ADVANCE REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

THE YEAR 1981-82

UNION GOVERNMENT (RAILWAYS)

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ADVANCE REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR

THE YEAR 1981-82

UNION GOVERNMENT (RAILWAYS)

ADVANCE REPORT OF THE

ANNUAL ESTIMATES

FOR

1984-85

OF INDIA

CONTROLLED AND AUDITOR GENERAL

TABLE OF CONTENTS

PREFATORY REMARKS

This Report has been prepared pending submission of the Appropriation Accounts of the Union Government (Railways) for the year 1981-82. The Appropriation Accounts of the Union Government (Railways) for the year 1981-82 are under preparation/finalisation by the Ministry of Railways (Railway Board). Since their submission is likely to take a little more time, this Advance Report is being submitted.

2. This Report relates mainly to points arising from audit of the financial transactions of the Railways. The matters reported are among those which came to notice in the course of test audit during the year 1981-82 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1981-82 have also been included, wherever considered necessary. These include, among others, Review of sidings, Performance of suburban services of the Central Railway, Performance of container service, Construction of broad gauge line between Diva and Bassein Road stations and Gauge conversion from Samastipur to Darbhanga.

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

CHAPTER I

PASSENGER AND OTHER SERVICES

1. Performance of suburban services of the Central Railway

I. *Introduction*

1.1 The suburban services of Central Railway, serving the Greater Bombay, are spread over in four sections with a route km of 190 (track km 484) as under :

(i) Bombay VT to Kurla/Kalyan/Karjat

(ii) Bombay VT to Kurla/Kalyan/Kasara

(iii) Bombay VT to Vadala/(Raoli)/Kurla/Mankhurd

(iv) Bombay VT to Vadala (Racli)/Bandra.

1.2 There are 53 stations on the suburban routes ibid. The services are run with 1500 Volts Direct Current (DC) traction power supplied from 19 sub-stations. Each Electrical Multiple Unit (EMU) train or rake comprise 3 units of 9 coaches; each unit consists of one motor and two trailer coaches.

1.3 The daily commuters of Bombay are also served by the suburban services run by the Western Railway which has only a single section of 60 route km (208 track km) from Churchgate to Virar. There are 28 stations in this route which obtain (DC) traction power supply from 15 sub-stations. While the Western Railway with a holding of 578 DC EMUs could carry 785 million passengers, the Central Railway with 647 EMUs carried only 758 million passengers during 1980-81. The Central Railway is unable to run daily the advertised trains to schedule. During the period from January 1978 to April 1981, out of 853 trains scheduled to run daily only 810 trains were actually run,

42 to 43 trains were cancelled and 116 trains ran late (late by more than 15 minutes).

1.4 The normal punctuality expected of suburban trains is 98 per cent of the trains run. The punctuality percentage was 64 to 69 per cent on Central Railway where as that, on the Western Railway, was 96 to 97 per cent.

1.5 The main factors affecting the performance of Central Railway were large holding of overaged EMU coaches, non-receipt of new EMUs on replacement, inadequate Periodical Over Haul (POH) and repair facilities resulting in high percentage of ineffectives (i.e. awaiting or under repairs) and increasing number of EMUs overdue POH. Besides, delayed implementation of certain rehabilitation works relating to overhead electric equipment (OHE), existing power distribution system, etc. had affected the running of suburban trains to schedule. These factors are further analysed below :

II. *Holding*

	Central Railway		Western Railway	
	1977-78	1980-81	1977-78	1980-81
(*a*) Over 25* years of age	61	67	46	32
(*b*) Below 25 years	628	580	550	546
TOTAL	689 (71 rakes)	647	596 (67 rakes)	578

1.6 Keeping in view the overaged EMUs and traffic growth, the Central Railway were allotted a total of 172 new coaches on replacement account and for meeting additional traffic during 1974-75 to 1979-80. After eliminating the overaged stock, the Railway Administration was anticipated to hold about 78 rakes (735 coaches) by 1980-81, 80 rakes by 1981-82 and 85 rakes by 1982-83. These new coaches were to be received from out

*The service life of EMUs under normal operating conditions is 25 years.

of the supplies under the contracts placed by the Ministry of Railways (Railway Board) in June 1974 for 76 DC EMUs at a cost of Rs. 7.56 crores and again in November* 1978 for 146 DC EMUs at a cost of Rs. 15.62 crores on M/s Jessops.

1.7 The earlier order for 76 EMU coaches was withdrawn in December 1975 in the context of drastic cut in the plan allocation for coach production during 1975-76 and 1976-77 and an inter ministerial decision (October 1975) to stop coach production by Jessops to enable better utilisation of capacities of Integral Coach Factory (ICF) and Bharat Earth Movers Limited (BEML). Though this order for manufacture of DC EMUs was diverted to ICF in April 1976, the ICF did not commence any work on this order till 1977-78 due to constraint of funds and for want of priority for this order. The same order was again restored to M/s Jessops in November 1977 along with an additional order for 17 EMUs in December 1977. The delivery of these coaches was to commence from 1978-79.

1.8 Though the supplies under the above three orders (239) were all to be completed by 31-3-1982, this firm had commenced delivery of coaches only from 1979-80 and supplied only 21 coaches by end of March 1982. Of these, only one was motor coach and hence no additional rake could be formed out of the new coaches procured so far by Central Railway (November 1982).

1.9 Thus, as a result of withdrawal of the orders from M/s Jessops in December 1975 and inadequate priority for production of DC EMU coaches by ICF during 1976-77 and 1977-78 (after this order was diverted to them in April 1976) there was no supply of the EMUs to Central Railway under this order till 1978-79. Thereafter, from 1979-80, the production from M/s Jessops did not pick up at the expected level mainly due to inadequate availability of Electrics (a set of traction

*This contract with Jessops was actually for 239 EMUs taking into account the EMUs ordered earlier.

motor, traction generator, control gear equipments, etc.) to be supplied by M/s Bharat Heavy Electricals (BHEL).

1.10 As per the terms of the contract, Electrics, steel and wheelsets are free supply items. For the total quantity on order (239 EMUs), 81 sets of 'Electrics' were required to be supplied. But the Ministry of Railways (Railway Board) placed order on BHEL only in February 1979 for supply of 52 sets with delivery schedule at the rate of 6 sets in 1979-80, 26 sets in 1980-81 and 20 sets in 1981-82. The BHEL had supplied only 20 sets to the end of March 1982. Anticipating, therefore, a shortfall in the requirements of electrics, a contract was also placed by the Railway Board on a Japanese firm in June 1980 for the balance requirements (29 sets) through BHEL. Till November 1982, the cumulative supply to Jessops from BHEL was only 27 sets of electrics including 3 sets from import.

1.11 Thus, due to lack of proper planning for manufacture of EMUs and inadequate arrangements for free supply of the main components by the Railway Board the expected delivery of the EMUs to Central Railway as provided for in their rolling stock budgets during the year from 1978-79 to 1981-82 could not be made. The funds provided in the budget specifically for this purchase could not also be utilised as detailed below :

Year	Delivery of EMUs		Funds provided	Actually utilised	Funds not used
	Expected	Actual			
			(Rs. in lakhs)		
1978–79	36	Nil	132.0	Nil	132
1979–80	38	Nil	606	537.4	68.6
1980–81	88	3	1232	444	788
1981–82	80	31*	1120	846	274

1.12 In the context of delayed supplies of DC EMU coaches from Jessops, the Railway Board have since decided (November 1982) to place an order for 50 such coaches on ICF for delivery to Central Railway by 1983-84.

*As per production statement furnished to the Railway Board by Jessops.

III. *Inadequate POH and Repair facilities*

1.13 There is no prescribed (target) percentage of ineffectives specifically for EMUs, though for all types of coaches in passenger service, a target of 14 per cent for ineffectives is laid down. In the absence of a norm for ineffectives in EMUs, a comparison of the position of ineffective EMUs obtained in this regard on Central and Western Railways during 1980-81 has been made by Audit as under :

	Central	Western
Percentage of EMU coaches under/awaiting repairs and POH to total holding :		
(*i*) Motor coaches	22.7	11.8
(*ii*) Trailer coaches	16.6	9.4

1.14 The higher percentage of EMU coaches under repairs or POH on the Central Railway as above was mainly due to lack of centralised periodical overhaul and running repair facilities on that Railway. These factors have been further analysed below :

(i) Lack of centralised POH facilities

1.15 Running repairs and POH of electrical portion of EMUs is undertaken at Kurla car shed, whereas POH of mechanical portion is attended to at Matunga located at a distance of 5 km. Due to problems of coordination and movement of coaches at restricted speed over the busy lines, the Central Railway takes 58 and 36 days for POH of motor and trailer coach against a target POH period of 18 and 12 days respectively. The transit time between the two shops alone accounted for an average of 11 days per coach.

1.16 During 1970-72, a Committee of Engineers appointed by the Railway Board recommended that the POH be centralised at Matunga on Central Railway as this would reduce the POH period by 13 days. Though these recommendations were accepted by the Railway Board in 1973, it did not approve the execution

of this scheme as proposed by the Central Railway at a cost of Rs. 5.00 crores in 1974-75 and 1975-76 works programmes owing to constraint of funds. In June 1978, a committee of two General Managers (Central and Western Railways) examined, *de novo*, the merits of the scheme to centralise the POH at Matunga at the instance of Railway Board and on the recommendation of the second committee this scheme was approved for execution in June 1979 at a cost of Rs. 7.40 crores. This work is expected to be completed in 1984-85 only.

1.17 The Western Railway, due mainly to centralised POH of EMUs in its Mahalaxmi workshops, was able to carry out the POH of motor and trailer coaches in 17.5* and 12.5 days respectively. There is no overdue POH of EMUs on Western Railway. On the Central Railway, due to POH still being done at two places, POH period is longer, outturn is less, and the number of EMUs overdue POH increased year after year (40 in 1977-78 increased to 110 in 1980-81).

1.18 Reduction of minimum of 13 days in the existing time for POH per coach would result in a saving of 2.4 rakes for service which meant an extra earning potential of Rs. 1.37 crores per year.

1.19 According to the Central Railway Administration, the POH performance at Kurla car shed has deteriorated due to heavy repairs needed on imported stock during the last 2/3 years. The average number of working days, including idle period for POH of an imported coach was 54 days *vis-a-vis* 23 days for indigeneous coach at Kurla shed in 1981-82. As a result, coaches overdue for POH has increased without a consequent increase in outturn.

1.20 As already stated, the overaged coaches are retained in service due to non-receipt of new coaches on order from 1974

*Data from the Monthly Report of General Manager, Western Railway for March 1982.

as a result of defective planning of the procurement by Railway Board.

(ii) Excessive overloading of EMU motors

1.21 There had been excessive overloading of EMU motors, specially during peak hours, due to the suburban trains running with over crushing capacity resulting in high ineffective percentage of motor coaches. The condition of coaches in service over 20 years deteriorated due to this overloading as well as ageing of equipment so much that 82 of such motor coaches developed reverse camber involving major body repairs for prolonged periods during 1979-80. Though the Research, Designs and Standards Organisation (RDSO) had recommended in 1978 that the booked speed of suburban trains be reduced from 72 kmph to 65 kmph to ensure appropriate loading of traction motors, this reduction in speed was made effective from May 1982 only.

(iii) Inadequate facilities for maintenance schedules and running repairs

1.22 The existing car shed at Kurla, looking after the electrical portion of POH, was the only shed for the day to day running repairs, etc. This shed has capacity to maintain only 500 EMU coaches. Keeping in view the increase in holding of coaches to over 500 and the need to give relief to the existing car shed at Kurla, the Committee of 1972 referred to above, recommended creation of a separate shed at Kalwa for day to day repairs. Though the work was included by the Central Railway Administration in its works programme for the year 1974-75 at a cost of Rs. 5.00 crores so that the repair facilities envisaged can be made ready by April 1977, the Railway Board approved this project in 3 phases in 1974-75, 1976-77 and 1980-81, works programme at a total estimated cost of Rs. 7.56 crores (actuals to end of March 1982 Rs. 5.53 crores). In January 1980 during execution of the last phase of the work, Central Railway realised the need for inspection pits for three more lines, two washing sidings, bridges and certain earth work etc.

costing Rs. 76.47 lakhs. The Administration have stated that the shed was commissioned in January 1981 and the facilities were in the process of being established.

1.23 The approval of this project in three phases in 1974-75, 1976-77 and 1980-81 by the Railway Board and its execution in stages, has delayed the augmentation of the repair facilities for EMUs upto 1981-82 and failed to give relief to Kurla car shed which was attending to both POH and running repairs of EMUs though the need for such relief was identified as early as in 1972.

1.24 According to Railway Administration (October 1982) the performance of Kurla car shed with reference to coaches under repairs deteriorated, mainly due to non-augmentation of repair/overhaul facilities between 1969-70 and 1980-81 in spite of a 48 per cent increase in the holding during this period.

1.25 EMU coaches had also to be stabled for long periods at Kurla shed due to non-availability of material such as tyres/wheels and traction motors. During the period January 1979 to February 1981, 25 coaches were stabled for periods in excess of 100 days in each case. The departmental capacity of 5 to 6 armatures rewinding per month was inadequate to cope with the actual arisings of the order of 7 to 8 armatures per month. The Railway Administration did not also programme on a regular basis, the offloading of the additional requirements of rewinding of armatures either to trade or on BHEL, thereby contributing to higher percentage of ineffectives among EMU motors.

IV. *Delay in strengthening of power supply distribution system and overhead equipment (OHE)*

1.26 The existing sub-stations at Bombay VT (Wadi Bunder), Dadar and Raoli Junctions had been overloaded resulting in power crisis and major failures in DC distribution with frequent restrictions of train service from 1978-79. The Railway Board approved provision of additional sub-stations at Chinchpokli-Ghatkopar, Bhandup, Kalwa and Dombivili (in all 5 sub-stations)

at a cost of Rs. 4.12 crores in March 1978. All these works intended to strengthen the power distribution have progressed only to the exent of 50 per cent (November 1982) mainly due to delay in coverage of orders for supply of vital components such as high speed circuit breakers, etc.

1.27 Similarly, some of the old type OHE fittings, such as common cross span wire assembly, with its corroded parts due for replacement on age-*cum*-condition basis are yet to be replaced. Besides, the acid fumes emitted through chimneys and waste drains of chemical factories between Kalyan, Ambernath and Titwala have a highly corrosive effect on the aluminium conductors, other metallic parts and steel structures of the transmission lines causing their faster deterioration resulting in frequent failures and interruption to traction power supply. Effective action to combat this factor, is yet to be taken. In the meanwhile recurring expenditure on preventive maintenance of the order of Rs. 1.20* lakhs per year continued to be incurred in protecting the OHE equipments and other installations.

1.28 Major works of replacement rehabilitation of transmission lines, contact wires, switchgear fittings, common cross span wire assembly, costing Rs. 2.17 crores were approved between 1976-77 and 1980-81 but these works are still in progress.

1.29 Thus the combination of all the factors detailed above had been affecting the speed and punctuality of suburban trains resulting in cancellation of scheduled trains and trains running late. The cancellation of scheduled trains causes great inconvenience to the commuters and results in vandalism leading to the destruction of Railway property worth lakhs of rupees as happened on 26-5-78, 7-11-79, 22-5-81, 31-8-81 and 21-6-82.

1.30 According to the Central Railway Administration (October 1982), the poor availability of the EMUs affecting the

*Figure derived by Audit on the basis of average of expenditure from 1967 to 1979.

performance of its services to schedule, was on account of excessive repairs to the overaged stock still in service and improvement can be expected only when this overaged stock are withdrawn.

1.31 The Railway Administration further explained that the unit defects/unit failures contribute to about 30 per cent of loss of punctuality whilst the balance 70 per cent are caused due to alarm chain pulling, trespassing, rail fracture, S&T operating and OHE power supply failures.

V. *Conclusion*

1.32(i) The performance of EMU services on Central Railway had deteriorated specially from 1977-78 due to the overaged stock requiring excessive repairs.

(ii) Due to lack of proper planning for procurement from the existing production units, inadequate timely arrangement for free supply items by Railway Board, the programmed addition of 172 coaches by end of March 1982 have not materialised except for 21 coaches. Bulk of the funds allocated for this purchase from 1978-79 could not also be utilised.

Even of the additions (21), the product mix of motor and trailer coaches was not balanced; only one motor coach was available and hence no additional rake could be formed.

(iii) Lack of centralised POH facilities resulted in longer POH time for EMUs.

Inadequate repair and maintenance facilities have led to higher percentage of coaches under repair from 1978-79 restricting availability of EMUs for suburban services.

(iv) There had been abnormal delay of over seven years in sanctioning the scheme of centralised POH work at Matunga which would have reduced the existing POH time of EMUs by 13 days and thereby saved 2.4 rakes for service with an extra earning potential of Rs. 1.37 crores per year.

(v) Investment of Rs. 5.53 crores has not fructified due to sanctioning the project for a new repair shed at Kalwa in three phases. The new shed, though commissioned from January 1981, has been partly made available for operational use in 1981-82.

(vi) Delay in strengthening of power distribution and rehabilitation of OHE have been resulting in frequent disruptions in suburban traffic affecting its punctuality. Scheduled train services as per published time table never ran due to daily cancellation of 42 to 43 trains on an average resulting in discomfort to the daily commuters.

(vii) Effective action to combat man-made corrosion affecting the OHE are yet to be devised.

2. **Performance of container service**

I. *Introduction*

2.1 Container service was introduced from 1966 between specified terminals in order to wean away diversion of high rated goods traffic to road by ensuring quick and safe door to door transport of goods without any handling of the contents either at the transhipment point, *en route*, if any, or at the goods sheds. The steel containers are water and pilfer proof, having a carrying capacity (CC) of 4.5/5.0 tonne and six such containers are transported on a flat bogie wagon. These services got established on 9 routes by 1971-72, 12 routes by 1974-75 and 16 routes by 1981-82.

2.2 Functioning of the container service has been reviewed by Audit and the results are detailed in the succeeding paragraphs.

II. *Holding and traffic materialisation*

Year	Holding	No. of loadings		Earnings	
		Total	Per container per year	Total (Rs. in lakhs)	Per container per day Rs.
1971–72	686	31880	46	144	57.5
1976–77	2086	43052	21	338	44.4
1980–81	2096	43649	21	511	66.8
1981–82	2345	37864	16	542	63.3

2.3 It may be seen from the above table that the container loading dropped significantly in 1981-82 and the efficiency indices, namely loading per container per year declined to 16 in 1981-82 as compared with 21 achieved in 1976-77. This is indicative of poor utilisation of container in a year. The increase in the earnings of about 60 per cent during this period is primarily due to increase in the general tariff rates. On the Western Railway which initially commenced this service in 1966, the decline in traffic was to the extent of 40 per cent as compared to their traffic of 1976-77. Two of their regular services introduced in 1967 and 1973 were closed in 1979.

2.4 Nevertheless, container fleet is being augmented by addition of 850 containers besides replacement of 518 containers. Of these ordered (1368) in September 1980, 311 containers were received by end of 1981-82, and the balance (1057) supply is in progress during 1982-83. These additions were justified to increase container loading by 50 per day.

III. *Factors affecting the performance*

2.5 The factors responsible for the deteriorating performance of the container service have been analysed below :

(i) Overaged and damaged containers

2.6 (a) Initially, life of a container was fixed at 40 years (same as of a wagon). Subsequently, in February 1981 Research, Designs and Standards Organisation (RDSO) has proposed to fix the life of a container as 15 years, subject to its being given proper periodic overhaul (POH). This has not yet been approved by the Railway Board (November 1982).

(b) In the meanwhile, due to absence of norms for replacement and periodical overhaul, containers in badly damaged

conditions continue to be in service, which the trade is reluctant to load (Western Railway).

(ii) Empty haulage of containers

2.7 With a view to reducing empty haulage and improving utilisation, the containers and flats were being utilised on a pooled basis from 1975-76 and not in Railway based closed circuits. But due primarily to lack of coordination between the Railways and imbalance of traffic, sizeable number of containers are hauled empty. A test check of the performance reports of the Railways for March 1982, indicated empty haulage of containers, the maximum being on the Eastern Railway (41.3 per cent of the total inward receipts), followed by South Central (39 per cent), South Eastern (32 per cent) and Western (27 per cent). The Southern Railway had the minimum empty haulage of 15 per cent. Despite the container services being operated on selective routes, its empty haulage is comparatively high on the Eastern, South Central, South Eastern and Western Railways, indicating need for sustained marketing efforts.

(iii) Excess turnround time

2.8 The turnround time has increased from 17 days in 1976-77 to 21.6 days in 1981-82. This high turnround time is partly accounted by transit time for movement of containers between the two terminals and partly by its hold up at the Railway's or consignee's premises at the terminal. The Zonal Railways fix a target transit time for each container service. The containers are moved by nominated quick transit (QTS) goods trains. The average speed of such QTS trains is 22-23 km per hour. Hence the transit time of containers by these trains even on the longest container route between New Delhi-Bangalore (2544 km) would not exceed 5 days. A test check in Audit of the performance reports of regular services for March 1982 of the Zonal Railways revealed that the target transit time have been fixed much in excess of the running time required by QTS

service and the actual transit time taken for the movement of containers was still higher as brought out below :

Railway	Container service		Distance (km)	Transit time (days)		Actual transit time taken by Railways (days)
	From	To		as compared with reference to QTS	as fixed by Railway	
Southern	Tondiarpet (Madras)	New Delhi	2185	4	10	14
	Bangalore	New Delhi	2544	5	11	15
Northern	New Delhi	Bangalore	2544	5	20 to	13 to
	New Delhi	Tondiarpet	2185	4	21	14
Central	Wadi Bunder	Tondiarpet	1286	3	6	15.7
	Wadi Bunder	Secunderabad	794	2	5	11.8
	Wadi Bunder	Shalimar	1968	4	6	11.9
	Wadi Bunder	Yesvantapur	1114	2.5	6	15.4

2.9 Due to excessive transit (turnround) time, Central Railway was not able to meet fully the demands of trade for containers during the years 1979-80 to 1981-82. There were shortfalls in the supply of empty containers to the extent of 4133 in 1979-80, 3697 in 1980-81 and 1079 in 1981-82 leading to decline in loadings from 6186 containers in 1979-80 to 5332 containers in 1981-82.

2.10 On the Western Railway also the container loadings declined from 8822 to 6059 between 1977-78 and 1981-82 due to shortage caused by detention to containers. A random check by Audit in October 1981 revealed that containers were often detained for unduly long periods extending upto 21 days after their arrival at the terminals by the consignees using them as storage godown. As a result the Western Railway could not achieve the targets of loading laid down by it in any of the years from 1976-77. It closed down the services on Carnac Bridge-Asarva and Carnac Bridge-Kota routes in 1979 due to decline in traffic resulting from its inability to keep to the prescribed transit time, originally committed to the users.

2.11 On the basis of an average lead of 1590 km for container traffic actually achieved during the 30 months period (April 1978 to September 1980), weightage for empty haulage of 26 per cent and a period of six days for loading/unloading at the two terminals, the reasonable turnround time including transit time for a container works out to only 10 days. Against this, the actual turnround was 21.6 days in 1981-82 indicating poor utilisation of the containers. Calculated on the basis of turnround of 10 days, the requirement of containers even for the maximum loading (43649) achieved in 1980-81 was about 1364 containers whereas the actual holding at the end of 1981 was 2345. This would indicate that as many as 981 containers could be spared for additional loading by controlling the transit time and reducing the detentions at the terminals by the Railways. Thus, due to excessive turnround, the earning potential of Rs. 66 thousand per day or Rs. 2.40 crores per annum on their existing holding of containers, has not been harnessed.

(iv) Demurrage rates on containers

2.12 Though the container service was in operation from January 1966, demurrage charges for the delayed release of the container were introduced from September 1979; thus, no penalty was imposed on users for detaining the containers in their premises till then. The demurrage rate *viz.* Rs. 30 for the first day was very low as compared to the average earnings of Rs. 57 per day of a container in 1971-72, Rs. 67 in 1980-81 and Rs. 63 in 1981-82. The above demurrage does not take into account the consequent detention to the wagon flats, road units and its staff.

2.13 All the container terminals *e.g.* Wadi Bunder, Shalimar, New Delhi, Bangalore, etc. are not open for delivery on Sundays and Holidays unlike the goods sheds at these places which do not observe such holidays. As a result, the containers and the connected assets such as wagon flats, road units, etc. remain unutilised.

(v) Non-extension of container service over BG/MG routes

2.14 At present container service operates only on one MG-cum-BG route *viz.* Wadi Bunder-Yesvantapur (introduced in November 1969) with transhipment of containers at Guntakal. There has been no further expansion of such service.

(vi) Performance of road units

2.15 The Railway's container terminals hold 116 road units consisting of a tractor and trailer unit costing Rs. 79,300 each (total investment Rs. 91.64 lakhs). A test check of their performance reports during March 1982 disclosed that only 58 vehicles were in effective use for delivery and collection of the containers; 11 vehicles were out of use (cost Rs. 8.69 lakhs) due to cannibalisation of their parts, etc. (4 on Western, 4 on the Central, one on the Southern and two on the South Central Railways) and the remaining 47 were either under repair or awaiting repairs, etc.

2.16 Thus, hardly 50 per cent of the road vehicles were in effective use for container traffic

IV. *General*

(i) Non-weighment of containers

2.17 The containers which are loaded either by the customers or by the agents of the Railways (freight forwarders) are not subjected to weighment at the originating points. The possibility of overloading of the containers and the Railway losing revenue cannot be ruled out particularly in case of heavy density commodities like edible oils in packed tins, etc. A test weighment of a few containers on certain occasions during 1974 to 1981 at the Carnac Bridge terminal of Western Railway disclosed excess weight in 40 to 50 per cent of the containers weighed resulting in recovery of undercharges of Rs. 5,588. Assuming that the trend of overloading and recovery of undercharges would be of the above order, the extent of loss of earnings due to

non-weighment of inward containers alone (32,462) would be of the order of Rs. 29.25 lakhs for the period from April 1974 to March 1981.

2.18 Non-weighment of containers was due to non-provision of suitable weighing equipment. The imported 'Orton' type diesel crane 10/20 tonne capacity supplied for use at some of the container terminals had a device which could ascertain the weight of the container as it handled the same. But this mechanism had been removed in 1967 as adequate clearance was not available for free working of the same. Hence the non-weighment of containers continues without any remedial action so far.

(ii) International Standards Organisation (ISO) containers

2.19 Between 1976-77 and 1981-82, the import/export traffic *via.* the Indian Ports in foreign containers in 20 ft. long, 20 tonne capacity, had increased from 6,825 to 1,56,583. In order to match the inland transport facilities therefor, the Railway Board had created since 1975 in consultation with the Ministry of Commerce, certain terminal and other infrastructural facilities at Bangalore, Ahmedabad and New Delhi. The terminal at Pragati Maidan near Delhi was completed at a cost of Rs. 9 lakhs in August 1981. About 140 bogie wagon flats have been modified at a cost of Rs. 9.52 lakhs and procurement of another 350 wagon flats at a cost of Rs. 4.20 crores have been ordered in 1980-81 works programme to transport the above containers. However, owing to delay in finalisation of combined transport document procedures by the concerned Ministries, the Railways could commence this foreign container service from August 1981 only in one route between Madras port and Bangalore and moved 263 containers in 1981-82. Railway's efforts to wean away the new mode of sea-*cum*-land traffic are yet to gather momentum.

(iii) Financial appraisal

2.20 The Ministry of Railways (Railway Board) have not yet (October 1982) undertaken a study of the economics of

the container service for testing its viability keeping in view changes in the pattern of movements introduced from time to time such as :

(a) pooling of containers among the railways from 1976,

(b) loading of containers in BOX and KC wagons on a substantial scale due to shortage of container flats and for operational reasons, and

(c) traffic in ISO containers owned by non-railway parties.

The factors aforesaid indicate need for a fresh financial appraisal of this scheme.

V. *Conclusion*

2.21 (i) The container loading on the Indian Railways have declined significantly from 43,052 in 1976-77 to 37,864 in 1981-82. The loading indices per container per annum which was 21 in 1976-77 deteriorated to 16 in 1981-82 indicating its poor utilisation. Use of overaged, dilapidated containers affected the loading, specially on the Western Railway.

(ii) Despite pooling of containers between the Railways, empty haulage of containers continues to be high with a maximum of 41.3 per cent on Eastern Railway. This indicates need for sustained marketing efforts.

(iii) Target transit time of containers were fixed very liberally and even these targets were not adhered to by the Railways affecting the turnround of the containers; the actual turnround being 21 days in 1981-82. By controlling the transit time and reducing detentions to containers at the terminals, additional 981 containers would be available for loading thereby harnessing the earning potential of Railways by Rs. 2.40 crores per year.

(iv) The containers were detained by the users for long periods (ranging upto even 21 days on the Western Railway) without being penalised by way of recovery of demurrage charges till September 1979. The demurrage rates prescribed thereafter were much less than the eranings of containers per day (Rs. 30 against the earnings of Rs. 66) and these rates have not been revised (November 1982).

(v) Though the containers have proved to be damage and pilfer proof and best suited for BG/MG routes involving transhipment, this service over the BG/MG routes has not been extended beyond a single route introduced in November 1969.

(vi) Road units procured for collection and delivery of containers were grossly under-utilised in as much as only 50 per cent of them (58 out of 116) are being put to use.

(vii) Containers irrespective of whether loaded by the users or by freight forwarders were not weighed owing to non-provision of suitable weighing equipment; even where such weighment devices were provided, the same were removed, resulting in loss of revenue from overloading.

(viii) Railway's efforts to capture the high rated traffic in International Containers are yet to gather momentum.

3. Review of sidings

I. *Introduction*

3.1 Sidings are constructed by Railways to serve a factory, mill or other industrial premises under a special agreement. The capital cost of construction of sidings covers cost of land required for laying the railway line from an existing line to the customer's premises, earthwork, bridges culverts, rails, sleepers, etc. In the case of a private siding the entire cost of construction is borne by the party. In the case of an assisted

siding, the cost of construction is partly met by the Railways (that is, the cost of all materials such as rails, sleepers, etc., outside the party's premises which can be removed when the siding is abandoned, is met by the Railway).

3.2 Besides the siding charges for services rendered in hauling wagons over the siding, the siding owner is required to pay irrespective of the traffic handled (1) interest on capital provided by the Railway, (2) rent for the area of railway land occupied by the private sidings, and (3) repairs and maintenance charges. The rules stipulate that before constructing the sidings, the Railway should get an agreement executed by the party, providing *inter alia,* for incidence of cost of siding between the Railway and the customer, recovery of interest and maintenance charges, siding charges etc., and revision of the charges at the option of the Railway Administration.

3.3 There are 1278 assisted and private sidings on the Railways. The siding charges collected by Railways are around Rs. 6-7 crores annually. A limited review of 214 sidings carried out by Audit for some months in 1980 and 1981 revealed that the prescribed rules governing the execution of agreements, recovery of siding, interest and maintenance charges etc. were not being observed by the Zonal Railways resulting in non-realisation of dues from the siding owners as brought out in the succeeding paragraphs.

II. *Non-execution of agreements*

3.4 A test check by Audit revealed that in respect of 118 sidings, on the Eastern (17), Northern (14) North Eastern (34), Northeast Frontier (2), Southern (13), South Central (3) and Western (35) Railways agreements had not been executed by the customers. On the South Eastern Railway, out of 270 sidings, 113 are governed by agreements executed by Ex-Bengal Nagpur Railway prior to 1948. In respect of sidings constructed after 1948, siding agreements in standard form had not been

executed with all the siding holders. Only in respect of 16 such agreements had been executed. It was understoc other siding owners had not accepted the standard form of ment on the ground that the agreement related to new only.

III. *Non-recovery of interest and maintenance charges*

3.5 In order to ensure that the charges recovered fr siding owners towards maintenance covered the current nance costs, the Railway Board decided, in December that the basis of recovery should be 4½ per cent on th value of the siding borne by the Railway or its prese cost whichever was more. The present day cost was assessed after a detailed survey of the existing assets of the classifying the materials on their condition and evaluating latest prices. The Railways were also asked to take ac introduce a suitable clause in the agreements (includi existing agreements after giving 6 months' notice to the concerned) to provide for revaluation of capital quinquennially. The Railway Board had also instructed (the Railways that where it was not possible to change the and conditions of the existing siding arrangements by six months' notice, the Railway could avail the opportuni revise the agreement in the event of a change of own additions, alterations etc. The rate of interest on capital pr by Railways was also fixed at the current dividend rate. Railway Board also issued (January 1976) guidelines standard method of working out the present day cost of s

3.6 A review of the implementation of the instr revealed delayed implementation or no implementation resulting in under-recovery of interest and maintenance c as brought out in the succeeding paragraphs :

(i) Eastern Railway—Out of 160 assisted sidi 10 cases only specific provision has been m

the agreement to levy interest and maintenance charges. In other cases the Railway Administration had to persuade the siding owners to incorporate a new clause for recovery of interest and maintenance charges on the basis of present day cost and so far 15 agreements in revised terms have been executed. A test check of 50 sidings showed that Rs. 89.24 lakhs were due for which bills were yet to be preferred.

(ii) Northern Railway—An amount of Rs. 53.75 lakhs towards maintenance charges calculated at the revised rates had become due since 1969 from 66 siding owners. Bills preferred in 1976, have not been settled by the parties who contended that in the absence of advance notice they were not bound by agreement to pay the enhanced charges.

(iii) Northeast Frontier Railway—Revision of maintenance charges was done in 1975 in respect of 7 assisted sidings only out of 16.

(iv) Southern Railway—The revision of costs due in 1969, 1974 and 1979 had been carried out in respect of 75 out of 141 sidings.

(v) South Eastern Railway—Revised basis for billing maintenance charges was adopted from 1978-79 only. Most of the siding owners, however, objected to the payment at the revised rate in the absence of provision in the agreement. The Administration stated that every effort was being made to recover the outstanding dues.

(vi) Western Railway—Revision had not been done for 24 sidings.

3.7 Besides the non-implementation of instructions regarding quinquennial revision of maintenance charges, even the recovery

at the old rates was found to be in arrears on the Railways as shown below :

Amount of interest and maintenance charges outstanding

Railway	Amount	Remarks
	(Rs. in lakhs)	
1. Central	(not readily available)	
2. Eastern	70.74	At the end of 1981 oldest outstanding 1968-69
3. Northern	371.94	As on 30-6-1982, oldest outstanding 1970-71
4. North Eastern	11.94	At the end of 1981-82, oldest outstanding 1976-77
5. Northeast Frontier	6.75	At the end of 1981-82, oldest outstanding 1963-64
6. Southern	31.21	As on 30-6-1982
7. South Central	17.48	As on 30-6-1982, oldest outstanding 1969-70
8. South Eastern	184.74	As on 31-3-1982, oldest outstanding 1963-64
9. Western	10.60	As on 31-3-1982, oldest outstanding 1963-64

3.8 The ordinary maintenance of the siding and all works connected therewith both within and without the railway premises is required to be carried out by the Railway Administration at the expense of the customers but the customers may at their option maintain such portion of the siding as is situated within their premises to the satisfaction of the Railway Administration. The Railway Administration could take over maintenance of the siding inside the firm's premises if they are unable to maintain the siding to the satisfaction of the Railway Administration and recover the cost of maintenance.

(a) The North Eastern Railway took over the maintenance of Hindustan Fertiliser Corporation Limited siding, Barauni in October 1976. Annual estimated maintenance charges of Rs. 63,242 were intimated to the Corporation in October 1980 only after a delay of four years. The Corporation has not,

however, paid the amount which has accumulated to Rs. 3.48 lakhs for the period October 1976 to March 1982. Action to amend the relevant clauses in the agreement governing the maintenance inside the premises of the Corporation and to obtain advance deposits of the amount, as required under the rules, had not been taken by the Railway Administration before taking over the maintenance works inside the premises of the Corporation.

(b) The new Mangalore Port Wharf siding (BG) on Southern Railway was opened (Phase I) in October 1976. However, an agreement providing for payment of maintenance charges for the siding was not executed by the Port Authorities before commencement of the construction of the siding. When the Railway Administration preferred bills for maintenance charges annually from the year 1977, the Port Authorities raised many objections and insisted on payment of actual maintenance charges only. A consolidated claim for Rs. 7.4 lakhs made by the Railway Administration in January 1982 has not been fully settled yet (August 1982).

IV. *Non-recovery of land rent from private siding holders*

3.9 (i) A factory siding and exchange yard for M/s. Cement Corporation of India Limited Mandhar (South Eastern Railway), on railway land was constructed in April 1968 and February 1970 respectively. Though a period of over 12 years had elapsed agreement for land lease was yet to be executed. The non-finalisation of agreement has resulted in non-recovery of land rent amounting to Rs. 3.64 lakhs during the period September 1967 to March 1982.

(ii) A private siding for M/s. BALCO/Korba (South Eastern Railway) was opened in September 1970. Though a period of over 12 years has elapsed, the Railway Administration has not preferred a claim for land rent aggregating Rs. 4.06 lakhs for the period from September 1970 to March 1982.

V. *Delay in revision of siding charges*

3.10 Prior to 1959, the basis of recovery of siding charges was not uniform on the Railways. In October 1958, the Railway Board issued instructions that the Railways should adopt the basis of charging on per trip basis or per wagon basis taking into account the cost of shunting on each Railway. However, these instructions had not been implemented by some of the Railways particularly the Eastern Railway, which continued the old practice of charging on weight-*cum*-distance basis. In April 1976, the Railway Board laid down that all-India shunting engine hour cost and train engine hour cost to be advised by it annually should form the standard basis for recovery of siding charges. These instructions were also not implemented on the Eastern Railway upto August 1978. A review of the revised rates in 60 cases showed that the delay in implementing the standardised charges had resulted in under-realisation of siding charges amounting to Rs. 28.5 lakhs during the period from August 1978 onwards. Even upto July 1982, only in 125 sidings out of 160, siding charges had been fixed on standard basis.

3.11 While the individual railways were to compute and refix the siding charges annually on the basis of all-India shunting engine hour cost advised by the Railway Board (c.f. paragraph 3.10 above), these costs themselves were not revised by the Railway Board annually. The costs were advised by the Railway Board effective from 1st June 1976, 1st June 1978, 1st March 1980, 1st July 1981 and 1st May 1982, there being no revision in the years 1977 and 1979. The short realisation of the siding charges on account of non-revision of all-India engine hour costs (which are themselves fixed on the basis of latest cost data available and do not reflect the current costs) would be quite large considering the escalation of 12-13 per cent between the costs fixed in June 1978 and in March 1980.

3.12 Even after receipt of the advice of all-India engine hour costs, certain Railways had not revised and notified the siding charges promptly. On the Eastern Railway the revision due from

June 1976 was notified in August 1978. The Central Railway had notified the revisions due from 1978 and March 1980 in March 1979 and in October 1980/May 1981 only respectively. Similarly the South Eastern Railway had notified the revision due from June 1978 in September 1980 only. The revision though delayed was given retrospective effect from the dates actually due resulting in disputes with the siding holders and in accumulation of arrears of siding charges (c.f. para 3.21 et seq). On the Central Railway such arrears amounted to Rs. 23.9 lakhs (of which Rs. 4.0 lakhs were still outstanding in June 1982). On the South Eastern Railway bills at the revised rates had not been preferred in some cases.

3.13 In the matter of fixing trip timings, though the instructions issued by the Railway Board in January 1977 envisaged revision of the timings and siding charges when there was a change in the layout of yard or the siding or system of working or volume and pattern of traffic dealt with, such revision had not been done on the Central Railway. The trip timings fixed in 1970 and 1974 (for private sidings) had been continued. While the Southern Railway had carried out a review of trip timings in 1978, other Railways had not carried out any such review.

VI. *Incorrect fixation and short recovery of siding charges*

3.14 (i) Non-levy of siding charges for removal of empties M/s. Nandganj Sirohi Sugar Company Siding, Nandganj, M/s. Bhagwan Industries Limited Siding, Aish Bagh, Ganga Bridge Project siding, Sarnath (North Eastern Railway).

In these three cases there was omission to realise siding charges for withdrawal of empties on per trip basis resulting in non-collection of charges amounting to Rs. 12,000 per annum. The Administration stated (February 1981) that action was being taken to follow the correct procedure and to realise the arrears.

(ii) Incorrect levy of siding charges for traffic hauled over Military siding—Korabar Military Depot siding, Gorakhpur (North Eastern Railway)

According to rule 104(2)(b) in IRCA Military Tariff No. 5 the siding charges applicable to military traffic are not applicable to the stores that are not the property of the Ministry of Defence at the time of despatch. Petroleum/oil traffic consigned by Indian Oil Corporation (IOC), Gorakhpur, to the Station Superintendent, IOC, Gorakhpur Cantonment was hauled over this siding and the siding charges were being levied at the rate applicable to Military traffic though it was not applicable in this case. The Administration stated (February 1981) that no separate siding charges were notified for the party and the matter had been referred to Railway Board.

(iii) Low trip timings fixed on the basis of inadequate and unrealistic trials

(a) Hindustan Steel Stock Yard siding, Ballabgarh (Central Railway)

The siding charges fixed provisionally in 1977 at Rs. 338 per trip on an estimated time of 2 hours were reduced to Rs. 101.50 per trip based on four trials conducted in December 1977. Six trials conducted again, in January 1982, with diesel shunting engines in use showed a trip time of 1 hour 56 minutes (very close to the original estimate of two hours). The charges were revised upwards to Rs. 462.50 per trip from January 1982. It would appear that as a result of unrealistic assessment of trip timings the siding charges had been understated. An earlier revision of the trip timings (than in January 1982) based on changed conditions such as increase in traffic, type of locomotive used, etc., would have resulted in higher revenue. For the period July 1981 to January 1982 alone such increase would have been of the order of Rs. 0.62 lakh.

(b) In the case of Shantikhani siding at Ballampalli (South Central Railway) it was observed from a test check of engine movement register for the month of January 1980, that the time taken for a round trip ranged between 3 and 6 hours against 2 hours fixed for purposes of levy of siding charges. The under-estimation of trip timings has resulted in short recovery of charges amounting to Rs. 21,000 (approx.) per month.

(c) The siding charges for Tirap Colliery siding and Tipongpani Colliery siding (Northeast Frontier Railway) had been fixed on per wagon basis taking into account trip time of 38 minutes and 40 minutes respectively. A scrutiny of the trains register maintained at the serving station Ledo for the months of January 1981 to April 1981, however, showed that the average time taken by the engine for a round trip was 3 hours 20 minutes and 5 hours 40 minutes respectively. The siding charges for these sidings continued to be collected on per wagon basis. Levy of siding charges on the basis of actual trip hours would have resulted in higher revenue of Rs. 2.89 lakhs for four months (January 1981 to April 1981) alone.

(d) The siding charges fixed for Hindustan Petroleum Corporation siding, Trombay (Central Railway) were revised from March 1980, based on trip time of 54 minutes (Rs. 176.50 per trip) when one engine was used and 1 hour 36 minutes (Rs. 628) when two engines were used. The siding owners disputed the rate fixed by the Railway Administration stating that the amount for use of two engines was more than twice the rate for use of single engine and also that on many occasions railway utilised double engines for shunting even shorter loads which could have been hauled by a single engine. The charges were paid at the lower rates resulting in short collection of Rs. 6.21 lakhs for the period 1980 to 1982. The matter has not been finalised so far (June 1982).

(iv) Omission to reckon the time taken by railway engines to travel from the homing shed to the serving station and back for purposes of levy of siding charges

According to extant instructions, where engines have to be brought from stations other than the station serving the siding, the time taken for the shunting engines to go from the homing station to the serving station and back should be taken into account for fixation of siding charges in addition to the actual time taken by the engines for going from the serving station to the siding and back. In the case of Indian Aluminium Company siding at Sambre station and Kesoram Cement siding, Raghavapuram (both on South Central Railway), though an engine was regularly brought from a nearby station (other than the serving station) the time taken by the engines from the depot station to the serving station and back had not been taken into account. The omission to reckon with this timing resulted in short realisation of siding charges, Rs. 14,000 (approx.) per month at Sambre and Rs. 9,573 (approx.) per month at Raghavapuram. In addition, the yard facilities created at Sambre station in 1970 at a cost of Rs. 9.62 lakhs to meet the anticipated traffic to be offered by Indian Aluminium Company Limited remained under-utilised.

(v) Levying charges on the basis of use of shunting engines when actually train engines were worked—Badarpur Thermal Power Plant siding—Tughlakabad (Northern Railway).

The traffic received at the siding comprised mainly coal rakes which were directly hauled upto and back from the point of inter-change by train engines. The siding charges, however, had been fixed on the basis of cost of shunting engines instead of shunting cost of train engine resulting in short realisation of Rs. 2.64 lakhs during the period January 1979 to May 1981.

(vi) Changing the booking point without revising the siding charges

The siding charges for Santaldih Power Plant siding (South Eastern Railway) had been fixed at Rs. 544 per trip taking into

account a distance of 4 kms. of the siding over which the wagons were to be hauled. From January 1977 the Power Plant Siding is operated as a separate booking point. The exchange point for placement of wagons was also shifted nearer to Santaldih Station with a reduction in distance to 3 kms. However, siding charges fixed at Rs. 544 per trip had not been revised when the interchange point was shifted. The Power Plant authorities stopped paying siding charges, objecting to payment as Railway engines were not going inside the siding. No bills had been preferred against the Power Plant authorities from January 1977.

(vii) Delayed notification of siding charges

The New Gassification Plant oil siding, a branch of Neyveli Lignite Corporation siding (Southern Railway) was opened in March 1979. The Southern Railway Administration notified the siding charges in April 1982 only. An amount of Rs. 3.30 lakhs due from the Corporation towards siding charges had not been claimed so far (July 1982) by the Railway Administration.

These irregularities have resulted in non-realisation/short realisation of huge amounts (Rs. 21 lakhs approximately) in the 10 cases alone and the financial implications in other similar cases would be quite significant.

VII. *Non-recovery of Shunting Charges*

3.15 The agreements executed with the siding holders should provide clearly, the point at which wagons would be handed over by the Railway to the party. Siding charges fixed take into account the cost involved in placement/removal at such transfer point/inter-change point. In case where the Railway Administration has agreed to shunt wagons beyond the point of inter-change into and out of the siding premises shunting charges are leviable from the siding holders. In a few cases test checked by Audit, it was observed that contrary to provisions in the agreement, wagons had been placed beyond the point of interchange but shunting charges had not been recovered for shunting work done inside the premises of siding holders.

3.16 (a) In the case of Food Corporation of India siding, Basti (North Eastern Railway) shunting of wagons even beyond the 'transfer line' was being done by the railway without recovering the shunting charges. The Food Corporation of India had objected to the payment of shunting charges amounting to Rs. 3.6 lakhs for the period upto March 1980 on the ground that the siding charges realised from them included the element of shunting operations performed inside their premises.

(b) Similarly in the case of Indian Oil Corporation siding, Lalgarh (Northern Railway) the company had not been paying shunting charges amounting to Rs. 0.67 lakh for the period from February 1968 to May 1981 on the plea that there was no interchange point but only terminal facility was available.

(c) The South Central Railway Administration had not assessed and recovered the charges for placement of wagons at 'disc point' outside the factory premises of Associated Cement Company siding, Mancheriyal though wagons were being placed at this point during the period December 1974 to August 1980. Siding charges for placement at 'disc point' were fixed in March 1980.

(d) The Northern Railway Administration also had not recovered the charges for shunting operations inside the Delhi Milk Scheme siding, though the agreement provided for such recovery at Rs. 147 per hour for shunting beyond the point of interchange.

(e) In the case of a private siding at Sodepur Station, the Eastern Railway had failed to recover shunting charges. The omission was pointed out by Audit in 1975. The amount involved worked out to Rs. 16.68 lakhs from 1960 to April 1982. The recovery of shunting charges was stated to be under consideration of the Administration (March 1982).

VIII. *Detention to wagons in sidings and serving station yards*

3.17 A review of working of selected sidings showed that there were excessive detentions to wagons dealt with in the

sidings. The wagons received at the stations were not placed promptly in the sidings but were detained in the yard. There were delays inside the siding for unloading/loading and in removal of wagons. The wagons suffered further detention in the yard before despatch.

3.18 Instances of excessive detentions to wagons are given in Annexure I from which it will be observed that the average detention per wagon on some sidings reviewed by Audit was 10 hours to 217 hours. The Railway Administrations attributed the detentions to irregular running of pilots, receipt of defective and seals-broken wagons requiring joint check by Commercial and Railway Protection Force staff, difficulties due to piecemeal booking of centre buffer coupler wagons, non-availability of loco power, mechanical defects in wagons, congestion due to heavy placement of wagons, failure of tipplers installed, non-availability of labour, etc. The above factors being controllable, the detentions of 10—217 hours per wagon appear to be abnormal and affect the wagon turnround and thereby railway revenue.

3.19 It was noticed that detentions were caused due to accidents on sidings. During 1978 and 1979 derailment of coal wagons inside the Singareni Colliery sidings at Ballampalli and Ramagundam (South Central Railway) occurred on a large scale causing extensive damages to wagons and Railway property. The accidents were attributed to non-clearance of coal lumps littered on rail track. Forty-two wagons involved in derailment between June 1978 and December 1979 had been allowed to lie in the area for periods ranging between 251 and 875 days, thereby losing 18,469 wagon-days before their removal for repairs. Besides the immobilisation of wagons, the damages to rolling stock were estimated at Rs. 1.80 lakhs in respect of 39 wagons on 3 sidings. Further, 26 wagons and 7 brakevans (total cost Rs. 31 lakhs) damaged beyond economical repairs had to be condemned prematurely. Though the standard form of agreement defined the firm's liability in this respect, no action

had been taken by the Administration to recover the cost of damages.

3.20 In a few cases noticed by Audit, shunting charges or demurrage charges had not been recovered though wagons suffered detention in the yard on account of inadequate capacity of the sidings. These are mentioned below :

(i) Government power House Siding, Gorakhpur Cantonment (North Eastern Railway)

As the transfer line was hardly sufficient to accommodate 5-6 four-wheeled wagons, the siding was worked only after blocking the section for about 60 minutes, as a result of which trains from adjacent stations suffered detention. In order to avoid blocking the section for more than 60 minutes, the entire load of 15 to 40 wagons were pushed inside the power house and in the process, the railway engine had to shunt beyond the transfer (interchange) point.

Proposals for remodelling or providing an additional transfer line taken up in 1957 and again in 1968 had not been pursued further by the Railway Administration. Meanwhile, no shunting charges were being recovered from the Power House authorities.

(ii) Indian Oil Company siding, Jullundur City (Northern Railway)

The siding consists of two lines, line 'A' and line 'B'. As line 'A' could hold 29 wagons only, whenever oil special trains bringing 42 wagons for Indian Oil Company arrived, the excess wagons were placed on line 'B'. However, siding charges in respect of tank wagons placed on line 'B' were not recovered though placement/removal from this line involved additional shunting. The omission to levy siding

charges in respect of tank wagons placed on line 'B' had resulted in short recovery of Rs. 2.31 lakhs for the period June 1978 to May 1981.

(iii) Barauni Thermal Power Plant Siding (Eastern Railway)

The capacity of the two unloading lines (lines 1 and 2) of the siding was 32 and 35 wagons respectively. As a result an ordinary train rake of 70 wagons of coal could not be accommodated on the unloading lines and loaded wagons suffered detentions exceeding 36 hours on other lines awaiting placement. The agreement provided for levy of demurrage charges for detentions beyond 36 hours on those wagons that were in excess of the capacity of the siding. The Eastern Railway Administration, however, had not levied the demurrage charges, amounting to Rs. 2.33 lakhs per year during the period 1977-78 to 1979-80. The Administration contended (October 1980) that the question of raising demurrage bills on wagons detained in the yard did not arise as according to Railway Board's instructions, the Railway Administration could impose operating restrictions on booking of further wagons to the siding until the party was in a position to freely receive all wagons booked to siding. However, no such restriction had been imposed by the Administration nor demurrage charges levied. Also the contention of the Railway Administration was not correct as imposition of restrictions would have only relieved further congestion and could not compensate for detention suffered by wagons. Further the agreement with the Barauni Thermal Power Plant Authorities provided for levy of demurrage charges on wagons arriving at the station in excess of the capacity of the siding and detained there for over 36 hours. as envisaged in rule 2515-A of Indian Railway Commercial Manual.

IX. *Outstanding siding charges, demurrage charges etc.*

3.21 The delivery of wagon-load consignments to sidings is to be effected only after book delivery* on collection of railway dues. During the review of sidings, it was observed that these instructions were not being followed by the Railways with the result that there were huge amounts of freight charges due for recovery from the siding holders. In some cases the amounts were pending recovery from 1969 onwards. Besides recovery of freight and siding charges, demurrage charges accrued on wagons detained in the siding beyond free time allowed for loading/ unloading are also to be recovered.

3.22 A statement showing the outstanding amount of these charges in the cases test checked by Audit is given in Annexure II. The total amount outstanding at the end of June 1982 was Rs. 117.89 crores of which Rs. 40.53 crores were on account of demurrage charges. The outstandings in some cases related to 1964-65 indicating abnormal delays in the recovery of freight, siding, and demurrage charges.

3.23 A few irregularities in recovering freight and demurrage charges are mentioned below :

(i) The extent of delay in effecting book delivery ranged from 1 to 4 months on North Eastern Railway and 25 to 60 days on Northeast Frontier Railway on some sidings. The Government Power House Gorakhpur Cantonment (North Eastern Railway) had not surrendered the railway receipts to the goods shed for the last two years (1979-80 and 1980-81).

(ii) On the Eastern Railway, 266 wagons (unconnected/ diverted wagons) were delivered to five siding holders during the period February 1967 to July 1978. The freight (Rs. 4.10 lakhs) and cost of material

*Formal delivery through documents at the station premises followed by physical delivery at the siding.

(Rs. 9.40 lakhs) due from the siding holders had not been recovered so far (June 1982). The outstanding freight had not also been brought to account in the records of stations.

(iii) Similarly on the Northern Railway freight charges amounting to Rs. 4.59 crores were due upto the end of May 1981 from 3 siding holders for coal and P.O.L. traffic diverted to them. Memo invoices (proforma invoices) had not been prepared and freight charges had not been shown as outstanding in the books of the Railway.

(iv) On the South Eastern Railway also freight charges amounting to Rs. 9.26 lakhs for the period May 1980 to February 1981 were outstanding at the end of March 1981 from two sidings in respect of unconnected/diverted wagons delivered to them.

(v) The demurrage charges outstanding recovery from Dalmia Nagar siding (Eastern Railway) at the end of April 1980 was Rs. 2.57 crores. Demurrage bills on coal rakes for the period 1963 to June 1969 had been preferred in 1979 only, after 16 years. The firm requested the Railway Administration to make available to them Railway's records for scrutiny. There has been no progress in the realisation of the amount (October 1982).

(vi) The agreement with Barauni Thermal Power Plant siding provided for levy of demurrage charges on wagons detained at the station in excess of 36 hours for want of capacity of the siding. Though detentions to wagons exceeding 36 hours was a regular feature due to capacity restraints [c.f. paragraph 3.20(iii) above], demurrage bills had not been preferred as the station staff were not aware of such a clause in the agreement.

(vii) Demurrage charges for wagons detained in steel plants are calculated on turn-round basis. According to the instructions issued by the Railway Board whenever a steel plant is able to achieve a turnround consistently less than the free time allowed, the plant should have the benefit of adjusting half of the credit hours thus earned against the demurrage incurred on any other type of wagon on annual basis. The above instructions have not been followed properly by the Eastern Railway while levying demurrage charges at Burn & Company siding/ Burnpur in that the siding holder had been allowed to enjoy 100 per cent of the credit hours instead of 50 per cent of credit hours. The error resulted in short realisation of Rs. 19.36 lakhs for the years 1979-80 and 1980-81.

(viii) Despite retrospective revision of free time and demurrage rules for all steel plants from 1973 by the Railway Board in September 1978 the outstandings in respect of the five steel plants on South Eastern Railway were Rs. 9.23 crores on 30th June 1981. The demurrage bills for the period from April 1977 are also pending to be recast.

(ix) According to extant orders, if wagons are placed or released in the sidings beyond working hours, the time of placement or release is to be taken as from (next) working hours. However at the Synthetic and Chemical Rubber Factory Siding, Bhitaura (Northern Railway), when the wagons were placed after working hours, the time was reckoned from the next working hours, but when wagons were released after working hours, the actual time was taken thereby avoiding demurrage charges. Though the practice was discontinued from May 1980, an amount of Rs. 0.77 lakh due as demurrage charges for the period January 1978 to August 1979 had not been realised.

(x) It was noticed that Southern Railway Administration had waived huge amounts of demurrage charges accrued in a routine manner. Out of Rs. 23.94 lakhs demurrage charges for the period 1974-75 to 1979-80, in respect of India Cement siding, Talayuthu Rs. 15.96 lakhs were waived by the Administration in December 1980 on the plea that the siding owners were not liable for detention to wagons. Similarly in the case of Ennore Thermal Scheme Siding, out of Rs. 26.39 lakhs accrued during the period 1977-78 to 1980-81, Rs. 24.20 lakhs (92 per cent) were waived. However, in 1981-82, Rs. 20 lakhs out of Rs. 24.12 lakhs demurrage charges accrued had been recovered.

X. *Outstanding dues from Power Houses*

3.24 Though the Public Accounts Committee (1977-78) had recommended to the Ministry of Energy expeditious settlement of Railway dues which had accumulated to Rs. 25.05 crores at the end of June 1976, the outstandings from Power Houses at the end of June 1982, amounted to Rs. 67.46 crores. Of this, Rs. 46.93 crores were due to Northern Railway, Rs. 5.55 crores to Eastern Railway and Rs. 11.24 crores to Central Railway. The dues from D.E.S.U. (Delhi Electric Supply Undertaking) and UPSEB (Uttar Pradesh State Electricity Board) amount to Rs. 19.80 crores and Rs. 16.40 crores respectively. The position of outstanding freight, demurrage and siding charges in respect of the various Power Houses is given in Annexure III.

3.25 The outstandings mainly comprise freight on consignments (coal) on hand/not on hand, demurrage charges and other charges and included amounts relating to the years earlier than 1972. The dues from DESU include Rs. 0.37 crore, Rs. 2.23 crores, 0.37 crore, Rs. 1.57 crores relating to the years 1974, 1975, 1978 and 1979 respectively.

3.26 Non-observance of rules relating to book delivery and collection of charges and late submission of railway receipts by the Power House Authorities were the main reasons for accumulation of such outstandings. Commenting on the late submission of railway receipts by the Power House Authorities, the Public Accounts Committee (1977-78) had recommended that the Ministry of Energy should devise steps to ensure prompt delivery of railway receipts to consignee. The Ministry of Energy had replied (August 1978) that railway receipts were submitted to DESU within 30 days by the coal supplying agencies. It was, however, noticed that Power House Authorities (including DESU) were not surrendering the railway receipts nor signing the delivery books in token of book delivery. The bills were preferred by Railway authorities on the basis of invoices but payments were not forthcoming from the Power Houses leading to heavy outstandings.

XI. *Diversion of coal wagons and recovery of cost/freight*

3.27 The loading of coal for power houses and major industries is done according to "programme" and "linkage".* Diversion of coal wagons of one Power House/Industry to another is, however, resorted to by Railway Authorities with the objective of quick release of wagons and feeding Power House/Industry according to their requirements. Whenever such diversions are effected, delivery of coal is made on "wagon to wagon" basis against pending railway receipts of the party. In such cases, freight collected is as indicated on the railway receipts and the delivery of such diverted/unconnected wagons is adjusted against outstanding railway receipts. If railway receipts/invoices are not available when wagons arrive in Power Houses and they have to be released immediately, the stations have to prepare 'memo invoice' and recover freight charges.

3.28(i) It was observed that on Northern Railway alone the freight charges outstanding in respect of unconnected/diverted coal wagons amounted to Rs. 6.94 crores at the end of December 1980.

*System of nomination of colliery for supply to the specified Power Houses.

(ii) The recovery/adjustment of cost of coal and other materials delivered to Power Houses and other workshops was also pending on all Railways as shown below :

Railway	Amount	Remarks
Central	Rs. 55.38 lakhs	as on 31-3-1982
Eastern	Rs. 22.90 lakhs	as on 31-3-1982
Northern	Rs. 21.77 crores	as on 30-6-1982
North Eastern	Rs. 28.94 lakhs	as on 30-6-1982
Northeast Frontier	Rs. 3.19 lakhs	as on 30-6-1982
Southern	Rs. 33.13 lakhs	upto December 1980
Western	Rs. 13.91 lakhs	as on 30-6-1982

(iii) Further, there was delay in reconciliation of coal delivered with the claims of the Power Houses for missing wagons on all Railways *e.g.* on Central Railway such reconciliation for the period from 1975 onwards was completed in 1980-81 whereas on Northern Railway outstandings from 1970 are yet to be reconciled.

(iv) While on the one hand, recovery was due from the Power Houses, the Central Railway Administration on the other hand has proposed to pay compensation amounting to Rs. 17.03 lakhs to New Power House siding, Faridabad as it could not grant matching delivery for 390 wagons pertaining to old periods (from 1971 onwards). The number of unconnected/diverted wagons due for recovery from that Power House was 3,858 at the end of June 1981.

(v) Adjustment of diverted wagons against pending claims of the Power Houses were made by Central and Western Railways on one to one basis without reference to weight and quality of coal delivered. This had resulted in excess delivery of 541.5 tonnes to New Power House, Faridabad upto 31st July 1980. On the Western Railway the undercharges of freight on this account, amounted to Rs. 35.17 lakhs for the period July 1979—December 1980, which were recovered after a delay of 3—19 months.

XII. *Non-recovery of establishment charges*

3.29 The terms of agreement with siding owners also provide that if separate goods clerks or other railway staff are employed for the purpose of effecting delivery/booking within the siding, the customer should pay the cost of establishment together with incidental charges.

3.30 The Food Corporation of India (FCI) took over the working of the Civil supply siding at Cossipore on Eastern Railway, in 1966. The number of railway staff working on the siding was increased from 8 to 20 in May 1970 on account of increase in workload in the siding. The FCI authorities, however, continued to bear the cost of 8 staff only. The Railway Administration did not move the FCI authorities for recovery of the cost of extra staff though the Goods Supervisor, Cossipore had reported in May 1970 that he had to engage 12 more staff on the siding due to increase in volume of traffic. The extra expenditure incurred by the Railway Administration on this account worked out to Rs. 2.75 lakhs for the period May 1970 to December 1979 and was yet (November 1982) to be recovered.

3.31 The Central Railway Administration had provided siding clerks at Hindustan Petroleum Limited and Bharat Petroleum Limited sidings at Trombay. The staff were working in two shifts and their cost was being recovered from the siding owners. With a view to clearing heavy demand of wagons from the two sidings, the Railway Administration started third shift working from January 1978 by paying overtime to the existing staff. However, the consent of the parties was not obtained. The bills preferred by the Railway Administration were not paid by them on the plea that third shift working was introduced by the Railways on their own. The Railway Administration stated that the matter regarding recovery of the amount (Rs. 1.39 lakhs) was being pursued with the firms.

3.32 On the South Eastern Railway an amount of Rs. 22.32 lakhs towards cost of railway staff working in the sidings was outstanding recovery at the end of March 1980.

XIII. *Summing up*

3.33(i) Though the terms and conditions for construction and working of the siding are to be embodied in an agreement executed by the siding owner with the Railways for ensuring that normal working of the siding conforms to the provisions of agreement, in a large number of cases (118) no agreements had been executed. The absence of agreement had led to disputes with siding owners.

(ii) Recovery of interest and maintenance charges was not being made regularly and the delay in implementation/non-implementation of instructions regarding periodical revision had resulted in short realisation of interest and maintenance charges amounting to Rs. 1.46 crores (on Eastern Railway—Rs. 89 lakhs, Northern Railway—Rs. 54 lakhs, and Southern Railway—Rs. 3 lakhs) in cases test checked by Audit. Apart from non-revision, even recovery at old rates was in arrears. The total outstanding amount was Rs. 7.05 crores at the end of March/June 1982.

(iii) The instructions issued by Ministry of Railways regarding standardisation of siding charges had not been implemented properly by the Railways, particularly on Eastern Railway where the delay in implementing the orders had resulted in under realisation of siding charges to the extent of Rs. 28.5 lakhs from August 1978 onwards. Moreover, the non-revision of all-India shunting engine hour cost in 1979, by the Railway Board would appear to have resulted in loss of siding charges to the extent of 5-6 per cent of the total siding charges which run to Rs. 6 crores (approximately) annually. The

revision of charges by the Railways based on the all-India shunting hour costs as advised by the Railway Board was delayed and the retrospective revision had led to accumulation of arrears (Rs. 23.9 lakhs on Central Railway alone) and disputes with siding owners. In the matter of fixing the siding charges also, there were irregularities in computing the trip time, levy of charges for haulage of empty wagons, etc., leading to short realisation of Rs. 21 lakhs in 10 cases alone. Shunting charges for placement of wagons beyond the point of interchange had not been levied and the amount involved in a few cases test checked by Audit is Rs. 21 lakhs.

(iv) Wagons meant for sidings suffered abnormal detentions, ranging from 10 hours to 217 hours per wagon, in the yard and inside sidings on account of irregular running of pilot trains.

(v) There were abnormal delays in removal of wagons involved in accident from the sidings and recovery of damages therefor.

(vi) The inadequate capacity of the sidings necessitated additional shunting or detention to wagons on some sidings, but remedial action by way of recovery of shunting charges or demurrage charges had not been taken on the North Eastern, Northern and Eastern Railways (Rs. 2.33 lakhs per annum on Eastern Railway for the period 1977-78 to 1979-80).

(vii) Non-observance of instructions regarding collection of freight, siding charges and demurrage charges had resulted in accumulation of outstandings of Rs. 117.89 crores from 1964-65 onwards. On account of delay in preferring bills, demurrage charges outstanding from five steel plants was Rs. 9.23 crores (June 1982) on the South Eastern

Railway and Rs. 2.57 crores from a private siding on Eastern Railway. Similarly the outstanding dues from Power Houses in respect of freight and other charges amounted to Rs. 67.46 crores (June 1982) mainly on account of late submission of railway receipts and delay in settlement of bills by Power Houses. Besides, the recovery of cost of coal diverted to the Power Houses was also pending recovery for long periods (from 1960—1975 onwards on Central, Northern, North Eastern and Southern Railways).

CHAPTER II

WORKS

4. Central Railway—Construction of broad gauge line between Diva and Bassein Road stations

The Ministry of Railways (Railway Board) accorded (January 1971) their sanction for undertaking survey for the construction of a broad gauge (BG) line (41.96 km) between Diva station on Central Railway and Bassein Road station on Western Railway.

The objects of the line as given in the Project Report were mainly as follows :

(i) To cater to the interchange traffic between Western Railway and Central Railway. (Dadar junction to be closed to interchanged goods traffic because of saturation of the existing section).

(ii) To avoid detention caused to the wagons interchanged at Dadar and marshalling of the wagons in Bandra marshalling yard.

(iii) To give relief to the suburban sections of both the Central and Western Railways.

Based on the survey, construction of the B.G. line was sanctioned at an estimated cost of Rs. 10.33 crores (without electrification) and Rs. 12.73 crores (with electrification) by the Ministry of Railways (Railway Board) in April 1972. The return on capital was assessed at 8.53 per cent (in the sixth year of opening of the line). The work on the project commenced in March 1973 and was to be completed within three years *i.e.*

by March 1976. However, only 23.6 per cent of the work was completed by March 1976. The Ministry of Railways (Railway Board) in October 1977 decided that the Diva-Bassein line should be commissioned with diesel traction in the first instance.

The cost of the work was revised to Rs. 23.48 crores in May 1978, taking into account the change in the mode of traction from 25 KV AC to 1500 V DC, general price rise and modifications in the construction design etc. The following revised targets were fixed for completion of the line :

(i) With diesel traction	March 1980
(ii) With electrification	June 1982

A review of the planning and execution of Diva-Bassein Road Project revealed the following :

I. *Delay in handing over the site to the contractor*

The contract for earthwork and minor bridges in Section VII-A was awarded to contractor 'A' in December 1973, to be completed by March 1975. The Railway Administration was not having possession of the land at that time, for handing it over to the contractor. The State Government completed land acquisition proceedings in November 1974 only. The Railway Administration gave the contractor extension of time upto 22nd December 1975, without penalty. The contractor went for arbitration and claimed (July 1977) Rs. 40 lakhs on account of delay in handing over the site and the resultant escalation in rates, idling of machinery and labour etc. The Railway Administration appointed two serving railway officers as arbitrators in January 1978. The arbitrators directed both the contractor and the Railway Administration to send statement of facts and claims/counter-claims by March 1978. While the contractor submitted his statement in March 1978, the Railway Administration failed to file their counter statement despite repeated extensions given by the arbitrators. The Railway

Administration took 6 months in collection and scrutiny of relevant data upto 30th August 1978, and thereafter, allowed time to lapse, first in raising doubts about their requests for extensions having reached both the arbitrators (as replies to them were being given by one of the two), and later on challenging legality of arbitration proceedings. The arbitrators awarded Rs. 18 lakhs plus interest and other costs, to the contractor in April 1979.

The lapses on the part of the Railway Administration in this case were as under :

(i) Award of the contract before acquiring physical possession of the land was in violation of the Ministry of Railways' (Railway Board) standing instructions (of 1972) which enjoin, *inter alia*, that the Railway Administration should invite tenders only when fully prepared to hand over the sites.

(ii) Having appointed two serving railway officers as arbitrators, the Railway Administration never filed claims or counter-claims before the arbitrators. They rather started questioning the jurisdiction of the arbitrators to continue the proceedings.

II. *Operation of an avoidable additional non-standard item*

As per Railway's Book of specifications, there are two types of embankments—one for formation without compaction (specification number 201) and the other for formation with compaction (specification No. 202). In Diva-Bassein Railway Project, certain embankments were classified under specification No. 202 (with compaction), while in the same section some embankments were also classified under specification No. 201 (without compaction). An additional non-standard item 'Extra for compaction' was also provided to cater for contingencies of compacting earth, wherever, required separately. There was, however, no need for this item in view of the over-all specification

No. 202. Having provided and operated this non-standard extra item, it was also not ensured that the rate prescribed for embankments (under 201) plus extra for compaction was not more than the rate fixed for specification under 202. This aspect was not brought out by any of the tender committees, while finalising such contracts. This resulted in avoidable payment of Rs. 5.46 lakhs.

In 5 other contracts, claims amounting to Rs. 16.65 lakhs arising out of disputes over various matters including operation of this non-standard item were awarded by the arbitrators (who were serving railway officers). However, the exact amount relating to the afore-said non-standard item could not be segregated, as the awards did not give any itemwise break up.

Fourteen court cases against the Railway for other claims of Rs. 186.83 lakhs covering 9 contracts are also pending.

III. *Construction of Bridges*

The two major bridges to be constructed on this line required 5 girders of 45.7 m spans. The work relating to sub-structures for these bridges was given on contract, while the work of fabrication of steel girders was entrusted to the Railway's Civil Engineering Workshop at Manmad. The work orders for this fabrication were issued in March 1975, though the work on the project had commenced in March 1973. While the work of sub-structures was completed by the contractor in September 1977, the fabrication of girders was not done by the Railway workshop. In February 1978 (after nearly 3 years) the Railway Administration issued revised work orders setting the target dates for fabrication of girders as 31st August 1978 (for 3 girders) and 31st October 1978 (for 2 girders). The Chief Bridge Engineer who was in-charge of Railway Workshop at Manmad, stated in August 1978 that they would not be able to supply the girders by 31st October 1978, but they could supply the girders by December 1979 at the fabrication cost of Rs. 1,800 per tonne.

At this stage, the Railway Administration decided to get the work done by contract. Tenders were called for, which were returnable by 14th December 1978. The lowest offer of a public sector undertaking at the rate of Rs. 2,700 per tonne was accepted on 12th April 1979. (The same firm had earlier in June 1978 offered to do this work at the rate of Rs. 2,400 per tonne, but this was not accepted by the Administration). However, the contract agreement was executed on 6th May 1980 *i.e.* over one year after the issue of acceptance letter. The terms agreed to were as under :

(i) The material required for the fabrication was to be supplied by the Railway.

(ii) For any revision of the wages of the contractor's labour, the Railway would have to pay escalation charges subject to a ceiling of Rs. 540 per tonne.

(iii) The supply of fabricated material was to be completed within 4 months *i.e.* by 11th August 1979.

Though the acceptance letter was issued in April 1979, the despatch of Railway material started in July 1979, and was completed in January 1980.

The materials supplied (709.099 tonnes) included about 135 tonnes which had rolling defects and were heavily pitted. The defects in 70 tonnes were rectified by the contractor. The balance was rejected and recouped subsequently.

The contractor did not deliver the fabricated material by the target date. However, the Railway Administration gave extension without penalty upto 31st July 1980. The delivery of fabricated girders (585.755 tonnes) commenced in March 1980 and was completed in September 1980.

The wage rates of the contractor's labour were revised with effect from 1st December 1979. In consequence, by application of the escalation clause, payment became due at the

maximum rate of Rs. 540 per tonne, for the entire quantity, as the first despatch took place more than 3 months after the rise in wages.

The following points arise in this case :

(i) There was delay on the part of the Railway Administration in procuring 5 girders within a period of 7 years (March 1973 to March 1980). Since the work on Diva-Bassein Project had started as early as in March 1973, and the Railway Administration was aware of the types of spans required, work orders for fabrication of girders could have been issued to the Railway Workshop much earlier than March 1975.

(ii) After the Railway workshop had failed to take any action for 3 years from March 1975 to February 1978, if the Railway Administration had at that stage itself opted to get the work done through an outside agency, the rate of Rs. 2,400 per tonne quoted by the Public Sector Undertaking in June 1978 could have been availed of, leading to a saving of Rs. 4.92 lakhs [(Rs. 3240—2400) × 585.755 tonnes].

(iii) In August 1978 the Chief Bridge Engineer had stated that the Railway Workshop at Manmad could supply the girders by December 1979 at a fabrication cost of Rs. 1,800 per tonne. Considering the usual time required for finalisation of tender and the stipulated period of execution of contract and the extensions likely to be given, the Administration could have foreseen that there would not be any material difference in the delivery dates of the Railway Workshop and the contractor. The Administration had an added advantage in the case of the former, inasmuch as, it could exercise pressure at higher level to get the work executed departmentally. As it

actually turned out, the contractor co... (September 1980) the delivery 10 months later than the date (December 1979) given by the Chief Bridge Engineer. Besides, the extra expenditure that had to be incurred in addition, came to Rs. 8.43 lakhs [Rs. 3240—1800) × 585.755 tonnes].

(iv) The Administration failed to despatch the material for fabrication as soon as the contract was settled. It took the Administration three months to despatch the first consignment of 40.508 tonnes out of the total requirements of 709.099 tonnes of material. The total supplies were completed by January 1980 (4 months after the scheduled date for delivery of girders by the contractor). Further, the Administration sent nearly 135 tonnes of defective material, part of which was rejected and part rectified. But for these acts of omission and commission on the part of the Administration, the work could have been completed by the contractor by due date, *viz.* 12th August 1979 or with a further extension of 2 or 3 months *i.e.* to end of November 1979 at the latest. Even the contractor in the initial tender had asked for a maximum period of six months. Obviously, it was possible for the Administration to get the work executed before the crucial date of 1st December 1979 when the wage escalation took place. The total amount of payment due to the contractor on account of wage escalation for 585.755 tonnes works out to Rs. 3.16 lakhs.

(v) The special condition of contract provided for a monthly report on the progress of manufacture. However, not a single report was submitted by the contractor. The Railway Administration had posted an Inspector of Works (IOW) at Howrah to monitor the progress and do liaison work. He also did not submit any reports. The contractor broached the

question of escalation in October 1980 only, that is, after the despatch of the last consignment of fabricated material by him in September 1980.

IV. *Mode of traction*

The Ministry of Railways (Railway Board) had decided in October 1977 that Diva-Bassein line should be commissioned with diesel traction in the first instance. The line was certified fit by the Chief Engineer (Construction) for operation with diesel traction for goods traffic with effect from 25th November 1980, but it was not commissioned. In consequence, the benefits (c.f. para 1 above) that could have accrued from this line constructed at a cost of over Rs. 23 crores, had not been availed of for over two years (November 1980 to November 1982), as had been planned earlier in October 1977. It may be added that despite the trunk routes being electrified in Bombay area, diesel engines are still in use for shunting and banking purposes, and could have been productively used on this line as well.

This para was issued to the Railway Administration in August 1982; its reply thereto is still awaited (November 1982).

5. **North Eastern Railway—Gauge conversion from Samastipur to Darbhanga**

Samastipur—Darbhanga section (38 Km) forms part of Samastipur—Darbhanga—Raxaul branch line (182 Km). The Ministry of Railways (Railway Board) had instructed the Railway Administration to examine the financial viability of conversion of Samastipur-Raxaul branch line from Metre Gauge (MG) to Broad Gauge (BG) *via.* Muzaffarpur and *via* Darbhanga in May 1964 and again in April 1969. The investigation by the Administration on both the occasions established that the conversion was not financially viable. However, the part conversion of the section 'Samastipur—Darbhanga' of the branch line 'Samastipur—Raxaul' was included in the budget for 1974-75 at a cost of Rs. 4.75 crores by the Ministry of Railways (Railway

Board). The part conversion was held to be justified following grounds :

(i) It would reduce transhipment at Samastipur

(ii) It would help in the industrial develop Darbhanga and surrounding areas.

(iii) It would serve the Air Force Headqua Darbhanga.

An abstract estimate amounting to Rs. 9.62 crores (a the original estimated cost of Rs. 4.75 crores) was s by the Railway Administration to the Ministry of F (Railway Board) in December 1974.

The part conversion of Samastipur—Darbhanga sect not recommended either by the General Manager or the F Adviser and Chief Accounts Officer of the Railway reasons indicated below :

(i) The existing MG line capacity on Samas Darbhanga section was not utilized fully. As the capacity of 18 trains each way, only 1 each way were running.

(ii) The part conversion from MG to BG would transhipment problems at Darbhanga in res large scale international traffic for Nepal through Raxaul.

(iii) The return on capital would be only 3.58 p as against the general norm of 10 per cent of fi viability.

No priority was given to this project by the Mini Railways (Railway Board), and only token allotment of Rs was made till 1979-80. However, during 1980-81, the R Administration, at the instance of the Ministry of Ra (Railway Board), submitted (December 1980) an U Certificate for Rs. 60 lakhs, which was sanctioned in Marc by the latter. The expenditure of Rs. 65.24 lakhs was

the end of 1980-81, of which Rs. 60.00 lakhs were spent collection of wooden sleepers.

In January 1982, the Ministry of Railways (Railway Board) formed the Railway Administration that in view of serious nstraints on availability of funds for new lines and line capacity orks, it had been decided in consultation with Planning ommission to progress only some important Projects, which ere required to be completed urgently. In the list of such nportant projects, aforesaid work had not been included.

Despite reservations about the financial and operational asibility of the project, the work was sanctioned on an urgency rtificate. According to Indian Railway Code for the ngineering Department, works are started on an urgency rtificate in the following situations :

(i) Works which are considered to be urgently necessary to safeguard life or property or to repair damage to the line caused by flood, accident or other unforeseen contingency, so as to restore or maintain through communication.

(ii) Works considered urgent but not falling within (i) above, as for instance, works required to meet the immediate needs of traffic, which are considered by the General Manager so urgent that they must be started before the earliest date by which detailed estimates could be prepared.

This work does not fall under (i) above and does not also ppear to fall under (ii) above in view of subsequent events cording to which the work was deferred after collection of aterial worth Rs. 60 lakhs on the site. Thus, the total invest-ent of Rs. 65.24 lakhs (material : Rs. 60.00 lakhs, survey penses : Rs. 4.19 lakhs, and other expenses : Rs. 1.05 lakhs) mained unproductive. This also throws an unavoidable curring liability of Rs. 3.91 lakhs per annum towards the ayment of dividend. The two generating sets ordered for

purchase for this work have been subsequently transferred for use at Samastipur station and installed there.

This para was issued to the Railway Administration in September 1982; its reply thereto is still awaited (December 1982).

6. **Western Railway—Conversion of Viramgam-Okha-Porbandar Section****

Commenting on the excess detention to wagons and operational bottlenecks at the transhipment points mentioned in para 1.21.2(iv) of Advance Report of the Comptroller and Auditor General of India—Union Government (Railways)—1979-80 on Wagon Availability, the Public Accounts Committee, in para 193 of their 103rd Report-Seventh Lok Sabha (1981-82) expressed their dis-satisfaction at the slow pace of the gauge conversion projects and recommended time bound completion of the on going conversion projects to eliminate concerned transhipment points. The Public Accounts Committee further observed* "the result is that not only the works remain incomplete but the delay in competion of work also leads to escalation in costs. Moreover, this also results in frustration among the public likely to benefit from these projects."

Details of one such ongoing project of conversion on Western Railway, reviewed by Audit, are dissussed in the succeeding paragraphs:

The Ministry of Railways (Railways Board) sanctioned in December 1971 the conversion of 557 km of metre gauge section from Viramgam to Porbandar and Okha into broad gauge at a cost of Rs. 42.93 crores. This conversion was planned to be completed in 5 years in two phases, first phase from Viramgam to Rajkot (181 km) and the second phase from Rajkot to Okha-Porbandar (376 km) with an interphase period of 4 months by providing temporary transhipment facilities at Rajkot, if necessary.

*cf para 60 of Public Accounts Committee 73rd Report, Seventh Lok Sabha.

**This para was issued to the Railway Administration in September 1982, its reply is still awaited (December, 1982).

This gauge conversion was to move the existing as well as increased level of traffic to and from the major industries in and around Sikka, Mithapur, Dwarka, Porbandar and Ranawao via Viramgam without transhipment and also to cater to the traffic to and from the all weather port at Porbandar developed at a cost of Rs. 7.25 crores.

The project estimate provided for use of wooden sleepers as this type of sleepers which were technically suited and were cheaper by 40 per cent as compared to the other types of sleepers like steel sleepers.

The project anticipated a saving of Rs. 95.55 lakhs per annum due to BG operation of goods and passenger services and additional earnings of Rs. 275 lakhs per annum on account of additional traffic on completion. The survey report of this project specially stressed that the full benefit of conversion project would accrue only if the entire length of 557 km was converted in one stretch with an inter phase period of 4 months.

The work on this conversion project was started in January 1972 and progressed to the extent of 44 per cent only (cumulative, in physical terms) in 5 years *i.e.* by 1977-78, due to restricted allotment of funds year after year, by the Ministry of Railways (Railway Board). Further, the Western Railway Administration did not utilise fully, even the budget allotments for this work each year from 1973-74 to 1978-79. This is evident from the yearwise Budget allotments for this project and the actual annual expenditure as under :

(Rs. in lakhs)

Year	Outlay as planned in the project estimate	Provision in budget	Actuals
1971-72	..	3	8.8
1972-73	430	100	144
1973-74	860	678	396
1974-75	860	622	339
1975-76	860	451	348
1976-77	1290	500	348
1977-78	..	750	340
1978-79	..	753	561

Till 1978-79, the project, in its first phase, had made progress (nearly 100 per cent) mainly under earth work; but under permanent way which constituted over 50 per cent of the project cost, there was no matching progress in linking of the track due to short supply of rails and sleepers. According to the Railway Administration, this resulted in less expenditure than budgeted yearly.

The procurement of rails and sleepers as per requirements of the railways are centrally planned and arranged by the Ministry of Railways (Railway Board) in December of every year. The project could not get their requirements of new as well as second hand released rails (for sidings, yards etc.) in any year from 1972-73, since these were earmarked for use in various secondary relayings on branch lines and new constructions. Though second quality arisings of new rails from steel plants were available during 1974-75 to 1977-78 at equivalent cost as for released rails, this source was tapped rather late in 1978-79. Similarly, for wooden sleepers required for the work on consideration of its technical suitability, no special arrangements were made in any of the years.

The use of alternative types *viz.* steel sleepers, for this project was approved by the Railway Board only in September 1977. The steel sleepers, besides being costlier than wooden sleepers involved extra expenditure on drilling, cold pressing, etc.

There had, thus, been inadequate arrangements for supply of track materials which constituted the main component of the project, affecting its progress and escalating its costs.

According to the revised estimate, the cost of the project would be Rs. 84.27 crores thus registering an increase of Rs. 41.34 crores (96.2 per cent) over the original cost. Bulk of the increase in cost (Rs. 23.90 crores) was due to escalation in prices of permanent way material and labour arising from prolonged period of execution, use of steel sleepers in place of

wooden sleepers (Rs. 4.99 crores); the other remaining factors were use of second quality rails in place of released rails (Rs. 0.53 crore), increase in general charges (Rs. 3.4 crores), certain material modification of the project and increase in the quantity of work to be done due to site conditions affected by floods, etc. (Rs. 8.49 crores). The original provision under general charges (mainly for direction and general supervision etc.) of the project had to be increased from Rs. 4.38 crores to Rs. 7.81 crores. Keeping in view the increasing costs due to poor progress of the project, the Railway Administration demanded additional allotment of funds and suggested conversion of the entire length of 557 km in one stretch with an interphase period of 3-4 months as in the original project estimate to realise the benefits envisaged.

The Railway Board, however, advised (December 1977) that a certain amount of phasing of the project was inevitable due to paucity of funds and directed the Railway Administration (October 1978 and May 1979) to continue the conversion upto Hapa station (268 km) in the first phase and complete it by March/April 1980. However, keeping in view the operational problems/bottlenecks at the new (temporary) transhipment point the Railway Board stipulated that the rest of the sections should be converted during the second phase with a time interval of nine months between the first and second (final) phase of completion of the project. The Western Railway Administration pointed out (May 1979) to the Railway Board that because of the uncertain position of supply of rails, sleepers, etc. which had been experienced hitherto, the overall date of completion of the project could be only 1982 *i.e.* nearly 2 years after the intended date of completion of first phase.

The first phase upto Hapa (268 km) was completed in June 1980 after setting up temporary transhipment facilities at a cost of Rs. 84 lakhs. However, subsequent to the opening of this section upto Hapa in June 1980, the pace of work on the project was slowed down. Against allotment of Rs. 22 crores sought for during 1980-81 by the Railway to complete the project as

per the revised plan, the Ministry of Railways (Railways Board) allotted Rs. 13.00 crores. This had resulted again in a slippage in the execution of the project to the revised plan and extended the inter-phase period beyond nine months as adequate permanent way material could not be procured. The overall progress for phase II covering 289 km from Hapa to Okha and from Sikka to Porbandar upto December 1980 was 50.5 per cent (in physical terms). The actual expenditure on the project during 1979-80 was the highest in any year, being Rs. 19.92 crores and the Railway Administration sought budget allotment of Rs. 17.98 crores during 1981-82, against which approved budget allotment was Rs. 3.95 crores only. The Railway Board, at a special meeting held on 14th August 1981 to review the progress of this and other works decided that this project need not be progressed at the expense of other projects as the MG section beyond Hapa was working well as a captive MG system and this project should be progressed only if funds could be spared for it.

While this ongoing scheme was not being provided with adequate funds, the Railway Board in 1980-81, however, sanctioned new gauge conversion, doubling and new line construction works estimated to cost Rs. 321.46 crores and released funds to the extent of Rs. 27.35 crores therefor.

The major industrial points—Sikka, Mithapur, Dwarka, Porbandar, Ranawao were not covered by the first phase of the project upto Hapa; hence the traffic from and to these points were partly transhipped at Hapa and partly routed through all metre gauge route involving extra lead of 151 to 202 km with attendant extra cost in haulage, handling and in transit losses etc., to the Railways as well as to trade and industry.

Where as the earnings on haulage by either MG or BG is the same, the cost of haulage to the Railway on MG wagons is more

than that of BG by 3.83 paise per tonne km* on Western Railway. The delayed completion of the conversion project and the consequent prolongation of the interphase period from June 1980 *i.e.* after the opening of the transhipment point at Hapa, had been resulting in extra haulage cost of Rs. 1.78 crores per year despite charging the users, freight by the longer MG route.

Further, the MG sections yet to be converted had also been starved of any casual or through track renewals for the last 10 years in the hope of conversion of the section; there have been 148 cases of rail fractures and 165 cases of spring failures every month, during 1981-82 in spite of crippling speed restrictions (20 kmph) and a stage has now reached when complete track renewal of about 100 km of MG sections cannot be postponed any further. The Railway Administration, while, suggesting either closure of the sections or immediate renewal, stated that the closure will upset the industrial production of chemicals and cement in the area. The progress of this project was again reviewed by the Railway Board on 29th August 1981, consequent on Government decision to speed up movement of fertilisers, cement, etc. from the minor ports in Gujarat and the Railway Board, reversing their earlier decision of August 1981, directed the Railway Administration (September 1981) to draw up a plan of execution and speed up the execution of the balance work so as to complete the project by 30th September 1983. The Railway Administration brought out (July 1982) that it would need Rs. 30 crores in all to complete the project by the above date; of which Rs. 23 crores would be needed in 1982-83 as against Rs. 11.10 crores allotted, mainly for meeting the cost of rails and sleepers. However, as requisite extra funds (Rs. 12 crores) could not be allocated, the project is not likely to be completed by end of 1983.

The expenditure incurred on the project to end of 31st March 1982 was Rs. 66.87 crores and according to the Administration

*Based on data of haulage cost, etc. of Western Railway *vide* statement 15 of Railway Board's Annual Statistical statement 1980-81.

(July 1982) the revised cost of the project would be Rs. 97 crores. Though the increase in project cost would depress the return on investment, this has not been worked out so far (October 1982).

The following points are worth consideration in this case :

(i) Having sanctioned the conversion project in December 1971, the Ministry of Railways (Railway Board) failed to accord adequate priority to it in subsequent years, in the matter of allotment of funds and arrangement of permanent way material. As a result, the project initially scheduled for completion within 5 years has not been completed so far (October 1982).

(ii) The Railway Administration failed to utilise even the funds allotted in the budget specifically for the project in each year from 1973-74 to 1978-79 and explore the available sources of track material from the steel plants in time in coordination with the Railway Board.

(iii) The technical and economic considerations on which the project was sanctioned in 1971 were not kept in view by the Railway Board as well as by Railway during execution; the work has been prolonged resulting in escalation of cost from Rs. 42.93 crores to Rs. 84.27 crores which is further anticipated to increase to Rs. 97 crores.

The provision for general charges including the direction and supervision had to be increased from Rs. 4.38 crores to Rs. 7.81 crores in the revised estimates; more funds would be consumed under this head due to further prolongation of the completion period beyond 30th September 1983.

Consequently the original rate of return on investment on this project would be depressed, thus distorting the financial viability of the project.

(iv) Though the Railway Board set a revised limit of nine months in May 1979 for the inter-phase period of transhipment operation at Hapa, it again failed to ensure its implementation through appropriate allocation of funds and track material from 1979-80; available funds being allocated to new construction projects including new gauge conversion and new lines spreading the available resources thin, and increasing the number of ongoing projects. The instructions to the Western Railway in September 1981 to speed up the execution and complete the project by end of September 1983 were not followed up with allotment of funds to match the requirements for the same resulting in further delay of its target date of completion.

(v) The prolonged inter-phase period involving operation of transhipment at Hapa and routing bulk of the traffic over the longer MG route for over two years had been resulting in extra haulage cost of Rs. 1.78 crores per year.

(vi) None of the important industrial centres has been connected by BG though first phase of the project has been completed.

(vii) Benefit of investment of Rs. 7.25 crores made in providing all weather port at Porbandar could not be derived fully due to delayed conversion of this rail line.

7. Northern Railway—Avoidable expenditure on high level platforms

The work of raising rail level platforms to high level platforms at Minto Bridge Railway Station—a passenger amenity work estimated to cost Rs. 3.23 lakhs—was included in the works programme of Northern Railway for the year 1978-79. The

estimate of the work was sanctioned in March 1978 and the work commenced in July 1978.

In December 1977, the Metropolitan Transport Project (Railways) Delhi had submitted a project report to the Ministry of Railways (Railway Board) for introduction of 'Electrified commuter service in Delhi Urban Area'. The Project Report was accepted by the Ministry of Railways (Railway Board) in February 1978. The work was included in the Works Programme for the year 1979-80, and *inter alia,* envisaged provision of two island platforms at Minto Bridge station. In July 1979, when the work of raising rail level to high level platforms had progressed by 18 per cent only and expenditure of Rs. 0.62 lakh only had been booked, the Project Administration advised the Northern Railway Administration that since the location of the high level platforms under construction by the latter at Minto Bridge would undergo change with the introduction of electrified suburban services, the precast elements for providing high level platforms at Minto Bridge should be kept ready but erected at site only after the final lay out was decided. Despite this caution, the Northern Railway Administration decided (August 1979) to continue the existing work of raising of platforms. However, no specific reasons in support of this decision were placed on record. The Northern Railway Administration, further awarded (July 1980) contract for Rs. 0.98 lakh for surfacing the platforms and completed the entire work in December 1980 at a cost of Rs. 3.76 lakhs.

Rail level platforms were in existence at the Minto Bridge ever since its opening for traffic and there was no spurt in traffic needing construction of a higher level platform usable for a short period.

During subsequent execution of Ring Railway works, the two high level platforms provided by the Northern Railway Administration at Minto Bridge in December 1980 were dismantled by the Metropolitan Transport Project (Railways) in

May 1981, at an estimated cost of Rs. 0.21 lakh, and instead thereof, two island platforms were built (March 1982) at an estimated cost of Rs. 5.20 lakhs.

The lack of timely and effective co-ordination between the Northern Railway Administration and the Metropolitan Transport Project Administration resulted in dismantling of the two high level platforms at Minto Bridge within six months of their construction, entailing infructuous expenditure of Rs. 3.97 lakhs.

This para was issued to the Railway Administration in June 1982; its reply thereto is still awaited (November 1982).

8. **Southern Railway—Construction and maintenance of road over/under-bridges**

The rules laid down by the Ministry of Railways (Railway Board) in regard to construction and maintenance of road over/under-bridges provide, *inter alia,* as under :

(i) On replacement of a level crossing originally provided at Railway's cost by road over/under-bridge, the cost of the bridge structure and its approaches etc. will be apportioned between the Railway and the Road Authority of the State Government concerned, in accordance with the extent rules of allocation.

(ii) The level crossing replaced by a road over/under-bridge should be permanently closed after the road over/under-bridge is opened to traffic. If, however, the State Government requires the level crossing to be kept open or restored for any reason whatsoever, after the opening of the road over/under-bridge, the Road Authority will re-imburse the cost of the road over/under-bridge borne earlier by the Railway.

(iii) The road over/under-bridge will be maintained (kept in good repair) by the Railway, and the charges

therefor will be recovered from the Road Authority concerned.

(iv) An agreement embodying, *inter alia*, above terms and conditions should be executed between the Railway and the Road Authority of the State Government concerned before the work of the road over/under-bridge is commenced.

It was noticed that in a number of cases road over/under-bridges had been constructed/maintained without executing necessary agreements. This had resulted in Railway's claims not being honoured by the Road Authorities concerned, leading to heavy accumulation of railway dues over the years. The detailed particulars of some of these cases are given in the succeeding paragraphs.

I. At the request (April 1971) of the State Government of Mysore, the Railway Administration with the approval (August 1971) of the Ministry of Railways (Railway Board), undertook construction of a road over-bridge (Km 93/3-4) in lieu of the existing level crossing (Km 93/10-11) at Mandya on the Bangalore City—Mysore section as an out-of-turn work during 1971-72. The State Government conveyed its approval in August 1971 to the closure of the existing level crossing after construction of the road over-bridge, deposited Rs. 1.50 lakhs with the Railway by November 1971, and accepted its share of Rs. 2.16 lakhs (December 1971) out of the estimated cost of Rs. 7.15 lakhs. However, no formal agreement as required under the rules, was entered into by the Railway Administration with the State Government. The work on the road over-bridge was completed in July 1976, and consequently, the level crossing too was closed in July 1976.

Subsequently, on repeated representations from Mandya Municipality and the State Government, to the Ministry of Railways (Railway Board) and the Railway Minister, the level crossing was re-opened on 15th April 1980.

The Railway Administration claimed (July 1981) the following dues from the State Government :

1. Total cost of bridge under 'Deposit' terms	988706.00
2. Amount received by the State Government from Railway Safety Works Fund	347000.00
3. Cost of re-opening the level crossing	28500.00
4. Maintenance charges of the bridge proper at Rs. 21,136.70 per annum for 1976-77 to 1980-81	105683.50
	1469889.50
Less amount paid by Mandya Municipality	150000.00
	1319889.50
	say Rs. 13.20 lakhs

Though two and a half years have passed since the re-opening of the level crossing, the Railway's claim is still (October 1982) outstanding. In addition, the Railway Administration has also been incurring a recurring expenditure of Rs. 17,513.00 per annum towards maintenance of the level crossing since 15th April 1980.

The Railway Administration stated (September 1982) that the matter was being vigorously pursued at the highest level with the State Government.

II. It was also noticed that recovery of maintenance charges had not been effected from the concerned road authorities in many cases. On Mysore Division in respect of 25 road over/under-bridges completed during the period from January 1963 to March 1979, the amount of maintenance charges due for recovery from the State Government/local authorities, came to Rs. 10.07 lakhs. Similarly, on Madras Division such charges due for recovery in respect of 7 road over/under-bridges completed during the period from June 1971 to January 1980 came to Rs. 6.21 lakhs. The position on other Divisions is yet to be assessed.

The Railway Administration stated (June 1982) that it had been able to get the acceptance of Government of Karnataka

for 23 bills for maintenance charges amounting to Rs. 11.40 lakhs and that action would be taken to persuade other State Governments also to the extent possible, to agree to pay maintenance charges due to the Railway. However, no payment has been received so far (October 1982).

9. Northeast Frontier Railway—Non-utilisation of a sewerage disposal plant

With a view to meeting the permanent sanitary needs of the staff quarters constructed for the staff of the carriage and wagon shop at New Bongaigaon, a sewerage disposal plant was commissioned in April 1967 in the Railway Colony at a cost of Rs. 35 lakhs. The plant has been lying out of order since 1972. The Railway Administration requested (February 1979) M/s. Hindustan Construction Co. Ltd., (who had originally constructed the plant) to depute their authorised representative to find out the defects and suggest remedy so that the installations could be recommissioned. The firm pointed out (May 1979) that although the sewerage system had been designed for total flow from the colony, only toilets were connected to the sewerage system, and kitchens and bathrooms were connected to the storm water drains, resulting in choking of the sewers due to insufficient flow of water, needing mechanical cleaning. The firm in response to enquiry (June 1979) made by Railway Administration offered (August 1979) to repair the plant at a cost of Rs. 1.29 lakhs. The Railway Administration, however, decided to rectify the defects departmentally. The Railway Administration attempted (June 1979) to clear the manholes by engaging labour but after incurring an expenditure of Rs. 3,080, the work was given up as it was not possible to clear the holes manually. Due to the failure of the sewerage system, the lavatories of about 900 quarters were connected with the aqua tanks (already built at the time of construction of quarters) in 1973 at an additional cost of Rs. 0.12 lakh. New quarters now being built at New Bongaigaon

are also being provided with septic tanks at a cost ranging from Rs. 2,153 to Rs. 3,288 (Rs. 2,153 per septic tank constructed by open line and Rs. 2,433 to Rs. 3,288 by construction organisation). The plant is still (June 1982) lying out of commission.

A large number of staff employed in connection with sewerage system continued in employment since the time the plant was out of commission. The pay and allowances paid to such staff to end of June 1982 are assessed at Rs. 15.77 lakhs (Approx.).

The Railway Administration stated (June 1982) that after the plant had gone out of order, efforts were made departmentally to restore the plant and the question of surrendering the staff engaged in sewerage plant immediately thereafter did not arise. After the aqua tanks were connected in 1973, the surplus staff were utilised in alternative jobs.

The Railway Administration's failure to commission the sewerage plant as originally designed, resulted in the investment of Rs. 35 lakhs being rendered infructuous.

This para was issued to the Railway Administration in August 1982; its reply thereto is still awaited (November 1982).

10. North Eastern Railway—Undue benefit allowed to a contractor

In connection with the work of conversion of railway line from Metre Gauge to Broad Gauge between Samastipur and Barabanki, the Railway Administration entered into five contracts (one each with contractors 'A' and 'B' and three with contractor 'C') in February 1974 for construction of bridges etc. in the jurisdiction of the Executive Engineer, Chhupra. While supply of shingles by the Railway Administration for cement concrete and reinforced cement concrete works was obligatory in the case of contractors 'A' and 'B', it was not so for contractor 'C'.

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		185.00
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During actual execution the Railway Administ the entire quantity of shingles required for the worl cum of 38 mm size and 261.19 cum of 19 mm siz 'C' also to whom the supply was not obligatory.

Computed with reference to the difference bet of contractor 'C' (to whom supply of shingles was and those of contractors 'A' and 'B' (to whom shingles was obligatory), the extra payment made 'C' works out to Rs. 1.54 lakhs as compared to and Rs. 1.80 lakhs as compared to contractor 'B'.

If over-head charges (freight at public tariff rat charges etc.) are taken into account, the rates rec contractor 'C' worked out to Rs. 107.04 per cu size and Rs. 108.77 for 19 mm size as against cum and Rs. 40.00 per cum respectively actually r him. The extra benefit to contractor 'C' on th assessed at Rs. 3.41 lakhs.

The Railway Administration stated (March different contracts were executed for different works contractors so that the work could be completed therefore, the question of extension of benefit of one contract to other contracts did not arise. T is not tenable as all the contracts were executed du period and within the same vicinity.

This para was issued to the Railway Administ 1982; its reply thereto is still awaited (November 1

11. South Central Railway—Provision of a crossing

The doubling of section between Manickgar (18.25 km) on the Kazipet—Balharshah trun sanctioned by the Ministry of Railways (Railwa

May 1981 under Urgency Certificate. As the completion of the project was likely to be delayed, mainly due to non-availability of permanent way materials and paucity of funds, a temporary crossing station at Chanaka, between Manickgarh and Whirgaon was found justified as a part of the project mainly to increase the line capacity in the meantime.

The work on the crossing station was completed in June 1981 at a cost of Rs. 14.28 lakhs and the same was commissioned with effect from 14th July 1981. As the station did not have even basic amenities like quarters and drinking water (A bore-well had been provided, but the water from it was found to be saline), and there had been repeated signal failures, the Railway Administration decided in November 1981 to close down the station permanently.

The Railway Administration stated (July 1982) that most of the assets created in connection with the provision of the crossing station would be of use to the doubling work.

In this case the following points deserve mention :

(1) The chances of using assets created in connection with the provision of the crossing station for the doubling work seem to be remote, as though the work on doubling had commenced in February 1982 and targeted for completion on 31st March 1984, the percentage of progress to end of July 1982 was 6 per cent only.

(2) The benefit of increased line capacity till completion of doubling of the section did not accrue to the Railway Administration, as planned originally.

(3) The investment of Rs. 14.28 lakhs (on items like station building, permanent way material, tools and plant etc.) in the construction of the crossing station had proved un-productive, out of which an amount of Rs. 2.02 lakhs (cost of signalling cabins, bore-well, culverts, labour charges etc.) spent on

irretrievable items of work had become totally infructuous.

(4) The crossing station had been provided with the approval of the Ministry of Railways (Railway Board); but its closure was not reported to them.

This para was issued to the Railway Administration in August 1982; its reply thereto is still awaited (November 1982).

12. **Northeast Frontier Railway—Extra expenditure in rebuilding of bridges**

The re-building of two bridges (number 351 and 319) on the Section North Lakhimpur—Murkong Selak was sanctioned by the Ministry of Railways (Railway Board) in November-December 1975. In the justification for undertaking the works, the Railway Administration had stated that the bridge No. 351 was damaged during the monsoon of 1973 and bridge No. 319 during floods of 1974 and 1975. The re-building of bridges proposed to be taken up during the working season of 1975-76 was to be completed in 4—6 months.

After grouping the works of these two bridges, tenders for contractors' portion of works (Earth Work, RCC-Works etc.) were invited in November 1975. The lowest offer received, after negotiation, was evaluated at Rs. 1.63 lakhs against the estimated value of Rs. 1.43 lakhs. The Tender Committee which met on 8th January 1976 considered the rates quoted by the tenderers as high even after negotiations, and recommended further negotiations. The Divisional Superintendent, Alipurduar, however, did not accept the recommendations of the Tender Committee, but decided that the Zonal Contractor should be asked to do the work, if the estimated cost of each bridge was below Rs. 50,000. Accordingly, in February 1976 the Zonal Contractor was asked, to take up the work on priority basis so that it would be completed before monsoon. He was simultaneously asked to sign the relevant work order also. The

value of the work at the accepted Zonal rates was worked out by the Administration at Rs. 47,744 for bridge No. 351 and Rs. 35,787 for bridge No. 319. The Administration did not, however, get the work order signed by contractor, and he did not commence the work. The currency of the existing Zonal Contract expired on 30th June 1976.

The rates for the subsequent Zonal contract for the period 1976-77 being higher, the value of the work for each bridge at Zonal rates exceeded Rs. 50,000. Consequently, the Administration invited fresh tenders in June 1976 and entrusted the work to two contractors in December 1976. The works were completed in May 1977 at a cost of Rs. 3.51 lakhs (bridge No. 319 : Rs. 1.41 lakhs and bridge No. 351 : Rs. 2.10 lakhs) against the value of Rs. 0.90 lakh, had these bridges been got done through the Zonal Contractor for the period 1975-76.

The Administration's failure to get the relevant work order signed by the Zonal Contractor in February 1976 resulted in incurrence of extra expenditure of Rs. 2.61 lakhs in this case.

The Railway Administration stated (July 1981) that the work could not be taken up as the materials for re-building of bridges could not be procured earlier to December 1976.

It is, however, observed that the girders required for bridges had been allotted in December 1975 and the concerned Divisional Engineers had been instructed to transport the girders to the bridge sites. The period of completion of the work was given as 4 months only, even in the tenders invited in November 1975. Further the re-building of bridge No. 319 was an out of turn work proposed in 1975 in view of its condition. The requisite materials for both the bridges were already available with the Administration.

This para was issued to the Railway Administration in August 1982; its reply thereto is still awaited (November 1982).

13. South Central Railway—Non-revision of licence fee due from Oil Companies

The extant instructions of the Ministry of Railways (Railway Board) provide, *inter alia*, that rent chargeable in respect of Railway lands leased to outsiders should be reviewed once in five years in large towns and commercial centres on the basis of the market value of land. For this purpose licensees are required to be given six months notice in advance of the revision of the licence fee. Provisions to this effect are required to be incorporated in the agreements entered into with the parties.

The Railway Administration had let out between 1914 and 1967 railway lands measuring 2.12 lakhs sq. ft. to four oil companies located at Pune. The agreements entered into between the Railway Administration and the oil companies provided, *inter alia*, as under :

(i) The licence fee is payable in advance on the first day of April every year.

(ii) The licence fee is subject to revision from time to time on one month's notice being given to the licensee.

(iii) Either party is at liberty to terminate the licence by giving three month's notice in writing to the other party.

The quinquennial revision of licence fee due on 1st April 1971 in respect of these lands (after the market value of the land had risen from Rs. 3 to Rs. 8 per sq. ft.) was, however, not done, and the old licence fee continued to remain in force. This resulted in a loss of Rs. 3.17 lakhs over the period 1st April 1971 to 31st March 1976.

Later on, when the Administration revised the licence fee with effect from 1st April 1976 on the basis of the then prevailing market rate of Rs. 12 per sq. ft., three oil companies accepted the

revision, but the forth one rejected it on the ground that revision had been done without giving due notice and that the increase was very sharp. As against the dues of Rs. 2.18 lakhs (at the revised rate) this company paid Rs. 0.93 lakh (at the old rate) only, leaving a balance of Rs. 1.25 lakhs.

Besides, there were other outstanding dues aggregating to Rs. 5.63 lakhs over the period 1962 to 1981 against various oil companies on the South Central Railway as on 31st May 1982.

The Railway Administration stated (June 1982) that there was no provision for retrospective revision of rent in the agreement. However, the need for retrospective revision, could have been obviated by prior notice of revision of rents to the company as provided in the agreement.

As per terms of the agreement, the Railway Administration could have justifiably resorted to termination of the licence in order to enforce recovery of its outstanding dues. This was not done.

This para was issued to the Railway Administration in July 1982; its reply thereto is still awaited (November 1982).

14. **Southern Railway—Extra expenditure due to payment of higher rates to contractors on account of delays on Railway's account**

The Ministry of Railways (Railway Board) had from time to time (1967 and 1972) impressed upon the General Managers of the Railways as under :

(1) To avoid large variations in quantities resulting from inadequate initial planning, it should be ensured before the tenders are invited, that the final scope of the work is fully determined by adequate careful planning in sufficient details.

(2) There should be no delay in handing over the sites to the contractors. The Railway Administration should call for tenders only when fully prepared to hand over the sites and supply the plans etc. to contractors.

Non-observance of the aforesaid instructions by the Southern Railway Administration resulted in incurrence of extra expenditure of Rs. 24.12 lakhs, as brought out below :

In May 1974, the Southern Railway Administration invited tenders for 'Earthwork, construction of bridges, etc.', in Reaches I, II and III of Yelahanka-Baiyappanahalli section on the Guntakal-Bangalore city B.G. conversion project. Three separate agreements were entered into with two contractors in February 1975. The value of the contracts and target dates for completion of works were as under :

Area of work	Estimated cost Rs.	Target for completion
Reach I	15.40 lakhs	August 1976
Reach II	14.70 lakhs	February 1977
Reach III	17.52 lakhs	May 1976

Soon after the agreements were signed in February 1975, the contractors demanded (April 1975 and June 1975) higher rates for all items and quantities covered by the agreement schedules, as there was delay on the part of the Administration in handing over sites, removing obstructions like telegraph poles, power line crossings, etc. and finalisation of bridge plans. The Railway Administration could not make available the land or remove the obstructions completely in any of the reaches before the expiry of the agreements. In Reaches II and III even the bridge plans were not ready by July 1975. The number and design of the bridges were also revised after award of the contracts, resulting in increase in quantities.

The value of work done in Reach I upto August 1976 (*i.e.* upto the expiry of contract period) was Rs. 5.96 lakhs only out

of Rs. 15.40 lakhs as per agreement. Similarly in Reach II, upto February 1977 it was Rs. 11.42 lakhs out of Rs. 14.70 lakhs and in Reach III upto May 1976 Rs. 5.29 lakhs out of Rs. 17.52 lakhs. The Administration held negotiations on single tender basis and entrusted the remaining works to the same contractors at higher rates. Fresh agreements were entered into with the same contractors in June 1977, May 1978 and July 1977 (value Rs. 16.56 lakhs, Rs. 6.98 lakhs and Rs. 21.32 lakhs) for Reach I, II and III respectively. However, before entering into fresh agreements for balance quantities of work and making payments under the new agreements, the actual quantities of work done under the original agreements were not measured and recorded. The omission to do so can lead to payments at higher rates in terms of the new agreements, for work already done and payable at lower rates in terms of the original agreements. The final bills for work done under original agreements for Reaches II and III have not yet been paid (November 1982).

The work in Reach I was completed on 30th June 1979 and in Reach II on 31st March 1982. In Reach III it was not completed even by 30th June 1979, the revised target date, as some stretches of land had still not been handed over. The remaining works were entrusted to the same contractor again at still higher rates, and are in progress (August 1982).

The award of contracts for balance of works and extra quantities at higher rates to the same contractors resulted in extra expenditure of Rs. 24.12 lakhs, computed with reference to the accepted rates in the original contracts.

The following were the main failures on the part of the Railway Administration in this case :

(i) The Administration failed to make available the entire land or remove obstructions therefrom during the currency of the three original contracts from February 1975 to August 1976/February 1977/May

1976. In the case of Reach III some stretches of land had not been handed over till 30th June 1979.

(ii) In the case of the contracts relating to Reach II and III the bridge plans were not ready till July 1975, though tenders had been invited in May 1974 and the contracts awarded in February 1975.

This para was issued to the Railway Administration in September 1982; its reply thereto is still awaited (November 1982).

15. **Metro Railway—Rejection of lowest tender**

The Metro Railway Administration, Calcutta, invited open tenders (March 1978) for construction of sub-way structures in contract section 15B at an estimated cost of Rs. 50 lakhs. This estimated cost was based on the contracted rates of section 17A awarded in October 1977. The tenders were opened in June 1978. The tender was evaluated at Rs. 70 lakhs by the Administration, taking into account escalation (Rs. 2 lakhs) upto June 1978, and the additional cost (Rs. 18 lakhs) on account of the changes made in the quantities. All the offers were valid for acceptance for 120 days from the date of opening *i.e.* upto 26th October 1978. Out of the 10 firms which quoted against the tender, the offer of firm 'A' at Rs. 77 lakhs including Rs. 6 lakhs towards value of special conditions was the lowest. The offer of firm 'B' at Rs. 100 lakhs including Rs. 11 lakhs for special conditions was the third lowest (excluding special conditions, it was the second lowest). On 21st October 1978 the Railway Administration requested tenderers to extend the validity of their offer upto 31st December 1978 and also asked for withdrawal in writing of the special conditions before 6th November 1978. The extension was agreed to by all the tenderers, but only some of the tenderers withdrew or modified special conditions. However, firms 'A' and 'B' did not withdraw special conditions. In consequence, firm 'B' became the fourth lowest, while firm 'A' still remained the lowest (inclusive of special conditions).

On 15th December 1978, the Railway Administration who were simultaneously considering tenders for various contract sections (eleven sections including section 15B) requested all the tenderers for all contract sections to extend the validity of their offer upto 31st March 1979. Firm 'B' in their letter dated 21st December 1978 extended the validity of their offer upto 31st March 1979. Firm 'A' in their letter dated 28th December 1978 (received by the Railway Administration on 3rd January 1979) regretted their inability to extend their offer any further and asked for refund of the earnest money. In the meantime the Tender Committee had been meeting and considering tenders for the various sections including section 15B from 15th November onwards on the assumption that all the offers were very much valid upto 31st December 1978 and were further likely to be valid upto 31st March 1979. The Tender Committee appended their signatures to the typed fair copies of the proceedings on 4th January 1979. According to the Administration, this does not mean that the Tender Committee had finalised their deliberations after the offer of firm 'A' had ceased to exist on 1st January 1979.

The Tender Committee decided to pass over the lowest offer of firm 'A' on the ground that the technical member of the Committee was unable to place any reliance on this firm for successful completion of the work since their tender value Rs. 77 lakhs) was just at par with the value of work (Rs. 78 lakhs) at the accepted rates of contract section 2, entered into in 1973. The Tender completion of the work since their tender value (Rs. 77 lakhs) was at Rs. 89 lakhs (excluding special conditions). The letter of acceptance awarding the work at an estimated cost of Rs. 89 lakhs was issued on 5th February 1979 which was accepted by firm 'B' the very next day.

Rejection of the lowest offer of firm 'A' is not considered to be tenable in view of the following :

(i) The offer of firm 'A' at Rs. 77 lakhs (inclusive of special conditions of Rs. 6 lakhs) can not be said to

be unworkable, as it was fairly above the Railway Administration's own estimated cost of Rs. 70 lakhs (including escalation upto June 1978).

(ii) Firm 'A' in its quotation letter (June 1978) had indicated that they were a group of well qualified and experienced engineers doing various projects throughout India and one major project abroad, and that one of their sister concerns was doing Metro Railway's work on behalf of a public sector undertaking in one of the contract sections. This was corroborated by the authorities in charge of the above mentioned works. Firm 'A' had also mentioned that their rates were based on present market rates of material and labour. Judged in this back-ground, the Tender Committee's conclusion that the rates quoted by firm 'A' were at par with the rates of contract section 2 accepted in 1973 and hence unworkable is not tenable. The firm's reputation and standing was also vouchsafed as mentioned above.

(iii) Besides, the comparison of the rates of firm 'A' tendered for contract section 15B with the rates accepted by the Railway Administration earlier in the case of contract section 2 was not appropriate in view of the following :

(a) Most of the items of section 15B did not correspond exactly to those of contract section 2. In respect of only 11 items out of 110 items of contract section 15B, comparable items were available in contract section 2.

(b) The tender conditions of contract section 2 and 15B were not similar in-as-much as in section 2 steel material for temporary works like piles, struttings, walling and deckings was to be supplied on cost recovery basis. On return of the material

in good condition, the amount recovered from the contractor was to be refunded after deducting charges on account of depreciation. Thus, in the case of contract section 2 the contractor's money remained blocked with the Railway Administration till the material was returned by him. However, in section 15B these were to be supplied free of cost. In consequence, the rates for contract section 2 included not only the cost of steel material but also interest for the blocked funds. The Railway Administration while working out the cost of contract section 15B at the rates of contract section 2, deducted the cost of steel material, but did not deduct the element of interest thereon, which, according to Administration, worked out to Rs. 1.37 lakhs.

According to the Railway Administration, judging reasonableness of rates of section 15B on the basis of rates of section 17A (on the basis of which tenders had been invited) will not be appropriate because by the time the Tender Committee deliberations for section 15B were on the anvil in December 1978, the Technical Member was already aware of section 17A running into trouble on account of unsatisfactory performance of the contractor. The tender committee proceedings of January 1979 do not bring out the aforesaid views of Technical Member in regard to the unsatisfactory performance of the contractor of contract section 17A due to unworkability of his rates.

The rejection of the offer of firm 'A' resulted in extra expenditure of Rs. 12 lakhs.

This para was issued to the Railway Administration in August 1982; its reply thereto is still awaited (November 1982).

CHAPTER III

PURCHASES AND STORES

16. Claims outstanding against a collaborator

In paragraph 10 of Comptroller and Auditor General of India's Report (Railways) for 1972-73 mention was made, *inter alia,* of the large scale failure of the traction motors manufactured by Chittaranjan Locomotive Works (CLW) according to a design given by their Collaborator (Group) as also of those imported from the latter due to design deficiencies. It was also mentioned that efforts were being made to rehabilitate them by changing the design.

While accepting the failures the collaborators stated that the failures had been precipitated by large number of special overspeed tests which had been undertaken on everyone of the armatures and that the real problem had come because of having manufactured 300 armatures without sufficient experience of the armatures in service and that they would be changing the design to ensure reliability of operation in service. M/s Group had supplied 297 traction motors and CLW had manufactured 122 traction motors to the old design which were to be rehabilitated and changed to new design. A settlement was reached with the Group in September 1972 under which they agreed to renew/rehabilitate the armatures supplied by them at their cost. A review in audit of the follow up action taken in respect of cost of rectification of defective traction motors revealed that while the collaborators had agreed to pay the incidence of transport, insurance charges and repair of armatures built by them in their works in France under warranty obligation, claims for

re-imbursement of expenditure of Rs. 82.16 lakhs incurred by CLW towards repair/rectification of the locally built traction motors had remained (September 1982) unrealised from them.

The terms of agreement with M/s Group stipulated that M/s Group would guarantee that all drawings, specifications and other documents under the agreement would be complete and strictly in accordance with those used for the manufacture in their own workshops and "further undertake that the information and assistance rendered by them shall be such that if it is followed it should enable the Government to establish indigenous production of electrical equipment similar in standard and performance to that manufactured by the Group".

In July 1972, while reviewing the behaviour of traction motors the Ministry of Railways (Railway Board) had decided that the collaborator's warranty obligations for the failures of CLW-built traction motors should be gone into by the General Manager, CLW and settled with their (the Board's) concurrence. This aspect had not figured specifically in the settlement arrived at regarding the failures of the traction motors, in discussions (September 1972) with the collaborator by the Ministry of Railways (Railway Board) and CLW. According to the agreement of September 1972 the collaborator agreed to rehabilitate at their (the collaborator's) cost all the armatures already supplied by them to a new design but their liability in respect of CLW-built armatures was confined to furnishing a new design, rendering assistance to CLW in establishing quick manufacture of armatures of the new design.

More than five years later, in January 1978, the CLW advised the Ministry of Railways (Railway Board) that expenditure incurred on repairs/rectification of traction motors/armatures built locally according to the old design was reimbursible by the collaborator and proposed to put forward the claim to them through the statement of consultancy fees payable by CLW under the

collaboration agreement. With the approval of the Ministry of Railways (Railway Board), CLW preferred (February 1978) a claim on the collaborator for reimbursement of repair/rectification charges of Rs. 25.63 lakhs incurred till then, indicating that the total expenditure on this account would be advised on completion of rewinding/repair of all the 122 armatures built by CLW to the old design.

The collaborator intimated (May 1978) CLW that as to the cost of rewinding the armatures, "an agreement has been reached by CLW and the Group as recorded in the minutes of the meeting with the (Railways) Board of September 1972 and the agreement has been entirely performed". The CLW again addressed (September 1978) the collaborator reiterating their claim for reimbursement of charges for repair of the traction motors/armatures necessitated by the defects in the original design. The collaborator in turn repudiated (February 1979) the claim stating that the proposal made by their representative in the meeting held in September 1972 was a package offer which had been accepted by the Ministry of Railways (Railway Board) in full settlement of the problems relating to the failures of the traction motors.

The failure to take up during negotiations with M/s Group the matter regarding their liability in respect of cost of rectification of CLW-built traction motors manufactured to their design under the guarantee terms of the collaboration agreement had resulted in repudiation of the claim by the Group. Further, there was delay in bringing up the matter in as much as the claim was put forward only in February 1978, the agreement having expired in November 1975.

In the absence of any tangible action being taken after February 1979 for resolving the dispute, the repair/rectification charges amounting to Rs. 82.16 lakhs incurred by CLW in respect of armatures (122 nos) built by it to the old defective design

have remained unrealised (September 1982) from the collaborator, while the latter's dues from CLW on account of consultancy fees amount to Rs. 37.86 lakhs only. In view of the deficiencies/defects in the traction motor design necessitating costly repair/rectification of CLW-built armatures, whether any consultancy fees in respect thereof would at all be admissible to the collaborator has not also been decided by the Ministry of Railways (Railway Board) so far (September 1982).

It may be mentioned that the same collaborator had overcharged prices of various materials supplied to CLW. CLW's claim amounting to about Rs. 1.66 crores on this account is pending before joint arbitrators [cf. para 1.63 224th Report of Public Accounts Committee (Fifth Lok Sabha)].

The case was referred to CLW and the Ministry of Railways (Railway Board) in July and October 1981 respectively; their reply is still awaited (November 1982).

17. **Central Railway—Non-enforcement of warranty claims for damaged equipments**

The Ministry of Railways (Railway Board) entered (May 1971) into a contract (value : Rs. 26.20 lakhs) with a foreign firm for supply of switch gear equipments for traction sub-stations and track cabins on Central Railway.

The equipments received in India on various dates during May 1972 to July 1973, were commissioned between June 1973 and August 1974. The circuit breakers at three sub-stations (Chinchavli, Titwala and Badlapur) burnt out during July-October 1974. A joint investigation (August and December 1974) by the representatives of the Railway, the Research, Designs and Standards Organisation (RDSO) and the firm revealed that the damages were due to over voltage of the system which caused bursting of surge arrestor and subsequent major

damages to the circuit breakers and allied equipments were due to certain shortcomings in the inbuilt protection scheme. The firm advised the Railway that under actual operating conditions it would be desirable to enclose the surge arrestor (lightening arrestor) in an insulated chamber within the breaker cubicle to prevent transference of arc to the neighbouring metallic sheets or to shift the arrestor outside the cubicle. The drawing submitted (1972) by the firm and approved by the RDSO, however, indicated the location of the arrestor inside the cubicle of the sub-station circuit breakers, which was stated to be the standard practice in its country.

On the Railway Administration asking for replacement of the equipments/parts thus damaged during the warranty period, the firm agreed (August 1974), as an act of goodwill, to replace free of cost all the affected equipments except at one sub-station (Badlapur) where the equipments had already completed more than the prescribed warranty for 12 months service, subject to settlement of its pending bills and straightening of the warranty clause to correspond to the usual period of 24 months from the date of shipment or 12 months from placing in service, whichever is earlier.

While not agreeing to modify the warranty clause as it had been accepted by the firm at the time of entering into contract, the Railway Administration released (December 1976) payment of the firm's pending bills for the supplies after obtaining a bank guarantee for an equivalent amount to cover the warranty period of 12 months after commissioning of the equipments. The advice sent by the Financial Adviser and Chief Accounts Officer (FA&CAO) in July 1977 of approaching expiry date (15th October 1977) of the bank guarantee was not, however, received in the office of the Chief Electrical Engineer (CEE) located at the same station. The matter was not pursued further by the Accounts Department thereafter. Since the replacement supplies were not forthcoming from the firm over a period of

10 months since payment of its bills, in spite of repeated reminders, the CEE requested the FA&CAO in December 1977, to encash the bank guarantee, validity of which had expired on 15th October 1977. Though the latter was doubtful whether claim could be enforced against the time expired bank guarantee, claim was lodged (December 1977) with the banker without making any effort to get its validity extended by the firm. The belated attempt to encash the bank guarantee having proved abortive, assistance was sought for from the firm's local agent who had been awarded (November 1977) a contract by the Railway Board for similar equipments, in getting the replacement for the damaged parts/compoments. This has not also yielded any result so far (September 1982).

In absence of warranty replacements the Railway Administration recommissioned the damaged installations (at Chinchavli and Titwala), incurring an expenditure of Rs. 2.02 lakhs which could have been recovered from the firm, had timely action been taken to encash the bank guarantee or to get its validity extended.

The Railway Administration stated that :

> The bank guarantee was to be encashed against transit damaged/deficient components and not against the burnt components as these related to the goodwill offer of the firm, subject to certain conditions being fulfilled. The transit damaged/deficient components, except a few items costing Rs. 4,350, having been received from the firm, no loss had been suffered by the Railway for non-encashment of the bank guarantee.

It may, however, be mentioned that the bank guarantee obtained (December 1976) by the Administration guaranteed payment to the Railway in the event of the firm's failing in its obligation concerning good performance of the supplies upto a period of 12 months from the date of putting the equipments into

operation. Since the circuit breakers and allied components had burnt out within the warranty period of 12 months, the Administration's contention that the burnt components were not to be covered by the bank guarantee and its non-encashment involved no loss would appear untenable.

18. **Research, Designs and Standards Organisation—Purchase of defective equipment**

In June 1973, the Director General, Supplies and Disposals (DGS&D) placed an order on a firm of New Delhi (Indian Agents of a firm of U.S.A.) for supply of 'Beckman Atomic Absorption Spectrophoto-meter' together with accessories, spares, hollow cathode lamps, standard solutions etc. at a cost of $ 20,725.90 (equivalent to Rs. 1,55,445 inclusive of agency commission of $ 2,596.97) plus Rs. 1,990 for exhaust fan system to be supplied to the Research, Designs and Standards Organisation (RDSO) Lucknow by 15th March 1974 or earlier. The equipment was to be supplied by the firm's Principals in USA with manufacturer's test certificates and the inspection was to be carried out by the Director of Inspection (DGS&D) New Delhi at RDSO's premises, Lucknow after pre-inspection of the stores by the suppliers.

The contract, *inter alia,* provided that installation and demonstration would be carried out free of charge at consignee's premises at Lucknow and the firm's trained personnel would be deputed to train a person or two of the consignee's laboratory in the regular working and maintenance of the equipment. The hollow cathode lamps were to be airlifted separately immediately after the receipt of equipment at the consignee's end. The equipment was guaranteed for 2 years from the date of shipment except hollow cathode lamps which had a shelf life of 2 years. However, the contract agreement did not stipulate the target date for satisfactory installation and demonstration of the equipment. The agreement stipulated guarantee for 2 years from the date of shipment only. Security deposit of Rs. 7,516 only was obtained.

The main equipment was received at Lucknow on 19th December 1974 (date of shipment—4th March 1974) and was inspected by the firm's representative on 10th January 1975. The hollow cathode lamps, spares and standard solutions were received in April 1976. The firm's representatives visited RDSO on five occasions between July 1976 and February 1977 but the machine could not be installed and commissioned by them due to various defects and deficiencies. Meanwhile, 100 per cent payment to the firm's principals in U.S.A. had already been made by Chief Accounts Officer, India Supply Mission, Washington against shipping documents, test certificates etc.

In May 1977, *i.e.* a year after the expiry of the guarantee, the matter regarding non-commissioning of the equipment was brought to the notice of the DGS&D who addressed the firm on 19th November 1977 to instal and demonstrate the equipment to the entire satisfaction of the consignee within 21 days from the date of the letter, failing which remedial action would be taken under the terms of the contract. The Chief Controller of Accounts, Department of Supply was also simultaneously asked to withhold payment equivalent to $ 20,529 from the firm's pending bills. Another sum of Rs. 6,400 on account of demurrage and Rs. 14,941.25 on account of customs duty and other charges paid bythe Railway was also to be recovered from the firm

The DGS&D was requested by the RDSO in November 1978 to recover the total cost of the machine together with the demurrage and other charges paid by the RDSO and to ask the firm to take back the unit. According to RDSO there appeared to be no possibility of getting the equipment commissioned by the firm as they were neither sincere nor serious and probably lacked expertise in the field.

A meeting was convened with the firm's representative by the DGS&D on 20th December 1978 but there was no progress in the commissioning of the equipment. On 16th January 1979

the RDSO, while rejecting the equipment urged the DGS&D to recover the total cost of the same besides the demurrage and other charges incurred by them. The representatives of the firm and their principals held a meeting with the DGS&D on 27th March 1979 and sought two months' time for installation of a part of the equipment. The firm's representatives visited RDSO Lucknow again in April 1981 and then in March 1982 but the equipment could not still be commissioned.

Thus, more than 6 years after the receipt of the complete equipment (April 1976), the Railway Administration/DGS&D have not been able either to get it installed by the firm or to recover its cost and other incidental charges from it. The equipment was intended for adopting modern analytical technique primarily for reliability and to extend the scope of analysis particularly to Research and Development work. The delay in commissioning the equipment has resulted in delay in introduction of improved method of analysis and the work is stated to be carried out by time consuming methods of testing.

It will be observed that the terms of agreement did not adequately safeguard Railway Administration's financial interests inasmuch as these did not provide for a time limit for installation and commissioning of the equipment by the firm, and a penalty for delay, particularly when the equipment itself was guaranteed for 2 years only from the date of shipment (which expired in March 1976) and some components had a shelf life of 2 years only. Payment made to the firm amounting to Rs. 1.72 lakhs is yet (October 1982) to be realised.

The paragraph was issued to the Railway Administration in August 1982; its reply is still (November 1982) awaited.

19. **Extra contractual benefit to a supplier of concrete sleepers**

The Ministry of Railways (Railway Board) awarded (October 1973) a contract (value : Rs. 2.35 crores) to a firm of Bangalore for manufacture and supply of monoblock concrete sleepers from

its factory to be set up near Secunderabad. The price per sleeper was fixed at Rs. 109.50 F.O.R. works station near Secunderabad.

The contract stipulated, *inter alia,* that :

> "The above prices are based on current rates as assumed by the contractor in the calculation of his quoted prices, of principal raw materials such as cement, mild steel and High Tensile Wires as shown below :
>
> | | |
> |---|---|
> | *Cement* | |
> | Rapid Hardening Cement . | Rs. 250.00 per M.T. F.O.R. contractor's works station near Secunderabad inclusive of Sales Tax. |
> | *Mild Steel* . . . | Rs. 1000.00 per M.T. F.O.R. contractor's works station near Secunderabad. |
> | High Tensile Steel Wire . | Rs. 3940.00 per M.T. F.O.R. contractor's works station near Secunderabad. |
>
> If the cost of raw material, as indicated above, is increased or decreased, the contract price shall be correspondingly varied with effect from the date of such increase or decrease by the amount of variation in the price of raw material that may be actually purchased after the relevant date and during the period of supply of concrete sleepers, remaining to be manufactured after that date."

Thus, according to the contract condition as above, both raw material prices as well as delivery of the manufactured sleepers were F.O.R. works station near Secunderabad.

For setting up its factory, the firm selected (December 1973) a site near the crossing station (BG) then under construction at Hafeezpet, midway between the existing Sanatnagar and Lingampalli stations near Secunderabad. The crossing station was completed by South Central Railway in April 1975 and opened (September 1976) for wagon load traffic of the firm. Simultaneously, the private siding constructed (August 1976) by the firm was also opened for similar booking with Hafeezpet

as the serving station. The BG crossing station at Hafeezpet though opened for exclusive receipt of inward and outward traffic consigned by the firm, cement consignments from the factories on MG route are actually booked to station (*viz.* Kechuguda) near Secunderabad only, as rebooking therefrom to Hafeezpet is not permissible because of its being within a distance of 25 kms. On the plea that the raw materials for sleeper manufacture were not delivered at works station (Hafeezpet), the firm claimed reimbursement of the charges incurred in road transport of cement, steel etc. from the receiving MG/BG railheads to its factory, the admissibility of which appeared (August 1980) doubtful to the Railway Administration, as in terms of the contract, raw materials were to be delivered 'F.O.R. works station near Secunderabad'. On being approached for clarification in the matter, the Railway Board amended (October 1980) the original contract stipulation 'F.O.R. works station near Secundrabad' to 'F.O.R. Hafeezpet, South Central Railway' on the consideration that the firm had been despatching sleepers from Hafeezpet and advised (August 1981) the Railway to allow reimbursement of transport charges to the firm.

In view of the fact that the crossing station at Hafeezpet is not a public goods booking station, the Railway's liability for delivery of raw materials continues to be terminated at the existing BG/MG railheads near Secunderabad. Amendment to the contract providing Hafeezpet as works station was, therefore, unwarranted. The payment of Rs. 3.36 lakhs so far (October 1982) made by the Railway Administration towards reimbursement of transport charges constituted an extra contractual benefit to the firm, since the original contract provision envisaged delivery of raw materials free on rail only upto the works station near Secunderabad and freight, if any involved, beyond that point was to be borne by the firm.

20. **Central Railway—Extra expenditure due to piecemeal purchases**

During February 1978 to Fabruary 1980 the stores department of the Railway received indents for procurement of 541 electric

points and lock detectors to cover regular maintenance demands and advance requirements for works programmed for 1979-80 and 1980-81. Out of these total requirements, indents for 448 numbers had been received upto March 1979 but the Railway Administration invited (July 1979) tender for 124 numbers only. The balance quantity was left uncovered as the relevant indents could not be linked because of their being kept on separate files without registering them in the requisition register as required under the code provision. The tender was finalised in December 1979 and the order placed in March 1980 for the tendered quantity @ Rs. 755 each (inclusive of taxes).

Notwithstanding the issue of procedure orders in December 1979 providing for consolidation and bulking of all demands so as to obtain competitive rates, the left over indents including those received later upto February 1980 were not located and clubbed together for inclusion in the purchase order of March 1980 for possible reduction in price for increase in quantity. After two months of placement (March 1980) of the order, the Administration invited (May 1980) limited tender for the uncovered quantities (541—124 = 417) and ordered them @ Rs. 1,425 (plus Central Sales Tax @ 4 per cent) each. The piecemeal purchase of the same item owing to failure to consolidate the pending demands for bulk ordering resulted in extra expenditure of Rs. 1.50 lakhs.

The Railway Administration stated (July 1982) that due to paucity of staff it was not possible to combine all the requisitions for such non-stock items and necessary procedural instructions had since been issued to avoid such situations in future.

It may, however, be mentioned that the failure to consolidate the demands, as required under code provisions, while initiating purchase action in July 1979, remained unrectified even at the time of finalisation of the order in March 1980, despite issue of procedural orders in the meantime (December 1979).

21. **Southern Railway—Purchase of microwave antennae**

In October 1979 the Railway Board informed the Zonal Railways that all future requirements of microwave antennae would be arranged from Electronics Corporation of India Limited (ECIL) and requested them to send indents to enable procurement being arranged at the Railway Board's level. The Railway Board had also indicated that the ECIL had quoted (September 1979) prices for bulk supply of 130 antennae and the offer was valid upto 30th December 1979 only. In January 1980 the Railway Board reminded the various Railways, including Southern Railway, about the need to send their indents urgently.

Based on indents received from some of the Railways, the Railway Board placed an order on ECIL on 27th February 1980 (the validity of offer having been extended by them upto 28th February 1980) for 96 antennae at the following prices exclusive of packing charges, excise duty and sales tax :

10 ft. standard performance antennae .	68 nos. at the rate of Rs. 57,200 each
12 ft. standard performance antennae .	28 nos. at the rate of Rs. 68,800 each

Only standard performance antennae had been ordered as high performance antennae were not considered necessary as four-frequency scheme was being adopted for all works in progress and new works.

When the Railway Board was consolidating the Railway's indents for bulk procurement of antennae from ECIL between October 1979 and February 1980, the Southern Railway Administration was already processing an indent (dated February 1979) for purchase of 2 antennae. The tender committee which met on 8th January 1980 to consider the offers received, recommended that the requirements might be arranged through Railway Board. The Railway Administration, however, sent its indent to Railway Board on 19th April 1980 only though the Railway Board had reminded the Railway in

January 1980. The latter returned the indent in May 1980 as the purchase order had already been placed on 27th February 1980.

The Railway Administration invited fresh quotations from ECIL in October 1980 and placed an order in April 1981 for 2 high performance antennae at the rate of Rs. 1.05 lakhs each.

The failure of the Administration in not placing the indent on Railway Board in spite of repeated reminders and the direct purchase of high performance antennae resulted in extra expenditure of Rs. 0.41 lakh.

In February 1980, the Railway Administration placed another indent on Railway Board for 10 antennae. The Railway Board returned this indent also, in August 1980, as the contract with ECIL had already been concluded. The Railway Administration placed an order on ECIL directly, in November 1981, for 10 high performance antennae.

The extra expenditure on account of delay in placing indents on Railway Board and the direct purchase of high performance antennae in this case works out to Rs. 7.25 lakhs making up a total extra expenditure of Rs. 7.66 lakhs.

The Ministry of Railways (Railway Board) had originally (August 1979) invited quotations from ECIL for immediate requirements of 130 antennae for works in progress and the latter had agreed to supply this quantity or any number that might be ordered on them before 30th December 1979, at the prices quoted in September 1979. While extending the validity of offer, ECIL stated that the price would hold good for 80 numbers of antennae. Though the original offer was valid for three months for 130 numbers or more, the Railway Board could place the order for 96 antennae only apparently due to non-receipt of indents from Railways. It is not clear why the Railway

Board could not have increased the quantity on order so as to cover the requirements of Southern Railway.

22. Southern Railway—Injudicious procurement of nickel chrome molybdenum steel

Prior to 1972, the Southern Railway Administration was manufacturing crank pins for steam locomotives out of class IV steel. In February 1972 the Railway Administration placed an *ad hoc* indent on the Director General, Supplies and Disposals (DGS&D) for procurement of 40.5 tonnes of nickel chrome molybdenum steel (an item imported by stockists) estimated to cost Rs. 5,000 per tonne for the manufacture of driving crank pins for YP and YG locomotives. No reasons for procurement of imported nickel chrome molybdenum steel in preference to the indigenously produced class IV steel, already in use, were recorded. The indent could not be processed by DGS&D for want of clarifications about specifications from the Railway Administration.

Two years later, in June 1974, the Administration revived the indent on the DGS&D who floated a tender in July 1974. As the cost of the only acceptable offer received from a firm of Delhi was Rs. 26,000 per tonne as against Rs. 5,000 per tonne estimated by the Administration, the DGS&D after confirming the availability of funds, placed an order in January 1975 on the firm for supply of 40.5 tonnes of the steel. Though the price quoted by the firm far exceeded the estimated cost, the Railway Administration did not review the need for purchasing the nickel chrome molybdenum steel, keeping in view the cost of manufacturing crank pins out of this costly material *vis-a-vis* the cost of manufacture with cheaper class IV steel already in use.

The delivery against the contract placed by the DGS&D was to be completed by 30th September 1975. However, as the supplies were not received, the delivery date was extended upto 31st December 1975. Even at this stage the Administration did not cancel the order, but reduced the quantity from 40.5

tonnes to 20 tonnes, as the full quantity was not required on account of long lapse of time in getting the supply. A quantity of 19.948 tonnes of this steel costing Rs. 5.18 lakhs were received in April 1976. The material was rejected by the Administration in May 1976 as not conforming to specification in respect of nickel and chromium contents. On the firm's request, it was tested by National Test House, Calcutta which reported to the DGS&D in April 1978 that the material conformed to the specification in the purchase order. Accordingly on the advice of the DGS&D, the Railway Administration accepted the material in July 1979. As such, the material received in April 1976 could not be utilised till July 1979. A review of its utilisation subsequently, revealed the following facts :

(1) Though the material was indented for the manufacture of crank pins for YP and YG locos, 7.9 tonnes had been utilised between August 1979 and January 1981, for the manufacture of various other items like forging dies, axle box rings of YP and YG Class engines, gudgeon pins, EOT crane wheels, gears for steam cranes, machine gears, turret/collet gears, leading coupling rods 'XP', pinion wheel for 'X' class locos, etc., for the manufacture of which an alternative material is class III or Class IV steel costing Rs. 3,600 per tonne approximately. The avoidable expenditure in utilisation of nickel chrome molybdenum steel for the manufacture of these items amounted to Rs. 1.69 lakhs.

The Railway Administration stated (August 1982) that the material was initially indented for manufacturing crank pins of steam locomotives. However, when the material was finally accepted, the steam locomotives were phasing out and hence it was decided to utilise the material for alternative purposes requiring the use of alloy steel.

(2) Cost of a crank pin manufactured out of base material class IV steel was Rs. 82.10 as against Rs. 595.35

per crank pin manufactured out of nickel chrome molybdenum steel. The extra expenditure thus incurred on manufacture of 37 crank pins out of nickel chrome molybdenum steel amounted to Rs. 0.19 lakh.

(3) A quantity of 5.7 tonnes of the material valued at Rs. 1.40 lakhs is still (June 1982) lying unutilised with the Administration.

Though the Railway Administration had been using class IV steel for manufacture of crank pins and had indented nickel chrome molybdenum steel for the first time in 1972 equating it to class IV steel, it failed to reconsider its decision when the cost differential became pronounced.

The injudicious purchase (involving import) and its subsequent utilisation for other purposes with a view to wiping out the stock, had only resulted in extra expenditure of Rs. 1.88 lakhs to the Administration.

23. Southern Railway—Procurement of a wrong lubricant

The Southern Railway Administration placed an indent on the Director General, Supplies and Disposals (DGS&D) in October 1979 for supply of 94,915 litres of Mobile DTE heavy medium compressor oil or substitutes 'Servo System 317' marketed by Indian Oil Corporation (IOC) or 'Turbinol' produced by Hindustan Petroleum Corporation (HPC) for the contract period July 1980 to June 1981 for use on traction motor suspension bearings, despite the recommended brands of lubricants for such purpose being 'Servo prime 17' and/or 'Turbine oil 17' as recommended by the Research, Designs and Standards Organisation (RDSO) in October 1979.

In response to enquiry by the DGS&D, the Indian Oil Corporation had offered (July 1980) to supply 'Servo System 317' at

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DGS&D. On a reference made by Southern Administration, RDSO (Motive Power Wing) stated (1982) that they were not aware of 'ENKLO 53' nor i traction motor suspension bearings had been recomm them. The DGS&D, however, informed the Southern Administration later in May 1982 that the coverage of 'ENKLO 53' had the approval of RDSO (Metall Chemicals Wing). The Chief Motive Power Engineer of the Railway had indicated in a communication dated 1982 to the Chief Materials Manager that as far as di were concerned, the use of correct grade of lubricatin to be advised by the Motive Power Directorate of R not by its Metallurgy and Chemicals Wing.

By the middle of February 1982, a quantity of 70 of 'ENKLO 53' valued at Rs. 6.31 lakhs had accumu is still (September 1982) lying unused. The Railway tration informed Audit on 15th June 1982 that action taken to use the lubricant. The Railway Adminisratio purchased locally (after November 1981) 16,400 'Servo System 317'—value Rs. 1.53 lakhs.

It was also observed that according to the clarificati by RDSO in February 1982, the recommended brand cants for traction motor suspension bearings were 'Se 17' and/or 'Turbine oil 17'. 'Servo System 317' anc 53' were not recommended; despite this Southern Ra using 'Servo System 317'.

The contradictory advices given by two different RDSO led to purchase of material of which a quan- at Rs. 6.31 lakhs has not found any usage so far.

This paragraph was issued to the Railway Admin- August 1982; its reply is still awaited (November 198

24. **Central Railway—Injudicious procurement of complete motor reversers**

Motor reverser is a component of a diesel locomotive, which is not regularly required unless the locomotive is involved in a serious accident when reverser assembly gets completely smashed up. During periodical overhaul (POH) of a locomotive, parts are replaced if required.

In June 1976, the Mechanical department of the Railway placed an ident on Deputy Controller of Stores, Parel, for procrement of 2 numbers of motor reverser assembly for use as unit exchange during POH of locomotives. Deputy Controller of Stores, Parel, while submitting annual estimate for procurement, revised the requirement to 7 numbers. However, Controller of Stores decided to purchase 9 numbers. A supply order for 9 reversers costing Rs. 2.11 lakhs was placed on a public sector undertaking on 6th June 1977 with stipulation to deliver them by 4th December 1978.

In August 1977, it was noticed by the Stores department that 2 numbers of reversers were already available with them. On realising that the requirement was only for 2 numbers, it was proposed by the Stores department with the concurrence of the Accounts to reduce the quantity on order from 9 to 2 reversers. When the proposal was submitted on 2nd September 1977 for General Manager's sanction the file was returned with the observations "Specific reasons for indenting 9 numbers in all and now reducing the demand to 2 numbers only may kindly be given and file resubmitted". Further action taken is not known.

The purchase order placed for 9 reversers in June 1977 was not modified to reduce the quantity on order from 9 to 2 and all the reversers ordered were supplied by the undertaking in August 1979.

Out of the 9 motor reversers received, only one has been used on a locomotive as replacement. Six numbers declared

surplus were offered to other Railways in February 1981 but there was no response from them.

Purchase of 7 motor reversers in excess of actual requirement has resulted in avoidable expenditure of Rs. 1.64 lakhs.

The Railway Administration stated (November 1982) that reversers had been issued to sheds and workshops for unit exchange.

25. Eastern Railway—Hire of comptometer machines

The Railway Administration had 89 comptometer machines purchased by it during the years 1933 to 1961 as mechanical aids for the work of Pay Roll, Provident Fund, Stores Accounting and Workshop incentive bonus etc. In addition, between March 1958 and April 1963 the Administration had taken on hire 12 comptometers from a firm 'A' of Calcutta—5 in March 1958, 6 in January 1961 and one in April 1963—on payment of hire charges of Rs. 75—Rs. 100 per month per machine.

In order to avoid the payment of recurring hire charges and to replace the comptometers obtained on hire, the Administration proposed purchase of additional comptometer machines. In February 1958/December 1960, the General Manager sanctioned the purchase of 12 additional comptometers. Foreign exchange amounting to Rs. 25,920 required was also released in November 1960 by the Financial Adviser and Chief Accounts Officer. The proposal for the purchase, however, remained under correspondence for the next eight years, upto 1968, between the Railway Administration, Railway Board, Director General of Supplies and Disposals, Chief Controller of Imports and Exports, State Trading Corporation and some firms involving matters relating to import against rupee sources, actual users' import licence, indigenous availability, clearance from Director General, Technical Development etc. In December 1964, the cost of 11 comptometers to be imported was assessed at Rs. 39,421. In October 1967, the Railway Board asked the Railway Administration to examine

whether the items of work (requiring use of comptometers) could be taken over on unit record equipment. The Railway's proposal which had been, by then, revised to importing five calculators involving foreign exchange of Rs. 14,200 was finally rejected by the Railway Board in December 1968, on the ground that a computer had been installed on the Railway in July 1968 which had the capacity to take over the Stores Accounting, Pay Roll including Provident Fund and Workshop incentive bonus and the faster tape units ordered would create more capacity. The Railway Board advised the Railway Administration that even if fewer calculating machines for certain desk calculations were required, it would not be necessary to order the machine of the type proposed by the Railway Administration involving foreign exchange as FACIT machines (costing about Rs. 1,850 per machine) manufactured in India could perform all arithmetical calculations.

The Administration did not pursue further the proposal for purchase of comptometers either from indigenous sources or by import. The hiring of 11 comptometers from firm 'A' is still (September 1982) being continued incurring a recurring expenditure of Rs. 22,000 per annum, against the one time cost of Rs. 20,350 for the calculating machines advised by the Railway Board in December 1968. Between March 1958 to June 1981, the Railway Administration incurred an expenditure of Rs. 4.20 lakhs as hire charges.

The Railway Administration stated (November 1979) that the feasibility of using FACIT machines was examined in November 1970 and they were not found suitable. The Administration stated further, in June 1982, that the Railway Board was not approached to reconsider their earlier decision and that since the hired machines could not be replaced by purchase of new machines, the use of comptometers for various accounting jobs was still needed even after installation of the computer, the expenditure on hire charges being inescapable.

It is, however, observed that after 1970 the Administration had not explored the possibility of purchasing indigenously manufactured calculating machines/electronic calculators which had since become available. The Administration's inability to reduce the total number of comptometers even after computerisation and its continued dependence on hiring of 11 old comptometers from firm 'A' has resulted in unnecessary recurring expenditure of Rs. 22,000 per annum.

26. Eastern Railway—Avoidable payment of surcharge on electric energy charges

Power factor is ratio of energy available for consumption (Kilowatts—KW) and energy consumed (Kilovolt Ampere—KVA) *i.e.* energy billed. A low power factor results in increase in demand (and demand charges) besides adversely affecting the electrical equipments.

The tariff of Bihar State Electricity Board (BSEB) stipulates that no consumer shall allow the average power factor of the supply taken by him to fall below 0.8 in any month. In the event of the average power factor falling below 0.8 a surcharge at the rate of 1 per cent per every fall of power factor of 0.01 will be leviable on the demand and energy charges including fuel surcharge. The tariff also provides that consumers should provide suitable shunt capacitors in order to arrest fall in power factor.

The Eastern Railway Administration purchases electric energy from BSEB to meet the requirements of power for its workshop and other Railway Establishments.

The Administration paid a surcharge amounting to Rs. 91.39 lakhs on account of fall in power factor in some substations during the period March 1977 to March 1982 which was avoidable. The details of these cases are given in succeeding paragraphs.

In March 1977 the BSEB informed the Workshop Electrical Engineer, Jamalpur workshop that the power factor in workshop had fallen below 0.8 and requested him to install shunt capacitors within six months to bring up the power factor, at least to 0.8 failing which a surcharge at the rate of 1 per cent would be levied for every 0.01 fall below 0.8 power factor. This notice was followed by warning in the Electricity Board's monthly energy charge bill for March 1977 (issued in April 1977) stating "Power factor 0.68 shunt by 0.12".

The Railway Administration did not take any cognisance of these tariff conditions, or the notices served by the BSEB for over 3 years. In May 1980 the Electricity Board sent a supplementary bill for penalty charges of Rs. 3.62 lakhs for the period from March 1977 to March 1980 for low power factor. The Railway Administration requested the BSEB for waiver of the penalty charges as there appeared to be some mechanical defects in the recording instruments of BSEB and the clause for power factor in the tariff was based on average valuation of the same. The Railway Administration also informed the BSEB that due to power interruptions and load restrictions it was not possible for the Railway Administration to operate such loads.

The amount of Rs. 3.62 lakhs was paid in December 1980. Further penalty of Rs. 0.86 lakh was also paid during March/ April 1982.

The Railway Administration stated (September 1981) that the payment for low power factor was made under protest to avoid payment of surcharge and BSEB authorities were requested to check up their meters in September 1980 and that subsequently they had installed a trivector meter in Jamalpur power house which had revealed discrepancies in regard to maximum demand and other readings.

In April 1981 the Railway Administration had also installed 2 shunt capacitors of 50 KVA capacity costing Rs. 11,200. Subsequently one capacitor of 100 KVA capacity costing Rs. 13,600 and 2 capacitors of 200 KVA capacity each costing Rs. 34,000 were also installed. In addition one capacitor of 100 KVA capacity had been ordered, and 6 more provided for in Machinery and Plant programme of 1982-83 at a total cost of Rs. 1.80 lakhs.

The extra expenditure of Rs. 4.48 lakhs could have been avoided had the Administration taken prompt action on receipt of BSEB's notice in March 1977 or even earlier to rectify the power factor. It may also be mentioned that, since the maximum demand charges levied by the Board under the two part tariff is based on the KVA reading, low power factor raises the KVA reading and this increases regular monthly bills also in addition to the penalty.

The Railway Administration stated (March 1982) further that power restrictions imposed for prolonged periods had an impact on Railway's system average power factor.

Besides the case of Jamalpur workshop, the Railway Administration had been paying the penal charges *viz.* surcharge for poor power factor at other substations also. In the case of one grid at Chandauli/Gaya and the other at Sonenagar the Railway Administration had paid Rs. 39.13 lakhs and Rs. 47.78 lakhs respectively towards penalty due to fall in power factor during the years 1977-78 to 1981-82. A proposal for installation of 25 KV shunt capacitors at Chanduali at a cost of Rs. 17.72 lakhs was prepared in February 1982 only. A proposal for installation of 25 KV shunt capacitor at Sonenagar at a cost of Rs. 8.5 lakhs was made in 1976, but is yet to be finalised.

Meanwhile the Railway Administration continue to incur liability for penal charges besides having to pay increased demand charges which according to Railway's estimation works out to

Rs. 10.18 lakhs per annum in respect of Chandauli and Sonenagar substations.

27. **Eastern Railway—Power supply at Mughalsarai**

The Eastern Railway has been purchasing electricity at 11 KV at Vyasanagar (Mughalsarai) from Banaras Electric Light & Power Company Limited (BELP)—now Varanasi Electric Supply Undertaking, with a contract demand of 1500 KVA.

In 1971 it was decided by the Railway Administration to switch over to 33 KV supply from Uttar Pradesh State Electricity Board (UPSEB) as the load at the point of supply was expected to increase upto 2250 KVA, the rates would be cheaper and there would be less interruptions, voltage fluctuations and transmission losses. The change over was expected to result in much lower rates, mainly because it was proposed to segregate the industrial load from the bulk of the domestic loads. The savings in energy charges expected to accrue as a result of change over of supply and segregation of industrial load (for which a lower tariff applied) was assessed later at Rs. 7.43 lakhs per annum on the basis of consumption during 1977-78.

The work of construction of 33 KV substation including service connection from Sahupuri grid substation to Mughalsarai Power House substation, installation of two transformers (3 MVA) and provision of a trivector meter to record the consumption of industrial loads, was entrusted to UPSEB as a deposit work and the Railway Administration paid Rs. 12.62 lakhs as agreed to in a meeting held between the Railway Administration and the UPSEB in March/April 1973.

The 33/11 KV substation at Mughalsarai, commissioned in June 1977 by UPSEB with one transformer and connection from Chandauli feeder, was taken over by the Railway nine months later in March 1978.

Even after March 1978, the Railway has not switched over completely to 33 KV supply but decided to continue to receive 11 KV supply at Vyasanagar (Mughalsarai) in addition. Both the supplies are paid for by the Railway at higher tariff applicable to mixed loads, though the work was undertaken to meet the increased load and to segregate the industrial loads to enable the Railway to avail of the lower tariff applicable to industrial loads. The Railway Administration has also not entered into an agreement with UPSEB in respect of maximum demand and energy charges to be paid at the rates applicable to industrial loads. The draft agreement initiated in 1973 still remains to be finalised. The anticipated saving of Rs. 7.43 lakhs per annum has not materialised so far (November 1982).

The Railway Administration had stated in August 1980 that switching over to 33 KV supply and transferring the industrial load to 33 KV line was not possible because the UPSEB had not completed the work as envisaged in the original scheme which contemplated service connection from Sahupuri grid and not Chandauli feeder (which catered to other consumers also). A second transformer at Sahupuri substation and the submeter (trivector meter) for measuring industrial load had not been installed by UPSEB. The arrangement on 33 KV point of supply at Chandauli was very unreliable and it was not advisable to connect all industrial load to 33 KV supply unless UPSEB completed the work. The question of availing of power supply from UPSEB was not linked with the finalisation of agreement.

It was, however, observed that the supply from 33 KV point was catering to the needs of yard, loco shed and sick lines etc. A maximum demand indicator installed on 33 KV supply point was removed as UPSEB was charging the Railways at flat rates applicable to mixed loads. According to UPSEB the monthly maximum demand reading would be taken from the day the agreement for supply at 33 KV was executed and billing would be started separately for industrial and non-industrial loads. It was also observed that the work by UPSEB was not completed as the Railways had not approved the power line crossing.

It will be observed from the above that though the work in connection with 33 KV supply from Sahupuri substation was started in 1974 for which the Railways had deposited Rs. 12.62 lakhs with UPSEB, it has not been completed so far (November 1982) and the Railway Administration had not pursued the matter with UPSEB. Though supply from 33 KV is obtained by the Railways from March 1978 from Chandauli feeder, matters relating to agreement with UPSEB for maximum demand and tariffs to be charged have not been resolved. In the meantime, the Railway continues to incur extra expenditure to the extent of Rs. 7.43 lakhs per annum.

28. **Delay in finalisation of tenders and consequent extra expenditure in purchase of stores**

A few cases of failure in finalisation of tenders within the period of their validity and a case of failure to take risk purchase action, noticed in audit, are mentioned below :

I. *Central Railway—Purchase of Ferrosilicon*

The Central Railway Administration placed an indent on 8th March 1979 for supply of 156 tonnes of ferrosilicon on the Director General, Supplies and Disposals (DGS&D). The DGS&D having returned the indent, the Railway Administration decided (July 1979) to purchase the material locally in view of the critical stock position. Tenders were, however, invited for supply of 81.403 tonnes of ferrosilicon on 26th November 1979, after a delay of 4 months. Firm 'A' offered to supply 20 tonnes at the rate of Rs. 10,500 per tonne and Firm 'B' whose tender was late by a day, offered to supply ex-stock the entire quantity at the rate of Rs. 11,200 per tonne. The Administration failed to finalise the tenders within the validity periods of the offers which had been extended once by Firm 'A' upto 15th February, 1980 and twice by Firm 'B' upto 4th March 1980. The tender committee met on 4th March 1980 and as the material was urgently required, it recommended acceptance of the offer of Firm 'B' for a quantity of 26 tonnes only, being 2 months' requirements. The firm expressed its inability to accept the

advance order placed on it telegraphically on 4th March, 1980 and stated that the offer had already expired and the price of raw material had increased.

Subsequently, during April 1980—June 1980, the Administration purchased 68.403 tonnes of ferrosilicon, by placing orders piece-meal on Firm 'A'—5 tonnes at the rate of Rs. 10,500 per tonne, on firm 'C'—13 tonnes at the rate of Rs. 13,000 per tonne and on firm 'D'—50.403 tonnes at the rate of Rs. 14,600 per tonne.

The failure in finalising the tenders within the validity period had resuted in additional expenditure of Rs. 1.98 lakhs.

II. *Central Railway—Purchase of oil linseed-boiled*

The Railway Administration invited limited tenders due for opening on 3rd April, 1980 for supply of 40,000 kgs. of linseed oil to meet pending emergent demands. Out of four quotations received, the lowest rate was that of firm 'E'—Rs. 12.10 per kg the offer being valid for 30 days *i.e.* upto 2nd May 1980. A meeting of tender committee consisting of senior scale officers fixed to be held on 28th April, 1980 did not take place as one of the members did not attend the meeting. In a meeting stated to have been held on 3rd May 1980 (after expiry of the offer) for which no minutes were drawn, the tender committee recommended acceptance of the offer of firm 'E' at the rate of 12.10 per kg. However, as the value of the purchase exceeded the powers of the tender committee of the level of Senior Scale Officers, the competent authority could not accept its recommendations. A fresh tender committee consisting of Junior Administrative Grade Officers was formed on 12th May 1980. Meanwhile firm 'E' declined to extend the validity of its offer which expired on 2nd May 1980. As there was no response from the second lowest tenderer and the rates of others were considered high, fresh tenders due on 16th June 1980 were invited. A negotiated offer of firm 'E' at the rate of Rs. 17.16 per kg was finally accepted by the Administration in

August 1980 and a purchase order placed in September 1980. The oil was supplied by the firm between September 1980 and January 1981.

Non-observance of the prescribed procedures for constituting tender committees resulting in delay in finalisation of tenders has cost the Administration extra expenditure of Rs. 2.02 lakhs.

III. *Northern Railway—Purchase of signals colour light multiunit*

Against the Railway Administration's tender for purchase of 50 signals colour light multiunit, due for opening on 19th December 1978, firm 'F' quoted a rate of Rs. 1,950 each valid upto 16th February 1979. This offer was found acceptable by the tender committee on 31st January 1979. The validity of its offer was also extended by the firm upto 12th April 1979. The competent authority (Controller of Stores) approved the purchase on 26th March 1979. Acceptance of tender was not, however, communicated to the firm before 12th April 1979. Instead, the firm was approached on 7th May 1979 to keep its quotation open upto further 15 days from the date of receipt of its reply in the office of Controller of Stores. The firm replied (17th May 1979) that it was agreeable to supply the materials at the ordered rates if the Railway Administration could supply lenses at the price prevailing at the time of submission of its offer.

The item was retendered in January 1980 against which two offers were received. As the rate of Rs. 4,775 in acceptable tender was considered high it was decided to retender the item. In the third invitation of tenders in August 1980 only one offer of firm 'G' was received in time (and one late offer). This offer at Rs. 5,632 each was accepted by the Administration in October 1980.

The failure to place the order or issue advance acceptance of tender in time in April 1979 has resulted in excess expenditure of Rs. 1.84 lakhs.

This case was referred to the Railway Administration in August 1982; its reply is still awaited (November 1982).

IV. *Southern Railway—Purchase of Aluminium sheets*

In April 1979, the Southern Railway Administration placed an order on a firm 'H' for supply of 254 aluminium sheets valued Rs. 1.52 lakhs. The firm did not supply the material within the stipulated date of delivery *viz.*, 22nd June 1979. On 29th November 1979 the Administration cancelled the order and also advised the firm that fresh purchase would be arranged at the risk and expense of the firm. After completing the formalities of inviting and considering fresh tenders the Administration placed a purchase order on a firm 'J' on 16th May 1980.

The amount recoverable from the defaulting firm was assessed as Rs. 1.38 lakhs. While considering the action for recovery from the defaulting firm the Administration found that recovery was not tenable as the second order had been placed 10 months and 24 days after expiry of delivery date (22nd June 1979) of the defaulted order against the prescribed limit of 6 months and, therefore, decided not to recover the amount of Rs. 1.38 lakhs from the defaulting firm.

The reasons why the risk purchase action could not have been finalised within six months of breach of contract are not clear.

V. *Chittaranjan Locomotive Works—Purchase of tinned steel wire*

1. Tenders invited in 1978

The Chittaranjan Locomotive Works (CLW) has been purchasing tinned steel wire from a foreign firm 'K' since 1972.

In July 1978, the CLW Administration invited a global tender for 7,900 kgs. of tinned steel wire to meet the requirements for the year 1979-80. Out of three quotations received, the tender committee recommended (21st August 1978) acceptance of the offer of firm 'K' at the rate of French Francs 24.30 per kg f.o.b. which was the lowest and technically acceptable. The price quoted was firm for last delivery upto April 1979 if the order was placed by November 1978. Though the offer was valid for more than three months, the CLW Administration did not place an order upto 3rd February 1979 on which date, it (CLW) intimated the acceptance of offer by cable. In August 1978, the CLW Administration initiated action for obtaining sanction of the Railway Board for release of foreign exchange. Foreign exchange amounting to Rs. 3.27 lakhs was released by the Railway Board in January 1979 from French credit. A formal purchase order for 6,160 kgs f.o.b., value— Rs. 2.97 lakhs, was placed on 19th April 1979.

Subsequently it transpired that French credit had been fully exhausted. Therefore, a fresh application for release of foreign exchange was made by CLW Administration on 21st May 1979 and was sanctioned by Railway Board on 28th May 1979 from free resources. A fresh order was placed on the firm on 20th July 1979 cancelling the order placed on 19th April 1979. However, the Indian Agent of the firm advised the Administration in August 1979 that the firm was not agreeable to accept the rate of FF 24.50 per kg and that it had increased the rate to FF 34.60 per kg. The revised rate was accepted by the Administration on the ground that the material was required urgently and also that firm 'K' was the only established source of supply. In the meantime, the Indian Agent of the firm was also asked to persuade the firm to accept the old rate of French Francs 24.50 per kg. Finally in November 1979 the firm accepted the contract in two parts *i.e.* 3,000 kgs at French Francs 24.50 per kg and 3160 kgs at French Francs 34.60 per kg.

The additional expenditure to the CLW Administration on account of delay in placement of order amounted to Rs. 0.97 lakh.

By the time additional foreign exchange to meet the revised value of the order was released and other formalities relating to extension/amendment of letter of credit could be completed on 18th April 1980, another 4 months had elapsed. The CLW Administration requested the firm to air-lift 2,500 kgs of tinned steel wire. The air freight charges incurred by the Administration on two consignments was Rs. 1.16 lakhs.

Thus, the delay in finalisation of tenders and placement of purchase order for 1979-80 resulted in avoidable expenditure of Rs. 2.13 lakhs. The Administration stated (November 1982) that due to change in the source of financing and the related procedural time involved in changing the contract, letter of credit, etc. it became necessary and unavoidable to air-lift the quantity to safeguard production.

However, it was observed that major part of the airlifted material received in May 1980 was not issued till September 1980. Besides, in order to meet the requirements for 1979-80, the CLW Administration had also purchased an alternative material *viz.* Polyglass tape at a cost of Rs. 1.14 lakhs (including air lifting charges Rs. 20,000) by import in June 1979 and again by local purchase at a cost of Rs. 0.77 lakh in March 1980. Further, a purchase order for the requirements for 1980-81 had been placed on firm 'K' on 27th November 1979 for 12,700 kgs of tinned steel wire at the rate of French Francs 34.60 per kg—delivery to commence as early as possible after receipt of order and to be completed by June 1980. Letter of credit against this order had been opened on 8th January 1980. In the circumstances, incurrence of expenditure (Rs. 1.16 lakhs) on air-lifting was not warranted.

2. Tender invited in 1979

As mentioned above, purchase order to meet the requirements for the years 1979-80 and 1980-81 were finalised in November 1979 only. Simultaneously, in November 1979, the CLW Administration initiated action for procurement of the material for meeting the requirements for 1981-82. Global tender was invited against which only one telex offer of firm 'K' was received on 27th November 1979. The rate quoted was French Francs 34.60 per kg. (same as that accepted by the CLW Administration in the orders placed in July 1979 and November 1979) and was valid upto 21st December 1979. The CLW Administration entered into correspondence with the firm asking for detailed quotation, confirming the specification and extending the validity period of its offer upto 20th March 1980. The firm extended the validity initially upto 21st January 1980 but revised the rate to French Francs 40.80 per kg. and subsequently upto 4th April 1980 revising the rate to French Francs 42 per kg. The tender committee which met on 10th March 1980 (more than 2 months after receipt of confirmation of specification etc., from the firm) recommended acceptance of the firm's offer. An order was placed on the firm on 30th April 1980 for a quantity of 10,043 kgs at the rate of French Francs 42 per kg.

The additional expenditure to the CLW Administration on account of non-finalisation of the tender within its validity resulted in extra expenditure of Rs. 2.33 lakhs.

The Administration stated (November 1982) that finalisation of an import contract as against indigenous contract involved certain special features such as obtaining foreign exchange release, opening of letter of credit, etc., and that no contract of such a magnitude involving import could be placed within such a short period completing all the formalities.

It is, however, relevant to mention that in this case the CLW Administration had finalised two orders on the same firm on 20th July 1979 and 27th November 1979 against the

requirements for 1979-80 and 1980-81. The rate quoted by the firm on 27th November 1979 against 1981-82 tender was the same as in these orders. Yet, CLW Administration did not consider increasing the quantity on order with the firm. Further, as the Administration has been purchasing the material from this firm since 1972, the need for obtaining confirmation about specifications etc. was not clear.

VI. *Integral Coach Factory—Purchase of electrodes*

In May 1979 the Planning Branch of Integral Coach Factory (ICF) sent a stock requisition to the Stores department for procurement of 55.58 lakh pieces of electrodes (2.5 mm × 350 mm) for the production programme of the year 1980-81. After four months, in September 1979, an open tender was issued due for opening on 26th October 1979, for 38.43 lakh pieces assessed as the net requirements. The lowest technically acceptable quotations (out of 9 quotations received) were from firm 'X' (Rs. 380 per 1000 pieces) and firm 'Y' (Rs. 465 per 1000 pieces) valid upto 24th December 1979 and 25th January 1980 respectively. The tender committee which met on 20th December 1979 recommended negotiations with the two firms as the rates quoted were higher than the last purchase rate. The date of negotiation was fixed as 8th January 1980 and the firms advised. Both the firms advised on 2nd January 1980 that the prices quoted by them were no longer valid and revised their rates to Rs. 535 (firm 'X'—18th January 1980) and Rs. 582 (firm 'Y') per 1000 pieces. The Administration decided (29th January 1980) that in view of favourable stock position and the rigid attitude of the firms the tender may be filed. The quantity of 41 lakh pieces in stock then, was expected to cater to the production needs of 9½ months (*i.e.* upto October 1980) at the rate of 4½ lakh prieces per month. Nevertheless the Administration ordered 10 lakh pieces on firm 'Z' who was the lowest tenderer, with a view to develop one more source. Firm 'Z' was not called for negotiations earlier as its samples were tested and found not satisfactory by Production Engineer.

In May 1980, within four months of filing the tenders, the Administration decided to make emergency purchase of 6.69 lakh pieces to build up sufficient stocks upto 31st March 1981. Special limited tenders were invited in June 1980 and an order was placed on firm 'X' in November 1980 at the rate of Rs. 592 per 1000 pieces.

Meanwhile, the stock position had again fallen to 19.71 lakh pieces on 1st August 1980 resulting in shortfall of 22.38 lakh pieces in the requirements upto 31st March 1981. The net shortfall was purchased along with the requirements for 1981-82 at a rate of Rs. 606 per 1000 pieces through an order placed on firm 'X' in March 1981.

Thus, on account of delay in successive stages *viz.* delay of 4 months in inviting tenders, and delay in finalisation of tenders invited in September 1979 within their validity periods (upto December 1979/January 1980), and incorrect assessment of stock position, the Administration had to purchase the material at a higher rate. The extra expenditure to the Administration reckoned with reference to the rates obtained in October 1979 works out to Rs. 9.76 lakhs and Rs. 3.63 lakhs if reckoned with reference to the revised rate of Rs. 535 per 1000 pieces.

The ICF Administration stated (July 1982) that the comparison of the rate obtained in the tender in October 1979 with the rate obtained for 1981-82 was not appropriate as even the rate of Rs. 380 was considered high in the circumstances then prevailing. It further stated that putting off the purchase and not placing an order (in December 1979) on one of the existing suppliers who had suddenly increased the price was in the best interest of the Administration.

It is, however, to be stated that in January 1980, the ICF Administration had accepted increase in rates ranging between 30 and 32 per cent in the tender finalised for other dimensions (3.15/4 mm × 450 mm) of electrodes

CHAPTER IV

EARNINGS

29. Short realisation of passenger fares

A review in audit of the system of charging passenger fares *vis-a-vis* the distance travelled followed on different Railways disclosed that a uniform policy is not being followed in computing passenger fares which results in substantial loss of earnings as detailed below:

On Western and Central Railways, fares in respect of the following destinations reached by two alternative routes, are being charged as per distance actually travelled by the passengers :

Western Railway—Ahmedabad-Delhi

(a) *via* Rewari, Bandikui, Jaipur, Phulera (distance 834 km)

(b) *via* Rewari-Reengus—Phulera (distance 869 km)

Central Railway—Pune-New Delhi

(a) *via* Bombay V.T. (distance 1734 km)

(b) *via* Dhond-Manmad (distance 1594 km)

However, in respect of 23 routes on the Northern Railway, 8 routes on North Eastern Railway and 27 routes on Eastern Railway, fares in respect of destinations reached by alternative routes, are being charged by the shortest route.

On the basis of a test review by Audit of tickets sold in two routes between Delhi-Ambala and Delhi-Lucknow to the passengers travelling in 4 trains* during the month of April 1982, it is estimated that the loss of revenue would be of the order of Rs. 1.84 lakhs per month or Rs. 22.08 lakhs per year on the Northern Railway alone. Similarly on Eastern Railway, the loss during the month April 1982 in respect of one route Howrah/Sealdah to Mughalsarai for 4 trains** works out to Rs. 6.17 lakhs.

Southern and South Central Railways

On the introduction of Coromondal Express between Howrah and Madras, *via* Naraj, with effect from 6th March 1977 involving extra haulage of 23 kms over the normal route, the South Eastern Railway notified to all railways including Southern and South Central Railways (over which this train runs before terminating at Madras) that fares would be charged by this booked route for this train.

It was noticed by South Eastern Railway that while it had been charging passengers on this train between Howrah and Madras as per distance travelled (1685 km), the Southern Railway had been charging fares between Madras and Howrah for the normal route (1662 km). South Central Railway also did likewise for journey between Secunderabad-Vijayawada to Howrah. On the irregularity being pointed out by South Eastern Railway (September 1981) the practice was rectified by Southern Railway from 1st October, 1981 and South Central Railway from 15th December, 1981. The failure on the part of Southern and South Central Railways to charge the correct fare has resulted in loss of revenue to the extent of Rs. 2 lakhs per annum

*Train No. 45/46 Janta, 53/54 Himachal Express, No. 83/84 Ganga-Jamuna, 119/120 Gomti Express.

**5 Up Howrah-Amritsar Mail
13 Up Upper India Express
3 Up Howrah-Bombay Mail *via* Allahabad
103 Up AC Express

approximately during the period *ibid*. The Southern* Railway pleaded non-receipt of the notifications of 1977 from South Eastern Railway, and non-indication of the enhanced distance to be charged suitably for this particular train by the latter in its time table from October 1977.

The above practice of charging fares by shorter routes to stations reached by alternative routes not only involves loss of revenue to the Railways but also results in certain anomalies in that, the fares charged for certain stations on the longer routes, short of common destination, is more than the fare to the common destination.

The anomaly *ibid* and the recurring loss of earnings due to non-charging of passenger fares by the booked route were brought to the notice of Railway Board by Audit in August 1980. In July 1981, instructions were issued by the Railway Board to the General Managers to charge passengers by the route actually travelled from October 1981. However, the Ministry of Railways (Railway Board) postponed in December 1981, the implementation of the above instructions until further orders which are still awaited (September 1982).

The Ministry of Railways (Railway Board) stated (October 1982) that the implementation of their instructions are still under examination by them.

The following points arise in this connection :

(i) The policy followed in regard to charging of passenger fares between destinations reached by the alternative routes on the Zonal Railways has not been consistent and uniform.

(ii) This has resulted, on the one hand, in substantial loss of earnings and on the other, certain anomalies *viz.*

*Southern and South Central Railways are charging fares as per distance actually travelled in respect of two alternative routes from Bangalore to New Delhi *via* (a) Gudur, Renigunta and (b) Gudur, Madras.

(a) the fares charged for certain stations on the longer routes, short of common destinations is more than the fare for the common destination (b) some passengers are charged fares for actual distance travelled while others are charged as per shorter routes for stations reached by longer routes.

(iii) Despite this anomaly being brought to notice of Ministry of Railways (Railway Board) in August 1980, remedial action by way of revision of distance tables, etc. has not been taken yet (September 1982). The Railway Board's instructions of July 1981 to charge fare by the route actually travelled was cancelled in December 1981 and further instructions are yet to issue.

(iv) Despite issue of notification to charge fares by the route actually travelled by Coromondal Express in March 1977, South Eastern Railway failed to follow it up with suitable instructions in its time table. As a result, fares charged for travel in one direction were more than that for travel in the reverse direction by the same train. Even the Traffic Accounts Offices of these Railways failed in their internal check to point out this omission.

30. **South Central Railway—Payment of compensation on account of fraudulent booking of a tank wagon without loading the contents**

Against a registered requisition for one tank wagon placed by Firm 'A' for despatch of vegetable oil from Secunderabad to Saheb Bazar—a station on Eastern Railway on 31st January 1974, one tank wagon was allotted to Firm 'B' of Hyderabad by the Chief Goods Clerk, Secunderabad on 24th March 1974. The oil tank was placed in position at 11.00 hours (24th March 1974) for loading. A Railway Receipt was issued in favour of 'A' account 'B' indicating 199 quintals of castor oil having been

booked Ex. Secunderabad to Saheb Bazar. The said tank wagon was despatched on 25th March 1974 from Secunderabad without dip measurements being taken nor was it marked for weighment enroute. It reached Chitpur Yard on 8th April 1974 enroute to destination *viz.* Saheb Bazar with the top man-hole seal in tact, but the lower discharge valve seal missing and the wagon was found empty. The Eastern Railway Administration, on receipt of a claim notice for compensation from the consignee, Firm 'B' for Rs. 1,19,970 for non-delivery of the contents of tank wagon, suspecting a foul play at the booking end, requested South Central Railway Administration to substantiate the facts leading to the correct delivery of the consignment at destination. Consequent on this, an investigation was carried out by Railway Administration which revealed that a fraud had been committed by the booking staff of the goods shed at Secunderabad who were allegedly responsible for the issue of railway receipt, falsification of railway loading records etc. While the loading of the wagon had been shown as completed at 15.30 hours as per railways' records, 57 barrels of oil out of 101 to be loaded were moved from Firm B's godown only after 15.00 hours of the same day as per records maintained for the purpose of Excise payments. The two clerks who were found guilty were placed under suspension and disciplinary proceedings under Discipline and Appeal Rules were initiated but subsequently they were exonerated as the charges against them could not be proved.

As the claim was not settled, Firm 'B' (the plaintiffs) filed a suit in the Hyderabad City Civil Court against Union of India for recovery of a sum of Rs. 1,39,298.75 and the suit was contested by the South Central Railway.

The main defence of the Railways was that no consignment was entrusted by the plaintiffs and that they had fraudulently obtained the railway receipt without tendering any castor oil at booking station, Secunderabad and as such, Railway Administration was not liable to pay any compensation for the alleged

non-delivery of goods. The suit was contested by the Railways, but it was lost on account of the evidence tendered by the same booking clerks as defence witnesses, stating that the plaintiffs brought the consignment to station premises and had loaded the tank wagon. But this was contrary to the recorded statements made by the above clerks in the presence of Chief Claims Officer earlier. Thus, the Railway Administration was let down by its own clerks and the Court ordered and decreed that Railway Administration should pay to the plaintiffs compensation for non-delivery with costs. The Railway Administration paid an amount of Rs. 1,75,834 to satisfy the Court decree.

The Administration stated (August 1982) that the allotment of wagon/issue of Railway Receipt on 'On Account' basis was done as per the practice in vogue and the same has been stopped. Further action against staff for having given contradictory evidence is under consideration.

The following points, however, deserve mention in this context :

(i) A tank wagon was allotted to a party who had not registered his demand by paying the requisite deposit, contrary to rules.

(ii) Falsification of the railway records showing that the wagon was loaded and sealed at 15.30 hours *vis-a-vis* party's records which showed that the contents were removed from the factory premises later.

(iii) Disciplinary action on staff who deposed initially before the departmental officers and later contradicted the same in their self interest as defence witnesses in the Court is yet to be taken (November 1982).

(iv) Rules and Regulations in booking consignments have not been followed in that there was failure to take dip measurements after the wagon was loaded.

(v) Failure to weigh the wagons at the station before despatch or mark the same for weighment enroute.

31. **South Central Railway—Loss due to payment of compensation arising out of wrong delivery effected by Calcutta Port Commissioner Railway**

Commercial transactions on the Indian Railways—Government and Non-Government are governed by the rules made by the Indian Railway Conference Association (IRCA) under the Indian Railways Act, 1890. In accordance with these rules, goods consigned to SELF may be delivered without production of Railway receipt only after production of two stamped Indemnity Notes, one executed by the person claiming the consignment and the other signed by the sender and countersigned by the Station Master of the forwarding station. Delivery of goods consigned to SELF against general indemnity bond is prohibited.

Two sugar companies 'X' and 'Y' had consigned to 'SELF' two wagon loads of sugar each consisting of 230 bags Ex. Tanuku and Vijayawada to Kantapukur* in August and September 1968 respectively. Both the consignments were handed over by the South Central Railway to the South Eastern Railway and by the latter to the Calcutta Port Commissioner (CPC) Railway in the same months. These consignments were delivered by the CPC Railway to firm 'A' without collection of freight and railway receipt against a general indemnity bond in August and September 1968. As the firm 'A' failed to retire the documents by payment, the banks with whom the consignors had negotiated the Railway Receipts for realisation of payment towards cost and freight, returned the documents to the consignors 'X' and 'Y' who thereupon preferred claims in November 1968 against South Central and South Eastern Railways. No action was taken immediately by the South Central Railway to refer the matter to other concerned Railways, South Eastern and CPC Railways, for investigation of the claim and recovery of the value of goods claimed.

*A goods booking station on the CPC Railway.

Due to non-settlement of the claims, the consignors instituted law suits in February and April 1971. The South Central Railway referred the matter thereafter (December 1971) to South Eastern and CPC Railways and contested the cases on the advice of the South Eastern Railway and in its petition, impleaded both firm 'A' and CPC Railway as respondents, even though its primary objective was to have a decree passed against firm 'A' who had taken wrong delivery of the consignments.

The CPC Railway in the first case, filed a counter contending that, under the Major Port Trust Act (Calcutta Port Trust Act) any action against it was time barred after a period of 3 months from the date of cause of action. It did not arrange attendance of witness to give evidence in spite of request from the South Central Railway defending the case in the court.

Separately, the CPC Railway filed suits, (numbers 42 and 46 of 1971) in the Court of Sub Judge Alipore, Calcutta against firm 'A' for recovery of the value of the consignment delivered to them; but it did not make payment of full court fee.

In the meantime, in the original suit filed by firm 'Y' in the Court of first additional sub Court Vijayawada, (April 1971) against South Central and South Eastern Railways and also firm 'A' for the recovery of Rs. 85,794.54, the Director of Firm 'A' admitted the receipt of goods but pleaded that his accounts with firm 'Y' are yet to be settled.

Both the court cases were decided against the Railways (1974 and 1978) and the South Central Railway Administration had to satisfy the decree involving an expenditure of Rs. 2.06 lakhs including legal expenses.

Even though the claims arose as a result of the CPC Railway effecting delivery without obtaining railway receipts or the prescribed indemnity bonds, it disclaimed any liability. The South Central Railway Administration referred the cases in Decembe

1975/September 1978 to the Arbitration Committee of IRCA and the Committee held (November 1976/September 1979) the CPC Railway responsible for both the claims. However, the CPC Railway had not accepted its liability for Rs. 2.06 lakhs (June 1982).

The Ministry of Railways (Railway Board) explained (November 1982) that the main fault lay with the Calcutta Port Trust Authorities. The arbitration award was in favour of Railways and the Ministry of Law had also held that the Calcutta Port Trust must own the liability for the loss and the possibility of recovering the amount from the amounts payable to the Calcutta Port Commissioner Railway by Eastern/South Eastern Railway was being explored.

The following comments arise in this case :

(i) The CPC Railway failed to observe the Tariff Rules in regard to granting delivery of consignments. The consignments booked to 'SELF' were irregularly delivered on General Indemnity Bonds instead of specific Indemnity Bonds subject to completion of all formalities as prescribed in the rules. No action has been taken against defaulting staff.

(ii) The South Central Railway failed to initiate action immediately on receipt of the claims in November 1968 to refer the case to other concerned Railways for investigation and started pursuing the matter only after the suit was filed by the consignee in December 1971. Due to this delay, the CPC Railway Administration became aware of the wrong delivery effected by its staff only in 1972 and initiated proceedings for recovery from the consignee.

(iii) Though the CPC, South Central and South Eastern Railways were members of the IRCA and bound by

the provisions of Indian Railways Act 1890 in commercial matters, legal action against firm 'A' for recovery of the value of consignments wrongly delivered to them was not coordinated : (a) the South Central Railway filed petition impleading CPC Railway also as a respondent along with firm 'A' for recovery of the goods which led to the CPC Railway filing a counter contending the claim against it as time barred in the Court; (b) the CPC Railway failed to arrange attendance of witness to give evidence and in the suits filed by it, separately against firm 'A' failed to make payment of full court fee.

(iv) Despite the admission of the receipt of goods by firm 'A' through its Director, no action has been taken to recover the cost thereof from this party.

(v) Even when the Traffic Arbitration Committee (a central regulatory body for inter-railway transactions) of the IRCA gave awards (November 1976/September, 1979), the CPC Railway did not honour its award (June 1982) to accept the liability of Rs. 2.06 lakhs.

32. **Southern Railway—Loss of earnings due to non-rationalisation of traffic moved by a longer route**

The Indian Railways Act 1890, and the rules made thereunder, were amended in December 1974 to provide that the goods offered could be carried and freight charged by a longer route (irrespective of the existence of alternative cheaper route) provided a general order to that effect had been issued by the Ministry of Railways (Railway Board). Under these provisions of the rules *ibid*, the Ministry of Railways (Railway Board) had been issuing general orders bringing certain streams of traffic under the Rationalisation scheme of traffic. In February 1976

the Ministry of Railways (Railway Board) had further directed all the zonal Railways to advise it of the streams of traffic being routed by a longer route as a regular measure to enable all such routes to be specified in a general order to be issued by the Ministry, enabling levy of freight by the route by which the traffic is actually carried. A review by Audit has, however, revealed that on Southern Railway, full benefits of the above referred amendment of the Indian Railways Act 1890 have still not been realised and that still certain streams of traffic which could have been brought under the rationalisation scheme were either not covered at all or were brought belatedly resulting in substantial loss of earnings as detailed below :

1. *Routing of coal traffic to stations south of Tiruchchirappalli*

The Ministry of Railways (Railway Board) through a general order effective from 1st April 1975 notified that traffic in coal from Bengal/Bihar and Talcher coal fields to stations south of Tiruchchirappalli moved *via* Korukkupet should be routed *via* Tiruchchirappalli and that the freight be charged by the carried route. This route is longer than the route *via* Korukkupet by 135 km. During 1980-81 and 1981-82, over 2 lakh tonnes of coal were received by this route at certain stations south of Tiruchchirappalli from Singareni collieries. Similarly coal is being received from Western coal fields also. This coal was, however, charged at the cheaper freight rates (applicable *via* Korukkupet) on the plea that the notification mentioned above applied only to coal received from Bengal/Bihar and Talcher coal fields. Considering that all coal from Singareni fields to the south is received by the same route, namely Gudur-Madras of Southern Railway as coal from Bengal/Bihar/Talcher is received and that this is a regular stream of traffic constituting the overwhelming bulk of all coal received by rail, there was no justification for excluding coal received either from the Singareni collieries or from other collieries other than Bengal/Bihar/Talcher, from the purview of the notification. The loss to the

Administration by the exclusion of coal from Singareni and Western coal fields from the Notification works out to Rs. 18.08 lakhs for the period from 1st April 1980 to 31st March 1982.

2. *Routing of traffic to stations via Virudhunagar*

For Goods traffic booked to Virudhunagar and stations beyond, the shortest route south of Tiruchchirappalli is via Dindigul and Madurai. However, with the opening of the Virudhunagar-Manamadurai section (May 1964), bulk of the traffic had been moving along the Tiruchchirappalli-Karaikudi-Manamadurai section involving an additional haulage of 20 km on consideration of easier gradients enabling trains to be run with better through put and the shorter route *via* Dindigul being saturated. The Southern Railway Administration, therefore, proposed, in May 1976, to the Railway Board to notify the above route under the provisions *ibid* to enable it to recover freight for this extra distance. The Ministry of Railways (Railway Board) did not then include this section in their general order of rationalisation. In February 1981, however, on consideration of financial stringency and need to augment revenues, a notification (operative from 1st February 1981) was issued rationalising this stream of traffic enabling the charging of traffic by the longer route. It may be mentioned in this connection that in none of the years between 1976 to 1981, the financial position of Southern Railway was better with the operating ratio ranging between 109.7 to 123.2. The financial implication of this delayed decision (from June 1976 and January 1981) is of the order of Rs. 45.10 lakhs.

Further, even after the issue of instructions to rationalise the section effective from 1st February 1981, there was a delay in notifying it by some of the Divisions (Madurai, Mysore and Tiruchchirappalli notified it on 8th April 1981, 10th March 1981 and 17th March 1981 respectively). This delay has resulted in further loss of earnings of Rs. 2.51 lakhs.

The following comments arise in this case :

(i) The coal traffic to Southern Railway destinations beyond Tiruchchirappalli were rationalised from 1975 to be moved through the longer route-Madras-Erode-Tiruchchirappalli instead of by the shorter route Madras (Korukkupet)—Tiruchchirappalli; yet regular stream of coal traffic moving from Singareni and Western coal fields to Southern Railway destinations through the same longer route are still not being charged by the carried route resulting in loss of earnings of Rs. 18.08 lakhs for two years 1980-81 and 1981-82.

(ii) Despite the enabling provision following the amendment in December 1974 to the Indian Railways Act, 1890 and Southern Railway Administration having brought to notice of the Ministry of Railways (Railway Board) in May 1976 that regular streams of traffic were being carried by the longer Tiruchchirappalli-Manamadurai-Virudhunagar route, the Ministry of Railways (Railway Board) delayed rationalisation of this longer route for over 4 years resulting in loss of earnings of Rs. 45.10 lakhs.

(iii) Even after rationalisation of the above longer route from February 1981, there was further delay in its implementation by Southern Railway Administration by issue of requisite instructions to the stations.

33. **Southern Railway—Undercharges due to non-observance of prescribed weight condition**

Goods Tariff Rules provide that liquids carried in a tank wagon should be charged on the carrying capacity (CC) (in weight) marked on the wagon.

In November 1976 and September 1977 during the inspection of Ernakulam Goods and Kalamasseri stations, it was pointed out by Audit that the above rule was not observed in respect of inward consignments of 'Rice bran oil' (vegetable oil) and 'Benzene' with the result that these commodities were being charged for less than the notified CC of the tank wagons used resulting in undercharges of Rs. 1,488 in respect of Rice bran oil and Rs. 1,033 in respect of Benzene.

The Railway Administration thereupon arranged for a review of all booking of Rice bran oil received at Ernakulam Goods from 1st April 1971 and assessed (August 1979) total undercharges of Rs. 97,937 and raised a debit for them in August 1979 against the station. Despite this, further undercharges amounting to Rs. 13,467 were noticed at this station, increasing the total amount due to be realised to Rs. 1,11,404. Similar review was also conducted by the Administration (December 1978) in respect of 'Benzene oil' received at Kalamasseri and the Railway Administration assessed the total undercharges of Rs. 1.17 lakhs for the period from 1975 to 1978 [this included undercharges in respect of tank wagons consigned to another station (Mettur dam) also]. In case of Benzene, prepayment of freight is compulsory and where undercharges were noticed at the destination station, rules prescribe that forwarding station should be held responsible for its collection. The Railway Administration (December 1978), therefore, raised debits of Rs. 1.17 lakhs against the South Eastern Railway (booking Railway) for raising debits against forwarding stations (Bhilai, Rourkela and Tatanagar) in this case.

The above undercharges (Rs. 2.28 lakhs) have not been realised so far (June 1982).

The following points need consideration in this case :

(i) Although the irregularity (about Rice bran oil) was pointed out by Audit as early as in November 1976

and the Administration was requested to conduct the review of past cases from 1st April 1971, the Administration took a period of 2-3 years to finalise the same. Even after review was completed and undercharges of Rs. 97,937 assessed by Administration (August 1979), the irregularity persisted and the amount of undercharges increased to Rs. 1.11 lakhs.

(ii) Although the Administration raised debits amounting to Rs. 97,937 in August 1979, against the station, these are yet (June 1982) to be realised.

(iii) South Eastern Railway failed to realise undercharges amounting to Rs. 1.17 lakhs pointed out by Southern Railway.

(iv) The Commercial and the Accounts Inspectors and the Accounts Office Staff of the South Eastern Railway could not detect the irregularities in booking committed by the station staff.

(v) Staff responsibility for the failures *ibid.* are yet to be fixed.

CHAPTER V

OTHER TOPICS OF INTEREST

34. Southern Railway—Manufacture of clevis to obsolete design

The original design of clevis, a component of transition centre buffer coupler for wagons, was superseded (1967) by that of a firm 'A' to overcome compatibility and maintenance problems. Reiterating their earlier instructions that only clevis of modified design should be procured from the three firms (including firm 'A') licensed to manufacture this patented item, the Ministry of Railways (Railway Board) directed (March 1972) the Railways to discontinue manufacture of clevis of obsolete design in their workshops and also to ensure that with effect from June/August 1972 no wagon was turned out of workshops/sheds/sick lines after periodical overhaul/running repairs without the new transition gear components being properly fitted.

However, disregarding the above directives the Southern Railway Administration placed (November 1974—November 1975) repeated orders for manufacture of 3,300 clevises of the obsolete design on its Loco Works, Perambur. Out of 3,105 clevises turned out of the shop at a cost of Rs. 3.19 lakhs and received in the stores depot by April 1976, only 1,877 had been issued upto December 1978 and the balance (1,228) on a single day—20th February 1980 more than a year after the matter had been pointed out by Audit. This apart, 300 clevises reported to have been issued earlier were found (February 1980) lying unused outside the shop.

The Railway Administration stated (August 1982) that :

(a) Shop manufacture was undertaken as supplies due from licensed manufacturers were not forthcoming as

per delivery dates stipulated in the purchase orders, and

(b) the clevises manufactured to the old design were usable after minor modifications and had all been issued and mostly utilised.

The following points, however, deserve to be mentioned :

(i) In view of the Railway Board's specific directive (March 1972) for dis-continuance of the manufacture of clevises of old design and exclusive use of clevises of modified design, undertaking manufacture on repeated orders (November 1974—November 1975) of the item to obsolete design involving an expenditure of Rs. 3.19 lakhs was not warranted. The Railway Administration's contention that default in supply by the licensed firms against its orders of February 1973 for clevises of modified design necessitated shop manufacture would appear untenable as the shortfall was marginal and could not have warranted the large scale manufacture undertaken by Railway Administration. The Railway Administration had not also informed the Railway Board of the non-supply of clevis by the firms and the need to undertake shop manufacture. The workshops, though aware of the modifications to the design did not question the order placed on them by the Stores department but continued to accept and manufacture clevis to old design in a routine manner.

(ii) The fact that the Southern Railway had placed (March 1978—November 1979) indents on the Railway Board for procurement of 17,981 clevises to new design besides its direct orders (June 1978/ October 1979) for 3,200 numbers on the trade, when the shop manufactured clevises of obsolete design were lying in Stores would in itself suggest

that the later was considered unsuitable for use even after modification. In fact, the Railway Board, when apprised of the Administration's proposal to modify the shop manufactured clevises to suit the new design, advised (1974) that clevises as modified had not been recommended by Research, Designs and Standards Organisation (RDSO) for use on wagons.

(iii) The Railway Administration's claim that the shop manufactured clevises had been utilised is not susceptible of verification in audit in the absence of any details being made available to indicate their fitment on wagons, besides their likely mix-up with those received from the trade over the years. The use of the clevises of obsolete design, if at all made, is fraught with operational hazards arising from falling off of the component during the run, which were sought to be prevented through the use of clevises of modified design.

35. **Chittaranjan Locomotive Works—Sale of Galvanising Plant**

A Galvanising Plant with a capacity of 600 tonnes per month was set up at Chittaranjan Locomotive Works (CLW) in May 1959 at a cost of Rs. 14.58 lakhs for galvanisation of steel masts, structurals, etc. required for Railway Electrification Projects. It was closed down in June 1975 for lack of adequate work load. In January 1976 with the approval of Railway Board it was decided to sell the plant as a single unit by auction or through tender.

A Survey Committee constituted in terms of extant rules for recommending sale of the plant in its report dated 5th April 1976 mentioned 32 items of the plant to be disposed but did not indicate the rate and value at which the plant should be held in the books. The 32 items of the plant in working condition listed by the committee included fuel tanks, galvanising baths, flux tank, furnaces, acid tanks, EOT crane, hydraulic press (100 tonne), etc. and 106.1 tonnes of zinc.

A Supplementary Survey Committee was, therefore, constituted and this committee indicated (January 1977) the aggregate book value and approximate present value of the plant as Rs. 18.88 lakhs and Rs. 19.74 lakhs respectively. In arriving at the value the survey committee had reckoned the serviceable steel sections at Rs. 1,000 per tonne and scrap steel at Rs. 700 per tonne. The zinc (106.10 tonnes) in the galvanising plant was valued at Rs. 15.95 lakhs.

In an estimate prepared (not sanctioned) for scrapping and dismantlement or the plant the sale value of the plant was, however, worked out as Rs. 5.43 lakhs by the Finance department taking the value of zinc as Rs. 1.59 lakhs only. There was gross under-estimation of value (reserve price) as explained later.

Open tenders were invited for the sale and removal of the plant and the tenders were opened in September 1977. In all, five firms submitted quotations, which were invalid nevertheless.

The tender committee reassessed the sale value of the plant taking into account the prevailing market price of zinc dross at Rs. 10.85 per kg available at Calcutta market. The net effective sale value of zinc after deduction of charges for dismantling, transporting and loss in dismantling etc. at about Rs. 2 per k.g., was taken at Rs. 8.85 per k.g. Accordingly, it was assessed that 106.10 M.T. of zinc dross should normally fetch a sale value of about Rs. 9.39 lakhs as against the estimated value of Rs. 1.59 lakhs and the total estimated value of the plant would work out to Rs. 13.22 lakhs approximately as against the estimated value of Rs. 5.43 lakhs. The tender committee felt that although Firm 'A' had not deposited any earnest money, in view of the price offered by them *viz.* Rs. 12.01 lakhs being slightly less than the estimated value of Rs. 13.22 lakhs worked out by the committee, negotiations might be held with all the five firms who had quoted against their tender.

Two rounds of negotiations proving to be futile, the tender committee recommended (January 1978) sale of the Plant to

Firm 'A' (the highest bidder) at the price of Rs. 12.01 lakhs even though the firm had not deposited the earnest money.

The sale order was issued in May 1978. The estimate for scrapping and abandonment of asset had not, however, been revised and sanctioned.

The materials delivered to firm 'A' during the period June 1978 to December 1978 were ferrous scrap including iron and steel—533.8 tonnes, fire bricks and miscellaneous items—122.8 tonnes, zinc—106.9 tonnes, and zinc ash—3.00 tonnes.

Thus, the Plant which was in working condition and was to be sold as one unit was sold as scrap at Rs. 12.01 lakhs inclusive of value of zinc metal.

The average price of ferrous scrap in Calcutta region during January 1978, April 1978, May 1978, June 1978 and July 1978 was respectively Rs. 675, Rs. 700, Rs. 825 and Rs. 1,000 per tonne and the rising trend continued further in 1978 and 1979. The cost of 533.78 tonnes of scrap at the rate obtaining in May 1978 worked out to Rs. 4.40 lakhs (approximately). The contents of the galvanising baths was treated as zinc dross (95.6 per cent zinc). Even at the rate of Rs. 10.85 per k.g. assessed by the tender committee the value of zinc works out to Rs. 11.5 lakhs and the total value to Rs. 15.90 lakhs excluding the value of other items (such as fire bricks, etc.). It may be mentioned that while the tender committee allowed Rs. 2.14 lakhs towards dismantling, transport etc., one of the tenderers had charged only Rs. 0.50 lakh on this account.

While on the one hand the tender committee did not take into account the rising price of steel scrap in arriving at the value of Rs. 13.22 lakhs, on the other hand they reduced the value of even zinc as dross on account of excessive dismantling charges. The under-estimation of the sale value of plant by the Finance department and the tender committee and the sale of the Plant

at Rs. 12.01 lakhs against the realisable value of Rs. 15.90 lakhs (even at scrap value) would appear to have resulted in loss of Rs. 3.89 lakhs to the CLW Administration.

In course of delivery of the material, a sediment layer of 21.2 tonnes of zinc was found in the flux tank. Approximately 15 tonnes of zinc ash and zinc slag was also found deposited in the roof girder and G.I. corrugated sheet and on the top of the solidified zinc. In addition, the tanks contained oil. Neither the survey committee Report of April 1976, nor the one in January 1977, had mentioned the existence of zinc in the flux tank or zinc ash (75 per cent zinc) and slag.

The Accounts Stock Verifier while witnessing the sale of the plant, objected to the delivery of zinc in the flux tank, zinc ash and zinc slag as these were not included in the schedule to the sale order.

The purchaser, however, issued a lawyer's notice claiming the entire quantity of solidified zinc in the flux tank and the zinc ash and slag, as the sale had been on 'as is where is basis'. Subsequently, the purchaser agreed to reduce his claim to removal of solidified zinc to the extent of 106.90 tonnes and 3 tonnes of zinc ash.

The quantity of 21.2 tonnes of zinc, 15 tonnes of zinc ash and slag found by Stock Verifier at the time of delivery has not been taken into account in the books of CLW so far (October 1982). The CLW Administration stated (July 1982), "The entire available zinc after delivery of the sold quantity as per sale contract has been kept in sealed godown. The matter is yet to be finalised".

In February 1979, it was noted by another Survey Committee that 4 tonnes of zinc, 10 tonnes of zinc slag and 16 tonnes of zinc ash were lying in CLW shops as residual balance after completion of delivery of galvanising plant.

The following points deserve mentions in this case :

(1) An estimate for scrapping and abandonment of the asset is yet to be sanctioned (October 1982).

(2) A quantity of 21.2 tonnes of zinc (value Rs. 2.29 lakhs) and 15 tonnes zinc ash and zinc slag in the flux tank was not taken into account by the Survey Committees in assessing the total quantity of zinc. These were not also taken into account in the books of CLW.

(3) Though the supplementary survey committee had indicated the value as Rs. 19.74 lakhs, there was under-estimation of the reserve price on account of incorrect estimation by the Finance department and tender committee.

(4) The value of the plant even on the basis of scrap price was Rs. 15.90 lakhs whereas the price accepted was Rs. 12.01 lakhs, resulting in loss of Rs. 3.89 lakhs. The actual loss involved was far greater as the plant was in working condition and sold as a single unit.

The paragraph was issued to CLW Administration in August 1982 ; its reply is awaited (November 1982).

36. **Northern Railway—Provision of track circuiting at Naini Station**

Under the extant orders (July 1966 and June 1967) of the Ministry of Railways (Railway Board), run through lines at way side stations which take fast and dense traffic, require to be track circuited on priority basis from fouling mark to fouling mark.

Contrary to the above directive, track circuiting at Naini Station, on Delhi-Calcutta Rajdhani route, was carried out (February 1968) by the Railway Administration from fouling

mark to starter signal, leaving a portion of the track uncircuited between the starter and the advance starter signals on the Up line and from Lockbar to fouling mark on the Down line. As a result, passage of a train beyond the starter would neither bring the starter signal to the red aspect automatically nor any indication of train stalled short of the advance starter would be available to the Assistant Station Master or switchman except by visibility.

On 19th November 1975 an accident occurred at Naini Station on the uncircuited portion of the track. Attributing the cause of the accident to overlapping of occupation of the signal under the existing signalling arrangements at Naini station, the Accident Enquiry Committee (AEC) recommended (November 1975) complete track circuiting of the uncircuited portion of the automatic signalling section of both Up and Down lines. Accordingly, the Railway Board sanctioned (April 1976) track circuiting of the left out portion as an 'out of turn' work (estimated cost : Rs. 9.02 lakhs) to be taken up during 1976-77 itself. However, the formalities leading to sanction of the estimate were completed by the Railway Administration as late as in January 1977 ; yet the work was not taken up till after the incidence of another major accident on 10th October 1977 when 103 AC Deluxe Express collided with a goods train stalled between the starter and the advance starter signals at the same location where the earlier accident had occurred, involving loss of Rs. 74.14 lakhs by way of damages to railway track, rolling stock etc., besides compensation payments of Rs. 22.10 lakhs to the victims of the accident. The track circuiting of the left out portion was completed and commissioned on 31st October 1977 *i.e.* within three weeks of the latter accident.

Further, out of 1.22 kms. to be track circuited as per recommendation of the AEC, a portion (0.9 km) was renewed in February 1976 with steel trough sleepers instead of wooden or prestressed reinforced concrete sleepers (PRC), a must for track circuiting. The track circuiting of the section with PRC sleepers later in October 1977 necessitated dismantling of the track renewed about 1½ years ago, involving additional expenditure of

Rs. 3.92 lakhs which could have been avoided had the renewal work been properly planned keeping in view the recommendation (1975) of the AEC.

The Railway Administration stated (June 1982) :

(i) Track circuiting between fouling mark to starter signal was done (February 1968) in accordance with the sanctioned scope of the work,

(ii) Replacement of sleepers, screening of ballast etc. involved in track circuiting work being not permissible in summer and rainy seasons, the work could be taken up only in October 1977, and

(iii) As it is not a normal practice to modify/postpone sanctioned works before consideration and acceptance of the recommendation of the AEC the sleeper renewal was completed in February 1976.

The following points, however, deserve to be mentioned.

(i) Track circuiting provided (February 1968) at Naini station in two separate stretches leaving a portion of the track uncircuited in between constituted a departure from the Railway Board's directive (June 1967) envisaging such work from fouling mark to fouling mark. Though after the accident of November 1975 track circuiting of the left out portion was recommended (November 1975) by the AEC and sanctioned (April 1976) by the Railway Board as an 'out of turn' work, the Railway Administration took more than nine months for preparation and sanction (January 1977) of the estimate for the work and deferred its execution for another ten months till the occurrence of the next major accident (10th October 1977) on the ground that such work was not permissible in

summer and rainy seasons. Even after belated finalisation of the estimate there was, however, ample time for completing the work well before onset of summer and monsoon, as its actual execution required just three weeks after October 1977 accident.

(ii) In the context of AEC's recommendation (November 1975) for track circuiting of the entire left out section (1.22 kms) renewal (February 1976) of only a portion thereof (0.9 km) with steel trough sleepers would indicate lack of proper planning, especially when the Railway Administration in November 1975 itself had contemplated track circuiting of the section, for which use of wooden or prestressed reinforced concrete sleepers is a must.

37. Southern Railway—Provision of telephone communication facilities in a train

In July 1970 the Southern Railway proposed installation of a telephone communication system (estimated cost : Rs. 4.78 lakhs) on the Brindavan Express, running between Madras and Bangalore, to serve as a link between the Driver, Guard and Control Office on one hand and as a facility to the travelling passengers for contacting the telephone subscribers at Madras and Bangalore on the other. The proposal was not cleared by the Ministry of Railways (Railway Board) who, however, directed (October 1970) the Administration to conduct trials in conjunction with Research, Designs and Standards Organisation "before coming up to the Board for approval of the work".

As the trials conducted till 1974 were successful according to the Administration, the work of providing Very High Frequency (VHF) communication in the train was taken up during 1975-76 without obtaining specific approval of the Railway Board as required under the extant rules for introduction of new facilities for the travelling public, nor was the financial implication

of the work assessed till December 1977. The work (revised cost : Rs. 6.34 lakhs) involved minor modifications to four first class coaches for accommodating VHF equipments, modification to internal wiring in four other nominated coaches and installation of nine fixed radiating stations at selected locations enroute.

In actual working, many drawbacks were noticed in the system and the design of the VHF sets procured (1973) was reported to be obsolete by the Signal Engineer and consequent non-availability of spares. Microwave channels at certain stretches were also not available. As a result, the facility was kept suspended on several occasions and finally abandoned (August 1981) in view of the additional capital investment involved in reactivating the system and its limited utility. The equipments have, however, been decided to be maintained in good condition at microwave stations for use during emergencies.

The Administration stated (August 1982) that the system had worked reasonably well and the question of discontinuing it came up only subsequently due to various problems overcoming which required additional investment.

It may, however, be mentioned that use of the communication facility was confined to occasional messages regarding train occupation and catering only and never became operative for connecting travelling passengers with public telephone systems at Madras—Bangalore or for inter communication between guard and the driver for which it was intended and according to the Chief Communication Engineer (June 1980) the system was a "total failure".

Thus, the expenditure ot Rs. 5.76 lakhs incurred on the communication facility as also its maintenance cost of Rs. 1.65 lakhs (upto June 1982) was rendered infructuous ; besides non-materialisation of the earnings anticipated (December 1977) from the telephone calls by the passengers, as the system did not become operative at all.

38. **North Eastern Railway—Loss due to heavy shortages in receipt and accountal of hard coke in Railway workshops**

According to the extant instructions of Railway Board transit loss, in respect of coal including coke for Railway's own use, permissible is 1.5 per cent and where transit losses are heavy and recurring railway may reweigh 5 per cent of the coal wagons in order to demarcate the areas where losses may be occurring and investigate these and fix responsibility for the losses besides taking remedial measures to minimise such losses.

Wagons containing hard coke for workshops at Izatnagar and Gorakhpur are received after being transhipped from BG to MG at Bareilly (for Izatnagar) and Garhara or Manduadih (for Gorakhpur* till August 1981). The quantity received at the shops is required to be measured and the volumetric weight arrived at, duly witnessed by the staff of Security, Mechanical (Operating) and Commercial departments. The shortage of hard coke, if any, found as a result of comparison of the weight as recorded in railway receipt and as arrived at by measurement is brought on the hard coke ledger.

A review of the position of receipts and accountal of hard coke by Audit in three workshops of North Eastern Railway revealed heavy shortages as under :

I. *Foundry Shop, Izatnagar*

The total quantity short received (during the period from 1977 to March 1982) was 2101.1 tonnes (value Rs. 9.18 lakhs) or 61 per cent of the quantity to be received.

II. *Signal Workshop, Gorakhpur Cantonment*

The total quantity short received (during the period January 1977 to March 1982) was 1417.8 tonnes (value Rs. 6.18 lakhs) or 64 per cent of the quantity to be received as per railway receipt.

*The metre gauge section, Garhara to Gorakhpur was converted into broad gauge from September 1981.

III. *Mechanical Workshop, Gorakhpur*

The total quantity short received (during the period December 1978 to March 1982) was 4168.0 tonnes (value Rs. 18.16 lakhs) or 43 per cent of the quantity to be received as per railway receipt.

The total quantity of hard coke thus received short at Izatnagar and Gorakhpur during this period (*i.e.* from 1977 to March 1982) was 7686.9 tonnes, valued at Rs. 33.52 lakhs and the actual losses ranged from 43 to 64 per cent.

The Railway Administration attributed this loss to the peculiar conditions prevailing at the loading points* on Eastern Railway which do not permit loading of hard coke in covered wagons and also to pilferability of hard coke due to movement in open wagons.

However, coal for steam locos is being transported from Eastern Railway to various loco sheds on the North Eastern Railway in similar manner in open wagon; but the average transit losses ranged between 3.5 to 4.1 per cent only during the years 1979-80 to 1981-82.

The following lapses were noticed in this case :

(i) The shortages noticed, though heavy and recurring, were advised in a routine manner to General Manager (Operating Department) of the Railway and to the Eastern Railway authorities.

(ii) No action was also taken at any time during these years as provided in Railway Tariff rules, to reweigh a percentage of the wagons to demarcate the areas where losses due to the above shortages were occurring.

*1. Durgapur Coke oven plant.
2. Bharat Coking plant, Lodna.

(iii) No action had been taken to investigate the shortages to pin point the same, ascertain the staff responsibility and devise remedial measures (December 1981).

NEW DELHI

Dated the 3 March 1983 / 12 Phalguna 1904

(B. MAITHREYAN)
Deputy Comptroller and Auditor General of India &
Additional Deputy Comptroller and Auditor General of India (Railways)

Countersigned

NEW DELHI

Dated the 3 March 1983 / 12 Phalguna 1904

(GIAN PRAKASH)
Comptroller and Auditor General of India

ANNEXURE I

(cf. Paragraph 3.18)

Detentions to wagons in sidings

Sl. No.	Name of siding	Period	Number of wagons	Extent of detention	Remarks/Reasons for detention
1	2	3	4	5	6
1.	Steel Authority of India Ltd. siding Suranussi (Northern Railway)	January 1977 to May 1978	1,947	2,08,322 hours	Working of pilots irregular.
2.	Badarpur Thermal Power Plant siding, Tughlakabad (Northern Railway).	1979-80 1980-81	44,072 22,928	5,26,855 hours 6,34,154 hours	Wagons not released promptly by Power House authorities.
3.	Synthetic & Chemical Limited siding, Bhitaura (Northern Railway).	1979-80 1980-81	1,367 357	293 days 189 days	Irregular running of pilots. On some wagons, the detention ranged from 54 to 217 hours.
4.	Bhagwan Industries Limited siding, Aishbagh (North Eastern Railway).	March 1978 to August 1979		2 days to 19 days	Wagons detained in the yard so that a bunch of 3-4 wagons could be placed together.
5.	Sidings served by Ledo station (Northeast Frontier Railway).	30-12-1980 to 10-1-1981	102	28 hours to 114 hours	Detention at serving station before placement in the sidings.
6.	I.C.L. siding, Narangi (Northeast Frontier Railway).	1980-81	1,569	53 hours to 209 hours	Detention at interchange point.
7.	Ludlow Jute Mill siding, (South Eastern Railway).	1979-80	1,692	1,34,073 hours	Working of pilots irregular.
8.	Shree Hanuman Cotton Mill siding (South Eastern Railway).	1979-80	157	12,165 hours	—do—

1	2	3	4	5	6
9.	M/s. New North Jute Mill siding (South Eastern Railway).	1979-80	599	41,820 hours	Working of pilots irregular.
10.	New Explosive Factory siding (South Eastern Railway).	1979-80	1,289	12,890 hours	—do—
11.	Refractory Plant siding (South Eastern Railway).	1979-80	4,677	6,04,232 hours	—do—
12.	Vikal Machinery siding (South Eastern Railway).	1979-80	6,715	97,096 hours	—do—
13.	Cement Corporation of India siding (South Eastern Railway).	1979-80	7,225	3,17,593 hours	—do—
14.	Orissa Textile Mill siding (South Eastern Railway).	1979-80	1,532	16,097 hours	—do—
15.	Kalinga Tube siding, (South Eastern Railway).	1979-80	896	19,011 hours	—do—
16.	Tisco Works site siding (South Eastern Railway).	1979-80	1,30,683	67,94,106 hours	—do—
17.	Santaldih Power House siding, Santaldih (South Eastern Railway).	1980-81	8,588	3,97,266 hours	—do—
18.	Ennore Thermal Station siding (Southern Railway).	1979-80	43,916	9,88,134 hours	—do—
19.	Associated Cement Co. siding (South Central Railway).	January 1980	312	34,853 hours	Irregular running of pilots—Detention in the yard before placement and after removal.
20.	Kesoram Cement siding, Raghawapuram, (South Central Railway).	January 1980	860	1,01,393 hours	—do—
21.	Hyderabad Asbestos Cement Co., Sanatnagar siding (South Central Railway).	January 1980	300	18,990 hours	– do—

ANNEXURE II

(*cf. Paragraph* 3.22)

Outstanding freight, siding and demurrage charges

(Lakhs of rupees)

Name of Railway	Freight charges	Siding charges	Demurrage charges	Total	Remarks
Central .	1254.06	48.29	317.65	1620.00	As on 31-7-82
Eastern .	699.00	..	897.00	1596.00	As on 31-3-82 (in respect of 21 big firms).
Northern .	4801.46	29.54	377.46	5208.46	As on 30-6-82 (25 sidings and power houses)
North Eastern	13.91	3.83	73.66	91.40	As on 31-7-82
Northeast Frontier .	0.84	3.70	26.05	30.59	As on 31-3-82
Southern .	150.48	4.40	12.49	167.37	As on 31-3-82 (9 sidings)
South Central	73.28	..	17.17	90.45	As on 30-6-82
South Eastern	109.16	53.41	2303.75	2466.32	As on 31-3-82
Western .	374.62	115.83	27.38	517.83	As on 30-6-82 (25 sidings)
TOTAL . (All Railways)	7476.81	259.00	4052.61	11788.42	

ANNEXURE III

(cf. Paragraph 3.24)

Statement showing the outstandings against various Power Houses as on 30th June 1982

(Lakhs of Rupees)

	Freight	Demurrage	Total
1. Delhi Electric Supply Undertaking, Delhi (NR)	1884.27	95.76	1980.03
2. Badarpur Thermal Power Plant			
(*i*) Tughlakabad (NR)	750.47	62.30	812.77
(*ii*) Delhi (CR)	38.22	4.52	42.74
3. Punjab Electricity Board, Guru Nanak Dev Thermal Power Plant, Bhatinda (NR)	240.56	67.93	308.49
4. U.P. State Electricity Board			
(*i*) Harduaganj (NR)	608.44	4.83	613.27
(*ii*) Agra Yamuna Bridge (NR)	11.69	..	11.69
(*iii*) Mainpuri (NR)	12.28	0.99	13.27
(*iv*) Panki (NR)	505.96	6.81	512.77
(*v*) Kanpur (NR)	189.43	5.19	194.62
(*vi*) Lucknow (NR)	17.77	0.90	18.67
(*vii*) Sohwala (NR)	29.67	0.94	30.61
(*viii*) Chandausi (NR)	14.15	0.47	14.62
(*ix*) Paricha (CR)	20.09	..	20.09
(*x*) Obra@ (ER)	210.65	..	210.65
5. Haryana State Electricity Board			
(*i*) Thermal Power Plant Panipat (NR)	178.27	4.31	182.58
(*ii*) Thermal Power Plant Faridabad (CR)	242.88	27.32	270.20
6. Assam State Electricity Board@ (NF)	1.08	..	1.08
7. Bihar State Electricity Board@ (ER)	24.14	..	24.14

		Freight	Demurrage	Total
8. Maharashtra State Electricity Board				
(*i*) Bhusawal	(CR)	188.45	5.81	194.26
(*ii*) Nasik Road	(CR)	504.30	4.51	508.81
(*iii*) Pera	(CR)	1.88	0.53	2.41
(*iv*) Godhari	(CR)	273.70	1.53	275.23
(*v*) Purli@	(SCR)	16.28	..	16.28
(*vi*) Khaparkheda	(SER)	0.29	0.62	0.91
(*vii*) Kalamna	(SER)	0.02	0.02	0.04
(*viii*) Kamptee	(SER)	0.53	..	0.53
(*ix*) Ramtek	(SER)	0.30	..	0.30
9. Madhya Pradesh Electricity Board				
(*i*) Satpura Thermal Power Station, Ghoradongri	(CR)	4.32	..	4.32
(*ii*) Amlai	(SER)	0.24	2.78	3.02
(*iii*) Korba	(SER)	..	14.62	14.62
(*iv*) Chirimri	(SER)	..	0.02	0.02
10. West Bengal Electricity Board				
(*i*) Mechada	(SER)	9.16	4.33	13.49
(*ii*) Santaldih	(SER)	1.03	0.42	1.45
	(ER)	101.78	..	101.78
11. Andhra State Electricity Board				
(*i*) Titlagarh	(SE)	1.52	..	1.52
(*ii*) Theruvelli	(SE)	0.75	0.16	0.91
(*iii*)	(SCR)	24.75	1.24	25.99
12. Tamil Nadu State Electricity Board		286.11	7.55	293.66
13. Damodar Valley Corporation				
(*i*) Durgapur@	(ER)	14.09	..	14.09
(*ii*) Patratu@	(ER)	9.89	..	9.89

@Break-up on freight and demurrage not furnished.

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