GoFen of India (Bharat Brijtar)
Ministry of Railways (railantraaya)
(Railway Board)

Ho.RS(J))/(81/709/21

New Delhi, dated 29-5-1982.

The General Manager (Stores),
All Indian Railways, CLW, DLW
& ICF.

Sub: Review of policy and procedure to disposal of scrap on
Indian Railways.

A committee consisting of senior officers of Eastern and Central
Railways was appointed by the Board vide their letter No.80/709/23/R(5)
CA III dated 30.6.81 to examine the various aspects/problems relating to
disposal of scrap and to review the procedure therefor. The main points
in the terms of reference for examination by the committee were:

(i) Condensation and disposal of overaged and condemned
Rolling Stocks,

(ii) Formation of cartels by bidders in auction

(iii) Role of scrap to small scale sector and examine procedure
adopted by units of RAIL with particular reference to the
sale of scrap to the small scale industrial units and
comments on the extent to which RAIL model is of relevance
to the Railways.

The committee submitted its report on 27.7.81. The recommendations
of the committee have been examined by Board in details and Board have
decided to accept most of the recommendations.

The specific point of reference, the committee recommendation
thereon and Board's decision on the recommendations made by the committee
are indicated in the annexure-I.

It is desired that the recommendations of the committee as accepted
by the Board may be implemented forthwith.

This issue with the concurrence of Finance Directorate of this
Ministry.

Receipt of this letter may please be acknowledged.

DA:Chm

Addl. Director, Railway Stores (Steel),
Railway Board.
Copy forwarded for information and necessary action to:

1. The Controller of Stores, C.M.I., EW-CGO, All Indian Railways and Production Units.

2. General Manager: Wheels and Axles Plant, 45, Miller Road, Bangalore.


(K.P. Varma)
Addl. Director, Rly. Stores (TAI), Railway Board.
Item No. 1 System of despatch of scrap from various origin points to the nominated depot/yards/points
sorted scrap and mixed scrap

The Committee has recommended that no useful purpose will be served by segregating the different types of scrap since the scrap is generally sold in scrap depot through auction and the bidder gets a fair idea of the composition of a lot and gives their bids accordingly. Segregation will only slow down the pace of disposal which should be avoided in the context of limited space available in the scrap depots. All identifiable high value scrap should, however, be excluded from sale and steps should be taken to ensure that these are not lifted by the purchasers.

The Board have decided that in case of receipt of mixed scrap scrap depot should segregate into broad identifiable classification e.g. melting, rerollable, industrial cast iron etc. Also excluded items like springs, screw couplings etc. which are mixed with any melting scrap should be specifically mentioned as excluded items while offering a particular lot for auction.

Item No. 2 Witnessing of weighment by representatives of Accounts, R.I.E. on receipt of scrap in stores depot

The Committee has not recommended the system of witnessing the unloading and weighment of incoming wagons containing scrap by Accounts and R.I.E. staff for following reasons.

(1) The wagons are weighed and unloaded even beyond normal depot hours, full scale association of the personnel from Accounts and security departments would result in detention of wagons thereby incurring heavy demurrage charges.

(2) The contents of wagons are invariably of mixed nature and these have to be segregated under broad categories of melting, industrial and rerollable scrap and also identifiable scrap items will have to be removed. It will not be possible to pinpoint the actual quantity received of different types of materials by witnessing the weighment of wagons only.

The Board have decided that witnessing of weighment by representatives of Accounts and R.I.E. on receipt of the scrap in stores depot should be followed in the case of non-ferrous scrap only.
IT: No. 3 System of formation of optimum size of lots of scrap for the purpose of disposal by auction/tender.

The committee has recommended that there should be legislation on the optimum size of lots for the purpose of disposal, as the size of the lot depends upon the type of scrap, point of disposal, financial capacity of the purchasers. However, the committee has suggested that the size of lots should be such that its value should be preferably be within 2-1/2 lacs and should normally not exceed 5 lacs. By having smaller lots, small scale industrial units will be able to participate in auction/tender sale.

Board have accepted the recommendation of the committee.

IT: No. 4 Review of procedure for condemnation of disposal of overaged and condemned Rolling stock - suggestions for expeditious disposal.

The committee has recommended that in respect of overaged rolling stock the disposal should be arranged on the basis of condemnation certificate given by the C.R. I., and no separate sanction from G.M. with finance concurrence should be necessary as is being done on some of the Railways.

Since existing instructions regarding condemnation of rolling stock are more liberal, a copy each of Board's letter No. 74 (I)(A)/(251/1 dated 16.10.74, No. 76-I(C)/65/14 dt. 30.6.76 and No. 11(L)/(657/1977 dt. 8.8.78 on the subject are enclosed for strict compliance (Annexure - II).

IT: No. 5 System of disposal of scrap with a view to ensuring broad based participation of shippers with special emphasis on participation of firms registered as small scale units but at the same time ensuring the Railways obtain the best possible prices of scrap and also there is no delay in lifting of scrap.

With a view to help the Railways participation in auction the committee has recommended that the Railways should send a few copies of the advertisement to the relevant Directorates of the State Govt. as well as to RGMC for circulation amongst their constituents. This will enable such units to know of such auction sales and participate in the same to their advantage. However, these small scale units should also fulfill all the auction conditions.

The recommendations of the committee are accepted by the Board.
Examination of system of auction with particular reference to formation of cartels by bidders.

The committee has observed that formation of cartels is avoided to a very large extent by rejecting the bids lower than the reserve price which itself is fixed realistically. Further smaller lots are normally formed which ensures larger participation. In this connection the committee has suggested:

(i) Lots rejected during one auction should be quickly resolicited in the next auction even in a sister depot without physically shifting the lot to enable multiple opportunity for obtaining better price for the lots at different locations. This will reduce ring formation.

(ii) A system of obtaining refundable entry fee from the bidders should be introduced on all railways.

(iii) Auction should be held departmentally and if necessary by creating a suitable organisation on the railways.

(iv) If railways are not able to sell any particular lot in auction due to cartel formation attempts should be made to dispose of the lots through tender. The system of 10% earnest money deposit in case of sale tender be relaxed and brought at par with purchase tender.

The board have accepted the recommendations of the committee, except that in respect change in quantum of earnest money deposit on par to the purchase tender as suggested in item IV above. The existing system should be followed.

As regards introducing a system of charging refundable entry fee the board have decided that the entry fee should be fixed based on the annual sale value of scrap sold on the railways as recommended by the committee for this purpose, the zonal railways have been classified into three groups depending upon their sale value Group 'A' - Annual sale value less than 1.4 crores Group 'B' - Annual sale value above 1.4 crores but less than 5.8 crores.

Group 'C' - Annual sale value above 5.8 crores.

The committee recommendation that entry fee of Rs. 500/- per book where annual sale value is within 1.4 crores. (viz. Rs. 100/- per book) where annual sale value is between 1.4 and 5 crores (22.4%) and Rs. 250/- per book where annual sale value above 5.8 crores (23.8%) has been accepted. The entry fee will be in the form of imprint only. The entry fee is liable to get forfeited in the event of any untoward conduct on the part of the bidder in contravention of the governing auction proceeding. A clear stipulation to this effect should be incorporated in the relevant auction catalogue.

(necessary amendment to relevant clauses governing general conditions of sale by auction in appendix II of the stores code will be issued in due course)
Item 1.7
Expenditure disposal of scrap Review for improving/streamlining at different stages of disposal viz. holding of frequent and regular auctions, collection of value of lots and issue of sale orders, delivery/despatch of scrap, method of loading and delivery to be reviewed and examination conducted whether lorry delivery can be eliminated.

The committee has recommended that:

(i) On the dates of auctions cash office on the Railways should function even beyond normal hours to receive the proceeds of the auction. This will enable the sale of maximum number of items during a particular auction.

(ii) Auctions should be held in each depot at least once in a month.

(iii) Against uniform measure there should be a single instalment for balance payment up to Rs. 2 lakhs, two instalments between Rs. 3 to Rs. 5 lakhs and three instalments above Rs. 5 lakhs and these powers should be vested with the auction conducting officer. Where additional instalments are demanded by bidders, such cases only should be referred to head quarters office on the basis of conditional offer.

(iv) For early payment an incentive @ 5% of the value of the lot should be extended in case the balance is paid within half of the normal time otherwise prescribed in the auction conditions.

(v) Similarly an incentive @ 1% for early removal of the lot for every week ahead of the terminal date, should be allowed. The terminal date will be the one which is indicated in the auction conditions and will not take into consideration any extended delivery period.

(vi) Ground rent should be levied uniformly @ 0.5% per day of the value of the unremoved quantity subject to minimum of Rs. 10/- per day per lot.

(vii) The existing ban on extension of the time for balance payment with interest charges beyond 8 weeks in terms of Board's circular letter No. 54/3/69/779/M/CIII-B/CX dated 29.6.79 may be removed.

The value of interest to be charged in case of extension of time should be 22% higher than normal lending rate of Banks.

Item 1.8
Security arrangement for scrap: effective preventive measures to guard against dumping of fresh scrap arising on lots already surveyed and under going delivery.

Committee has observed that with the existing system of checks by vigilance as well as presence of security staff round the clock, the chances of fresh arisings being mixed with the lots already sold are minimal. However, as a long term measure, Railways may be advised to clone out their scrap disposal with the facility of twin yard system.
Item No.2 System of scrap disposal adopted by the units of SAIL with
particulars reference to sale of scrap to small scale
Industrial Units and extent to which the
SAIL model is of relevance to the Railways.

The committee has recommended that on the analogy of system
introduced by SAIL for disposal of their secondary products, 25% of the
quantity of scrap arising on the Railways be earmarked every month for
direct sale to small scale Industrial Units, for which allotment will have
to be given by the Department of Industries of the states concerned. This
quantity will be sold to units sponsored by Department of Industries of the
state at the highest auction rate obtained during the last 3 months.

Regarding the other procedures followed by the SAIL for sale of
scrap, the committee feel that these have little relevance to the Railways
as the railway system itself is well organised on these aspects of scrap
business.

The recommendation has been accepted by the Board in respect of
industrial and rerollable scrap and if the quantity allocated
removed within a certain time limit the same should also be sold
by auction or tender.

The following procedure should be followed in this regard.

Based on the monthly arising of scrap for disposal the Railways
will earmark 25% of such arising for direct sale to small scale Industrial
Units. The Railways will offer the 25% of quantity so earmarked to the
Director of Industries of the states concerned relative to the specific
disposal points. On receipt of such advice from the Railways, the Director
of Industries of the state concerned will find out the users for such scrap
and send requests from such actual users with his recommendatory letter to
the Controller of Stores of the respective zonal railways for arranging
further action for direct sale to the small scale Industrial Units concerned.

All other formalities will be as existing for such direct sales
viz prior deposit of sale value, to the Chief cashier of the concerned
Railways, issue of sale order etc. In case no parties are interested in
purchasing the 25% scrap arising in any particular month and no recommendatory
letter is also received from the No.1 of any state, such quantity will be
included in the next auction and this procedure will be repeated month after
month.

Such direct sale will be made at the highest auction sale rate
obtained during the last three months.
Government of India
Ministry of Railways
(Railway Board)

New Delhi, dt. 16-10-1974.

No. 74/K(19)/951/19

The General Managers,
All Indian Railways,

Sub: Condemnation of wagons.

Ref: Board's letter No. 70/K(19)/951/19 dt. 7.6.72.

With the creation of the posts of Additional Chief Mech.
Engineers and upgradation of certain posts of Works Engineers and Divisional/
Mechanical Engineers in Jr. scale to that of the junior administrative rank,
the question of delegating to them the powers with regard to condemnation
of wagons has been considered by the Board and they have decided that para 2
of this office letter quoted above should be substituted by the following:-

"2(a). For streamlining the procedure for inspection/certification before
condemnation of rolling stock, it has already been laid down vide Board's
letter No. 71/A(66)(C)/4/4 dated 28.7.71, 29.10.71 and No. 71/A(66)(D)/951/19 dated
4.1.1972 that in works, works manager or any other Mechanical Officer
higher in rank than Works Manager who is in-charge of the workshop can
condemn the overdue goods stock after his personal inspection. In such
cases he need not seek formal approval of the Additional Chief Mechanical
Engineer or Chief Mechanical Engineer but the latter should be kept posted
with all such cases of condemnations so that the records in the headquarters
Office are corrected and kept up-to-date. With regard to overdue goods
stock, Works Manager or any other Mechanical Officer higher in rank than
Works Manager who is in-charge of the workshop can condemn its
condemnation after personal inspection. In such cases prior approval
(not personal inspection) of the Additional Chief Mechanical Engineer or Chief
Mechanical Engineer in, however, necessary.

(b). On the inner line, the goods stock, whether overdue or overdue,
is required to be personally inspected by a Mechanical Officer of a rank not
lower than Dy. Chief Mech. Engineer before condemnation. After
inspection, overdue stock can be condemned by that officer at the Additional
Chief Mechanical Engineer/Chief Mechanical Engineer should be informed. For
the condemnation of overdue goods stock, however, prior approval of
Additional Chief Mechanical Engineer/Chief Mechanical Engineer should be obtained.

(c). In all the above cases, final advice to all concerned about
the condemnation should, however, be issued by the Headquarters office."

2. This issues in supersession of Board's letter of even number
dated 5.7.74. (This also dissolves of R.H. duy's letter No.R/278/0/1/13
dated 23.7.74).

3.Filed acknowledged receipt.

td/-

(I.J.I. Lakkarji)
No. 76/349/650/14

New Delhi, dated 30-6-1976.

The General Manager,
All Indian Railways,

Sub: Condemnation of coaches.

Ref: Railway Board's letter No. 56/349/1A dated 23-3-57 and 7.2.58 and subsequent amendments thereto, issued from time to time.


In supersession of all previous instructions issued on the above subject, it has been decided that railways need not approach this Ministry for prior approval for condemnation of unexpired or overdue coaches as long as replacements are planned. In other words, Ministry of Railways' prior approval to the condemnation of coaches will be required only if the coach proposed for condemnation is not intended to the replaced, implying thereby a reduction in authorized stock. However, the conditions already laid down in para 7.1-5, with regard to the preparation of financial justification should continue to be fulfilled and Finance concurrence obtained in all cases of premature condemnation irrespective of the fact whether the coach is replaced or non-replaced or such concurrence is, however, not necessary for condemnation of overdue coaches whether replaced or non-replaced.

2. For streamlining the procedure for inspection/certification before condemnation of rolling stock, it is now authorised that in workshops, Works Manager or Dy. EMU whoever is the incharge of the Workshop can condemn overdue coaching stock after his personal inspection and recording the condition report, on the same lines as is being done in the case of condemnation of wagons under this office letter No. 76/349/651/19 dated 7.6.72. In such cases, he need not seek formal approval of the Addl. C/3(C/3M)/CIE but the letter should be kept posted with all such cases of condemnation so that the records in the Headquarters office are also corrected and kept upto-date. With regard to overdue coaching stock, Works Manager or Dy. EMU whoever is incharge of the workshop can recommend its condemnation after his personal inspection. In such cases prior approval (not personal inspection) of the C/3 or CIE is, however, necessary. On the Divisions, the coaching stock whether unexpired or overdue is required to be inspected by any of the Dy. EMU/Senior EMU of Addl. CIE(U)/CIE/CME during his inspection tours, before the condemnation is approved.

3. In all cases of condemnation of coaching stock a detailed condition report of the coach is to be prepared and kept for record.

4. Please acknowledge receipt.

Sub: J. Jolley
Railway Board.
Annexure-II - 3

Government of India
Ministry of Railways
(Railway Board)

No. 79-M(L)/467/1001.

New Delhi, dated 8-6-79.

The General Managers,
All Indian Railways.

Sub: Condemnation of overaged Steam Locomotives.

Ref: Board's Order No. 56/649/33I/2 dated 31.11.57.

In terms of para 716-3 preparation of financial justification is not necessary for condemning Rollin, stock in case of overaged stock due to be replaced by virtue of their age but condemned before replacement. In Board's letter referred to above, Railways were advised that though detailed financial justification need not be prepared, all proposals for condemnation of Rollin, stock should invariably have concurrence of the Financial Adviser & Chief Accounts Officer.

2. The position has been reviewed and it has been decided that in partial modification of the orders contained in Board's letter No. 56/649/33I/2 dated 21.11.57 such condemnation proposals in respect of over aged stock need not be sent to Railways Finance of the Railway but it would be sufficient if these are vetted by Workshop Accounts Officer or Deputy Chief Accounts Officer (Workshops) to expedite matters.

3. This issues with the concurrence of the Finance Directorate of this Ministry.

4. The receipt of this letter may please be acknowledged.

(This issues of Northern Railway's letter No. 498, M/O
Pvt. VHN-I) dated 29.1.1979.)

Yours/
(Y.Z. Gupta)

By, Director Mech. Engineering,
Railway Board.