an examination of the samples, however, instructed the Divisional Superintendent on 16th July, 1964 to advise the factories to describe the commodity as limestone and not limestone chips or crushed. The firms were also advised directly to describe the commodity as limestone.

Meanwhile, the Railway Board's orders dated 5th August, 1964, that limestone chips and dolomite chips (except those booked to steel plants) should be charged at higher rates, were received. A reference was then made to the Railway Board on 8th October, 1964 stating

that a sample of the material booked by the party "consisted of broken pieces of limestone, just like ordinary ballast, varying in size from 2" to 6" not capable of taking any polish" and recommending that chips or crushed limestone be classified at the same level of charge as applicable to limestone, when booked to cement, caustic soda and soda ash industries (chemical industries) and glass industries. The Board issued a wireless message on 7th April, 1965 asking the Administration to refer the matter to the Commercial Committee and, pending a decision by the Commercial Committee, to collect charges as already ordered in their letter dated 5th August, 1964. The Administration thereupon issued general instructions, on 9th April, 1965, stating that limestone, crushed or chips, even when booked to chemical, glass or cement factories should be charged at higher rates. No specific direction was, however, issued to the Station Master, Ranawao to accept the commodity as limestone chips and not as limestone, even though the Railway Board's orders dated 7th April, 1965 were in reply to the specific case of booking from Ranawao. The Railway Board were, on the other hand, informed on 25th August, 1965 that limestone or dolomite crushed or chips were being charged in accordance with the Board's orders.

The commodity continues to be booked as limestone and charged at the lower rates. The difference between the amount of freight actually charged and the freight at higher rate for the period from 1st March, 1964 to 31st December, 1966 (excepting a period of one week in June, 1964 when the higher rate was charged) amounted to Rs. 48.2 lakhs.

The matter was taken up by Audit in September, 1966. The Ministry of Railways informed in January, 1967 that the General Manager as well as the Chief Commercial Superintendent had satisfied themselves personally by examining the samples of the commodity that it was limestone and not limestone chips.

It may be mentioned that if the commodity was actually limestone and not limestone chips, it was not necessary for the Administration to recommend, in October, 1964, the concessional classification for limestone chips booked to cement, caustic soda and soda ash industries, and for the Railway Board to issue instructions, on 7th April, 1965, to charge the commodity at higher rates, when a full description of the commodity was available in the reference made by the Administration.

Further, the Administration had also referred the matter, as desired by the Railway Board to the Commercial Committee, on 15th April,

1965, stating that the commodity in question ranged in size from 2" to 6" and recommending that limestone or dolomite crushed or chips, when booked to cement, caustic soda, soda ash and glass industries should also be charged at the rates applicable when booked to steel plants. This recommendation was not accepted by the Rates-Officers' Sub-Committee of the Commercial Committee and the consideration of the subject was deferred by the Commercial Committee.

The matter was again referred to the Commercial Committee, in December, 1965, stating that the case for charging reduced rates for the limestone chips booked to Chemical factories stood on the same footing as limestone crushed or limestone chips booked to steel plants, some of which were also using the commodity in the same sizes. This time, the Commercial Committee recommended the concessional classification in respect of limestone and dolomite chips booked to cement, chemical and glass factories. The recommendation of the Commercial Committee, made in February, 1966, is still under the consideration of the Ministry of Railways. Though a reference was made to the Administration in July, 1966, asking them to advise on the loss of revenue if the reduced classification was applied, no reply had been received from the Administration (February, 1967).

46. *Central Railway—Delivery of goods without collection of freight charges.*

Freight charges amounting to Rs. 1.05 lakhs on coal wagons delivered to a firm during the period November, 1965 to January, 1966 remain unrealised because of the non-observance of the prescribed procedure in regard to collection of freight charges.

The extant rules provide that before goods are delivered to the consignee, all Railway dues should be collected. Payment of such dues is required to be made only in cash except when the facility of payment by credit notes, etc., is permitted against a cash deposit in advance or Government securities or a Bank guarantee, sufficient to cover freight charges for a period of 15 days/one month. In contravention of these orders, coal consignments in wagon loads were delivered to the above firm. Delayed payment of dues was brought to the notice of Administration on 11th October, 1965 by the local Station Master; but delivery of consignments continued to be made upto the end of January, 1966. The firm has since gone into liquidation and the Railway dues could not so far be realised.

The Administration explained (December, 1966), that the procedure of delivering the consignments without collection of freight charges in respect of wagon load consignments booked to sidings was being

followed for a long time in order to overcome operational difficulties and the firm had been paying the freight regularly in the past. It was also stated that an affidavit had been filed with the Liquidator.

47. *Northern, Northeast Frontier and Southern Railways—Loss of revenue due to delay in the revision of carrying capacity of Oil Tank Wagons.*

The Ministry of Railways (Railway Board) decided to reduce the air-space in oil tank wagons thereby increasing the carrying capacity. The decision was to become effective from 1st April, 1963 but the Railway Administrations were advised earlier in December, 1962, to issue suitable instructions to the staff so that the freight charges in accordance with the revised carrying capacity can be levied. These instructions were, however, given effect to only from 1st September, 1963 on Northeast Frontier Railway and from 20th August, 1963 (for B. G. Wagons) and 1st October, 1963 (for M.G. Wagons) on Southern Railway, resulting in loss of revenue to the Railways totalling Rs. 2.66 lakhs. On Northern Railway, though instructions were issued to revise the carrying capacity with effect from 1st April, 1963, these have not been implemented in all the stations resulting in loss of revenue of Rs. 1.32 lakhs.

### COMPENSATION CLAIMS

48. *Western Railway—Loss due to payment of heavy claims on account of loading of consignments in open wagons.*

The Administration paid compensation claims amounting to Rs. 1.40 lakhs on account of loading cement booked ex-Sawai Madhopur to destinations on Northern Railway in open wagons. The extant instructions of the Ministry of Railways (Railway Board) lay down that commodities such as cement which are highly susceptible to damage by wet must under no circumstances be sent in open wagons unless properly protected with tarpaulins. 46 Box (open) wagons loaded with cement were, however, despatched in December, 1964, ex-Sawai Madhopur without tarpaulins. The cement suffered damage by wet resulting in payment of compensation claims amounting to Rs. 97 thousand. Cement loaded in 66 other Box wagons covered with tarpaulins also suffered damage by wet by the time the wagons reached their destinations resulting in payment of compensation claims amounting to Rs. 43 thousand.

The Administration stated that the loading was done in open wagons as there was shortage of covered wagons and the local cement factory accumulated stocks beyond their storage capacity and threatened closure of their plant. In respect of the 66 wagons

covered with tarpaulins it was stated that damage had possibly occurred because of tarpaulins shifting *en route* and water seeping in.

49. *Northern Railway—Loss due to theft of the contents of a wagon.*

A wagon containing 99 cigarette packages and 44 others booked on 18th January, 1965 from Wadi Bunder to Varanasi reached the destination on 26th January, 1965. The inward invoices pertaining to these consignments were also received at the destination on 22nd January, 1965 and had been taken into account in the records of the station. Next day, that is on the 27th January, the wagon was found placed in a siding at Varanasi instead of in the Goods Shed and it was also noticed that the number of wagon had been altered and the destination changed as Chiheru. The unloading clerk issued a Memo to the Yard Foreman for placement of the wagon in the Goods Shed but it was never done. The matter was not investigated further, but three days later the wagon was despatched from Varanasi to Manduadih from where it went to Mughalsarai on 8th February, 1965 and reached Chiheru on 16th February, 1965. It remained unclaimed at Chiheru till 27th February, 1965 when it was sent for unloading to Jullundur City, where it was found to contain only 40 packages of cotton yarn cuttings, without any marks. The Railway Administration paid compensation claims amounting to over Rs. 1 lakh for the goods stolen from the wagon.

A criminal case registered by the Government Railway Police six months after the event, in August, 1965, is stated to be still under investigation and the departmental enquiry ordered in February, 1966, a year after theft came to notice, is stated to be still in progress (October, 1966).

50. *Central Railway—Loss due to explosion caused by incorrect loading.*

According to rules for conveyance by rail of explosives and other dangerous goods, explosives shall not be conveyed in the same carriage with any other dangerous goods. The rules also lay down that during shunting operations it should be ensured that in respect of carriages containing explosives or other dangerous goods, no rough, hump, fly or loose shunting takes place. However, in contravention of the above rules, 20 cases of potassium chlorate (an oxidizing substance) and one case of liquid metal polish (an inflammable liquid) both classified as "dangerous goods" were loaded at Ajni repacking shed on 29th November, 1963 in a wagon containing



43 cases of detonators which were already loaded at Nagpur on 26th November, 1963. Necessary remarks that this wagon contained explosives or dangerous goods were also not given by the staff in shunting and yard office records.

On 2nd December, 1963 the wagon was hump shunted at Ajni yard between 9.25 and 9.45 hours along with certain other wagons; shortly thereafter, the wagon exploded causing damage to the consignments contained therein and to other Railway properties valued in all at Rs. 1.79 lakhs. Besides, compensation amounting to Rs. 11 thousand was paid to outsiders in seven cases of damage caused to their property and two other claims amounting to Rs. 81 thousand are stated to be still pending.

A Committee of officers which investigated the accident could not come to any definite conclusion as to the cause of the explosion.

The staff found responsible for the irregularities and lapses in not observing the rules have been punished by postponing increments in four cases ranging from six months in one case to one year in three cases. Three more employees are also stated to have been punished for the irregularities committed by them.

### **LAND, BUILDINGS AND RENT**

#### *51. Northern Railway—Infructuous expenditure on lease of land for Amritsar Workshops.*

In July, 1961, the Railway Administration decided to lease land measuring 61,000 sft., from the Municipal Committee, Amritsar, for storing the raw-materials required for the proposed manufacture of 1,000 four-wheeled wagons and 500 Box type wagons in Amritsar Workshops. In January, 1962, it was decided that 500 of these four-wheeled wagons would be manufactured at Jagadhri. The land was acquired in January, 1963 at an annual rent of Rs. 3,840 and a further expenditure of Rs. 1.67 lakhs in providing roads, sidings and other structures thereon was incurred. The land and the structures were actually utilised only for storing a few items of maintenance stores (weighing about 952 tons).

In November, 1963, it was decided to manufacture only 127 four-wheeled wagons at Amritsar and the rest at Jagadhri; but no action was taken to surrender the land. Instead, the lease was extended upto 31st March, 1965. Though it was felt in December, 1964 that there was no necessity to extend the lease beyond 31st March, 1965, the final decision to relinquish the land was taken only in September, 1965, after a delay of 9 months. The land was eventually

handed over to the Municipal Committee after a further delay of 6 months. The expenditure on dismantling the structures was about Rs. 5 thousand. The infructuous expenditure incurred on the lease of land and construction of sidings etc., was Rs. 1.41 lakhs.

The Railway Administration stated (December, 1966) that when the decision to divert the manufacture of a part of the order of four-wheeled wagons was taken, it was not possible to divert the materials already ordered for delivery at Amritsar. It was further stated that the land was also required for storing 2,500 pairs of wheelsets required in connection with the wagon building programme of the Railway.

It may be stated that as the material was despatched by the Eastern Railway it should have been possible to divert the same to Jagadhri where they were actually required and, in any case, the material was not stored on the leased land at Amritsar. The question of storage of wheelsets was not taken into account either at the time of taking a decision to lease the land or at the time of actual acquisition. The proposal of storing them at Amritsar was made by the Administration only in October, 1963, that is, long after the land was taken on lease, but did not find favour with the Railway Board.

52. *South Eastern Railway—Loss due to non-recovery of rent for residential buildings.*

In accordance with the revised procedure prescribed by the Railway Board, in March, 1963, recovery of rent in respect of residential buildings is not required to be watched unit-wise but by groups of buildings pooled for the purpose of charging uniform rent. The revised procedure was implemented on the Adra Division from April, 1964. In the course of internal check of the rent rolls for the month of April, 1964, by the Accounts Office it was noticed that the pool-wise lists of buildings were deficient and rent rolls were not prepared for a sizeable number of units. Further investigations revealed that rent was not recovered in respect of 2,755 quarters out of which 260 were under unauthorised occupation. On a complete field check undertaken in April, 1966, the arrear rent for the period April, 1964 to August, 1966 was assessed at Rs. 4.34 lakhs.

In the Waltair Division also, rent in respect of 308 units was not being recovered, involving loss of rent of about Rs. 52 thousand per annum, as these were not being included in the rent rolls.

The Administration stated (February, 1967) that in the Adra Division recovery of rent was regular from August, 1966, except for the 260 quarters and an amount of Rs. 19 thousand towards arrear rent was collected by December, 1966. Recovery of arrear rent in Waltair Division was expected to commence shortly.

53. *Diesel Locomotive Works—Loss due to delay in allotment of quarters.*

A number of quarters built by the Administration remained vacant for long periods. Out of 2,378 quarters ready for occupation upto 30th June, 1966, 2,048 quarters remained vacant for periods of two months and more, resulting in loss of rent and, in addition, payment of house rent allowance aggregating to Rs. 1.65 lakhs. 330 of these quarters remained vacant even after November, 1966. Allowing for a percentage of quarters to be allotted to essential staff as and when recruited, the recurring loss on account of rent and payment of house rent allowance to the staff is estimated to be Rs. 10 thousand per month.

#### **DUES FROM GOVERNMENT DEPARTMENTS AND OTHERS**

54. *Central, Eastern, Southern and Western Railways—Delays in recovery of dues.*

Delays have occurred in the realisation of amounts due to the Railways as indicated below:—

(a) Andhra Pradesh and Maharashtra State Road Transport Corporations.

Certain railway buildings allotted, prior to 1st November, 1951, to the staff of the former Road Transport Department, Hyderabad (now forming parts of the Andhra Pradesh and Maharashtra State Road Transport Corporations) continue to be under their occupation till date. In addition, the Railway Administration had maintained some of the buildings owned by the Road Transport Department upto 30th June, 1958. The Administration also continues to supply water to some of the staff quarters and depots. Amounts due to the Railway on account of rent and services rendered were pending settlement and Audit was informed in December, 1959 that final orders issued by the Board, in May, 1959, in the matter of recovery of these charges taking into account the objections raised by the Road Transport Corporations

were being implemented. But no recovery could be made even thereafter and an amount of Rs. 1.25 lakhs (Rs. 51 thousand from Andhra Pradesh State Road Transport Corporation and Rs. 74 thousand from the Maharashtra State Road Transport Corporation) was due to the Railway as on 16th December, 1966.

(b) Coal Controller's Organisation.

In accordance with a decision of the Government of India in August, 1949, the Coal Controller was bearing the cost of special staff employed by the Railways on his behalf for work connected with the movement of coal by rail at six stations and for the preparation of certain statistical returns. The charges claimed by the Railways were being accepted by the Coal Controller upto June, 1961 (October, 1961 in some cases) but the claims for the subsequent periods had not been accepted. After protracted correspondence, the then Ministry of Steel and Mines issued instructions in September, 1965, to the Coal Controller to accept the claims preferred by the Railways. While the Coal Controller accepted debits in respect of two stations, the claims amounting to Rs. 8.2 lakhs upto March, 1966, in respect of the remaining four stations are pending recovery.

(c) Tungabhadra Dam Project.

Southern Railway Administration provided four Railway Sidings and other ancillary facilities for Tungabhadra Dam Project authorities, which were opened for traffic between December, 1948 and February, 1953. The cost of construction was borne by the State Governments. These were closed between July, 1953 and April, 1957 and subsequently dismantled except for a small length (5/8 mile) of the siding opened in December, 1948. Though the maintenance and operation charges as well as the siding charges were recoverable from the Project authorities, the liability for the payment of charges was not fixed formally by means of an agreement and proper records were not maintained to work out the exact charges. The question of recovery having been raised by Audit in November, 1958, an amount of Rs. 2.36 lakhs representing the operation and maintenance charges in respect of the four sidings were recovered from the Project authorities in 1959. While the siding charges in respect of two sidings upto the dates of closures had been fully recovered, Rs. 2.69 lakhs being

the arrears in respect of two sidings (one upto 31st December, 1954 and the other upto 31st March, 1960) still remain to be recovered.

(d) Hindustan Steel Limited.

Twelve slurry tank wagons manufactured in a Railway Workshop were despatched to the Durgapur Steel Plant in October and November, 1959. The acceptance of the company for the estimated cost of the job was not taken and no bill for the supply sent till four years later, in November, 1963, when a provisional bill for Rs. 1.15 lakhs was sent to them. A year later, in November, 1964 the Railway Administration came to know that though the wagons were sent under escort, only 10 out of the 12 wagons reached Durgapur and the remaining two, which were subsequently located in February, 1965 and November, 1965 had been left *en route* when they became 'sick'. A final bill towards the cost of all the 12 wagons was sent to the company, in March, 1965, but was revised in June, 1965, to Rs. 2.74 lakhs to cover the cost of 10 wagons actually delivered. Though the wagons had been supplied seven years ago, only a provisional payment of Rs. 96 thousand was made in November, 1966.

### OTHER TOPICS OF INTEREST

55. *Central, Northern and Southern Railways.—Avoidable expenditure due to delay in the introduction of contract system for ash handling and cinder picking in Loco Sheds.*

In accordance with the directions issued by the Ministry of Railways (Railway Board) in June, 1959 and June, 1961 departmental working of ash handling and cinder picking was introduced on certain selected sheds of the Railways. A review of the experience thus gained revealed that the departmental working was generally costlier. The Railway Board, therefore, issued a further directive, in January, 1962, that departmental working might be discontinued, where proved uneconomical, and that, in sheds where it had not been tried, the relative economics of departmental and contract working should be reviewed and the more advantageous practice adopted.

On the Central Railway, however, the work continues to be done departmentally in four Divisions and some sections of Jhansi Divi-

sion even five years after the issue of orders of the Railway Board to discontinue such a system where proved uneconomical. According to an assessment made by the Administration introduction of the contract system in Sholapur and Bombay Divisions resulted in annual savings of Rs. 3.6 lakhs and Rs. 2 lakhs respectively. Similarly, the savings in respect of four sections of the Jhansi Division, where contract labour was introduced in April, and June, 1963, were estimated to be Rs. 1.2 lakhs per annum. If the ~~departmental~~<sup>contract</sup> working had been introduced on all the Divisions of the Railway, the Administration could have avoided extra expenditure of Rs. 10 to 12 lakhs per annum, on the above basis.

On the Northern Railway, the orders were implemented in December, 1964 and January, 1965 resulting in avoidable expenditure of Rs. 1.3 lakhs. Similarly, on Southern Railway, where the orders were implemented in April and June, 1964, the avoidable expenditure works out to Rs. 10.3 lakhs.

The Ministry of Railways, however, considered that the estimates of the avoidable expenditure may not be correct. It was also explained (January, 1967) that the Central Railway encountered various practical difficulties like non-availability of suitable and experienced contractors, absorption of departmental labour rendered surplus, contemplated mechanisation of ash handling and impact of electrification and dieselisation schemes. On the Northern and Southern Railways the delays occurred on account of certain administrative difficulties.

#### 56. *Northern, Southern and South Eastern Railways—Non-recovery of Provident Fund Advances.*

The extant rules for the grant of advances to the employees from the State Railways Provident Fund provide that the recovery of the advance should commence with the issue of pay for the month following the one in which the advance is drawn and should be completed in a fixed number of instalments.

It was, however, noticed in audit that on these three Railways, in 3,009 cases of advances sanctioned during the 11 years ending with 1964-65, no recovery had been commenced till the middle of 1966. In respect of 2,239 cases, the recoveries, though commenced, were stopped after a few instalments. The amounts involved are Rs. 12.78 lakhs and Rs. 5.60 lakhs respectively.

### 57. Utilisation of Special Coaches.

As part of the drive to promote the export of coaches built in the Integral Coach Factory, the Ministry of Railways decided in January, 1961 to have,

- (a) six BG I Class Coaches built, well-upholstered and furnished with choice fittings so that they could be stabled at vantage points for demonstration purposes when not used as spares or for VIP moves; and
- (b) six BG I Class Tourist Cars built and furnished with choice fittings to a high standard, so that they could be made available to foreign tourists against any demand and at other times come in handy for demonstration to prospective buyers from abroad.

The construction of the I Class Exhibition Coaches cost an extra amount of Rs. 45 thousand each in comparison with the cost of an ordinary I Class Coach. The six special Tourist Cars were built at an extra cost of Rs. 34 thousand each compared to an ordinary Tourist Car.

The first of the six I Class Coaches, turned out in October, 1961, was exhibited in the Indian Industries Fair held at New Delhi in that year and was handed over to the Northern Railway in February, 1962, where it had been put into general service and subsequently treated as an ordinary I Class Coach. The remaining five Coaches built between December, 1963 and December, 1964 have been utilised, as follows:—

One Coach was kept at Madras Central Station for demonstration purposes since July, 1964 and was used on 18th July, 1966 by a cultural troupe from Australia.

One Coach which was stabled at Howrah for two months from 12th June, 1965 is being run on Coalfield Express on the Eastern Railway.

One Coach was stabled at Matunga Workshops, Central Railway from August, 1964 to February, 1966 and subsequently at Bombay V.T. It was utilised as 'marriage special' and on the Deccan Queen etc., on four occasions.

One Coach was stabled at Matunga Workshops from January, 1965 to February, 1966 and later at Bombay V.T. It was used on the Deccan Queen from 9th November, 1966 to

22nd November, 1966 and for a marriage party on one occasion.

One Coach was stabled at New Delhi Station and used on occasions by Press Parties etc., and in "General Manager's inspection special".

The six special Tourist Cars were built between March, 1965 and October, 1965. Five of them have been utilised as follows:—

One Tourist Car received by Western Railway during September, 1965 does not appear to have been used except occasionally for official requirements.

One Tourist Car allotted to Southern Railway has not so far been used (October 1966).

Three Tourist Cars are being used by senior officers of the Northern, South Eastern Railways and the Railway Board for inspection tours.

One Tourist Car was retained by the Integral Coach Factory and was modified for use as an inspection carriage for the General Manager at a cost of Rs. 9 thousand. This was subsequently fitted with a 230 Volts A.C. commercial air conditioner, by specially designing an inverter to connect the 24 Volts, D.C. available in the coach, at a cost of Rs. 8 thousand. This Car was subsequently involved in a fire accident ("presumably the fire had an electrical origin") and the cost of resultant repairs came to Rs. 11 thousand.

Thus the coaches built at an extra cost of Rs. 4.74 lakhs have not been utilised in a significant measure for the purposes for which they were intended.

58. *South Eastern Railway—Avoidable expenditure on attendants.*

The Ministry of Railways (Railway Board) directed, in February, 1962, that attendants should be provided in the new corridor type First Class coaches to avoid complaints from the travelling public arising out of the unauthorised use of the corridors. These orders did not provide for posting attendants in composite bogies or conventional First Class coaches and the position was specifically made clear by the Railway Board in November, 1964. The Administration, however, provided attendants in a number of composite bogies for different periods from February, 1964 to April, 1966 in five of the seven Divisions of the Railway. The avoidable expenditure on the salaries of these attendants came to Rs. 51 thousand from December, 1964 to April, 1966.



### RECOVERIES AT THE INSTANCE OF AUDIT

59. During the year 1965-66 a total amount of Rs. 23.69 lakhs has been recovered or noted for recovery at the instance of Audit. As a result of further review of these and similar cases made by the Railways, an amount of Rs. 2.73 lakhs has also been noted for recovery.

*A. K. Mukherji*

NEW DELHI;

Dated the 27th February, 1967  
8th Phal., 1888

Director of Railway Audit.

Countersigned

*Silayanathan*

NEW DELHI; Comptroller and Auditor General of India.

Dated the 27th February, 1967  
8th Phal., 1888

1914-1915

9

THE UNIVERSITY OF CHICAGO

DEPARTMENT OF CHEMISTRY

CHICAGO, ILL.

LETTER TO THE DIRECTOR

OF THE NATIONAL BUREAU OF STANDARDS

WASHINGTON, D. C.

Dear Sir:

I have the honor to acknowledge the receipt of your letter of the 14th inst. in relation to the matter of the standard of the International Union of Pure and Applied Chemistry. The standard of the International Union of Pure and Applied Chemistry is a standard of the International Union of Pure and Applied Chemistry.

Very respectfully,  
S. P. S. S. S.