

Special Comm. Memo. Not to be used

3/13/86

GOVERNMENT OF INDIA
MINISTRY OF TRANSPORT
DEPARTMENT OF RAILWAYS
(RAILWAY BOARD)

NO. 86/R3(S)/709/14.

NEW DELHI, DATED 24-7-86.

The General Managers (Stores),
ALL INDIAN RAILWAYS,
CLW, Chittaranjan/ ILJ, Varanasi/
ICF, Pambur, Madras/
Wheel & Axle Project, Bangalore/
Metro, Calcutta.

The Chief Administrative Officer,
Railway Electrification, Allahabad,
Railway Coach Factory, Kapurthala,
D.C.W., Patiala,
COFFCO, New Delhi.

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For
Glenn
TC

Sub: Workshop for COSs on Scrap Policy and Procedure.

A copy of Minutes of the Meeting during the workshop for Controller of Stores on scrap policy and procedure held on 9-7-86 in Board's Office and the conclusions arrived at, is sent herewith for information and necessary action. This is in continuation of Board's letter No. 86-R3(S)/709/14 dated 4.7.86.

2: Receipt of the above letter may be acknowledged.

N. Sahu

DA: as above.

(N. SAHU)
Addl. Exec. Director, Railway Stores(Steel)
Railway Board

NO. 86/R3(S)/709/14.

New Delhi, Dated 24-7-86.

Copy to EM&CAO, All Railways, CLW, ILW, ICF, WEA PROJECT, Bangalore, Metro, Calcutta, R.E. Allahabad, DCW, Patiala.

N. Sahu

(N. SAHU)
Addl. Exec. Director, Rly. Stores(Steel)
Railway Board

copy for information and necessary ~~action~~ action to :-

- 1. EDV, Rly. Board (with 2 spares).
- 2. EDSE
- 3. EDME(D)
- 4. AEDRS(F)
- 5. JDRS(IC)
- 6. AEDF(S)

Minutes of meeting of COSs held with Board on
9th July, 1986 to review scrap policy.

PRESENT :

Railway Board :

S/Shri

1. P.S. Chaudhuri, MM
2. S. Ramaswamy, FC
3. Gauri Shanker, ME
4. S.K. Mitra, Adv.(Fin)
5. J.L. Kaul, EDV
6. Dr.J.P. Char, EDRS
7. M.M. Aggarwal, AEDV(R)
8. N. Sahu, AEDRS(S)
9. S.N. Pandey, AEDRS(F)
10. S. Krishnan, JDRS(IC)
11. G. Sivasankar, JDRS(P)
12. S.C. Sehgal, JDRS(G)
13. G. Bhatnagar, JDRS(W)

Railways :

S/Shri

1. P.K. Dutta, AGM(T), E.Rly.
2. P.C. Oak, CMM, C.Rly.
3. S.R. Bahadur, CMM, E.Rly.
4. S. Kuppaswamy, Dy.COS, E.Rly.
5. Shymji Shinghal, COS, N.Rly.
6. C.A.Krishnamurthy, COS, NE.Rly.
7. H.S. Bhat, COS, NF.Rly.
8. S. Vaidyalingam, COS, S.Rly.
9. N.Ramaswami, COS, SC.Rly.
10. R. Raman, COS, SE.Rly.
11. A.D. Mohile, CMM, W.Rly.
12. P.K.Govindarajan, COS, ICF.
13. H.Raman, COS, CLW.
14. N:Viswanathan, COS, WAP.
15. E.V.Viswanathan, COS, DLW.
16. K.P. Varma, COS, COFMOW.
17. P.D.Joglekar, COS, RE, Allahabad.
18. S.K. Mehta, COS, RCF.
19. S. Paul, Dy.COS, Metro.

Welcoming the Board and COSs, EDRS explained that the workshop was being held in the background of the need for reviewing the policy and procedures for improving the working and efficiency of scrap disposal, which has reached a peak value of Rs.200 crore during 1985-86.

M.M. explained the objectives of this kind of workshop - it would help the Controllers of Stores by way of examining the existing codal provisions and instructions, as well as the present practices and the facilities available for disposal of scrap on different Railways, with a view to evolving proper guidelines under which the Railways can function, so that any person of normal prudence would instinctively act in that way. M.M. asked the COSs to spell out changes, if felt necessary, to be incorporated in the Stores Code/or in the existing instructions, so that the entire operation is rendered smooth. He also said that after the deliberations, it should be possible to evolve a set of consolidated guidelines, incorporating all the instructions and procedures, which should be help to all concerned.

F.C. mentioned that M.M. had already explained objectives of the workshop. He would like to hear from the Controllers of Stores regarding their experiences in the field of scrap disposal and stressed the need for evolving suitable guidelines, which may remove shortcomings, if any, in the existing procedure.

While emphasising the need for quick and efficient disposal of scrap, M.E. high-lighted that over the last three years or so, realisation of money by disposal of scrap has increased manifold. On Railways, Monitoring Cells are functioning at the high level of AGM. In view of the significance attached to scrap disposal, it is essential to streamline the procedures, so as to make them both practicable and effective. The path of scrap disposal is not simple. There are numerous difficulties, such as collection of scrap, formation of lots; the rules and regulations have to be followed and at the same time, best price obtained. Perhaps there may be a need to modify and to streamline the procedures, keeping in mind the constructive suggestions, which the present gathering would offer. All the COSs were being given full opportunity to express themselves in this workshop, so as to get the maximum benefit.

Adviser (Finance) mentioned that during the last few years, considerable emphasis has been laid on sale of scrap. We have to realise best value out of it. The procedure and fixation of reserve price should be followed, so that the staff concerned do not suffer in the process, as anything not according to procedure can be questioned. Due to change in emphasis on more sales, it should be examined whether any strengthening of the organisation, either for Stores or Accounts, will be necessary. It will also be worthwhile to examine how far the officers returning the scrap, such as Mechanical or Engineering officers, should be associated in finding out the discrepancy, if the quantities received are not as per the R.R.

Thereafter, the agenda was taken up for discussion. The conclusions arrived at on each item are as under :-

Item No.(1) : Collection and weighment of Scrap.

COSs were of the view that scrap is sent by the consignor without weighment and in mixed up condition. In the wagons, even muck is received due to which even though wagons are weighed, the weight recorded does not show the realistic picture. In the case of Western Railway, CMM/W.Rly. mentioned that the wagon weigh-bridge at Kota has not been functioning for the last 25 years, due to which the scrap is taken only on assessment basis. In the context of despatch of mixed scrap, COSs explained that at the time of formation of lot for sale different types of items stay mixed up, particularly in melting lots, due to which sale price is dependent on the assessment made by the purchaser as regards to the quality. Efforts are, however, made to segregate the lots as far as possible, as required by the customer. R.R. becomes an

following decisions were taken:-

Encl. 1/18
1) A Committee consisting of CMM/C.Rly., COS/ICF and COS/SC Railway should go into the aspect of indentifying the descriptions under which the melting scrap should be accounted keeping in mind the need of the customer (the sale price depends on the need of the customer), rather than the identity of the parent material of the scrap, viz. fish plates, Axle guards, etc. After indentifying all the descriptions under the melting scrap, it will be the responsibility of the consignors to despatch the items in those categories and the Depot should sell the scrap in those descriptions only.

Encl. 1/18
2) A Committee consisting of senior Stores and Accounts Officers of Eastern and South Eastern Railways should go into the aspect of pairing of vouchers so as to investigate the reasons for not pairing such vouchers in the Accounts Office and also at the consignors' end. This Committee will also suggest the follow-up action required for efficient accountal of the scrap.

For the purpose of examination of non-pairing of the vouchers, Committee may take into consideration the following:-

- (a) for high value vouchers, full examination should be conducted and reasons for non-accountal indicated.
- (b) for low value items, certain percentage check, say 10%, may be taken into consideration; and
- (c) the committee will also investigate whether scrap wagons were sent with "clear R.R."; and if so, whether weighment of the scrap was done at the time of issue of clear R.R. In such cases basis of issue of clear R.R. may also be brought out.

Encl. 1/18
3) Mechanical Directorate should issue suitable instructions to the Railways for keeping the wagon weigh-bridges in working condition and lay down the target dates for the same. IRCA Rules provide for taring of wagons after POH; these must be rigidly followed & reiterated. The targets should be submitted to M.M.

Encl. 1/18
4) As regards the muck existing in the wagons while sending the scrap, due to which weighment gets vitiated, it was decided that ADME(RS) should give suitable instructions to the Workshops for launching a drive for thoroughly cleaning and taring all departmental wagons by a suitable target dates.

Item (2) : Witnessing of Incoming Receipt of Materials

The present instructions are considered adequate.

Item (3) : Powers of GM/COS/Auction Supervising Officer

The existing provisions are adequate and no change is considered necessary.

Item (4) : Conducting & Witnessing of Auction

COSs explained that the present codal provisions provide for the presence of Inspector of Stores, Accounts or a Stock Verifier only at the time of auction. EDV was of the view that in view of high value involved in the auction, it will be desirable to provide for the presence of Accounts Officer of appropriate status. COSs were of the view that there is no objection for the Accounts Officer being present but, in that event, the role of the Accounts Officer should be clearly defined so that there is no confusion in regard to authority and responsibility and also the secrecy of reserve prices in the auction is not lost. In case the Accounts Officer is to be associated with reserve price which is being fixed by the Depot Officer at present, there should be joint responsibility for secrecy and for conduct of the auction. Adviser(Finance) was of the view that the role of Accounts representatives seems to be limited and perhaps the upgradation of the level of the Accounts representative to Accounts Officer may not be necessary. However, this could be examined in more detail.

Item 5 : Medium of Auction through Auctioneer or through Departmental Auctions

COSs explained that except for Eastern, Northern and DLW (who are having departmental auctions), all other Railways are following the system of auction through auctioneer. The COS's were of the view that there are inherent advantages of conducting the auction through auctioneer as he is a professional. In view of this, it was decided that the Railway should be at liberty to continue the auction through the auctioneer or departmentally, and the choice should be left to the Railways themselves.

@The auctioning requires specialisation, which Departmental people do not possess.

Item 6 : Size of the Lot

COSs explained that size of the lot will depend from place to place, depending upon the arisings of particular item, the space available, the need for early removal, the nature of the items and the convenience of the bidders. It was also explained that normally problems may arise only in the case of melting scrap, as other items are clearly defined and the question of pick and choose does not normally arise. After deliberations, it was concluded that the size of lot to be offered, particularly for the melting scrap, should be left to the GIs of the Railways, who may prescribe the maximum quantity based on the totality of the situation prevailing at each scrap yard. However, for melting scrap, size of the lot should be such that deliveries of the lot shall not be extended beyond 90 days from the date of auction.

in the case of lots pertaining to Depot. This will enable efficient disposal of scrap, and at the same time will avoid mixing up of fresh receipts over the previous lot.

For other items of scrap, such as locomotives, bridges, etc. the delivery time may depend upon the need and the size of the lot. For scrap items like locomotives, wagons & coaches, two weeks extra time could be allowed for the purpose of cutting.

Item 7 : Reserve Price

The present instructions are considered adequate. One or two Railways who do not follow the system of fixing the reserve price in advance should follow the present instructions of fixing the reserve price in advance. As regards the question of showing the reserve price to the Accounts representative, it was felt that the same could be shown to him immediately after the bid is over as the responsibility for fixation of reserve price is solely on Depot Officer. However, if the fixation of reserve price is to be done jointly by Stores and Accounts Officers, the responsibility of maintaining the secrecy will lie on both. This will, however, be examined in more detail.

Item 8 : Prevention of Cartel Formation:

ADV (R) brought out that in some depots, it has been noticed that 8 to 10 persons were representing the same firm, thereby trying to manipulate the auction by cartel formation. As a remedy, it was suggested that not more than four persons should be allowed against the name of one firm. Northeast Frontier Railway also suggested that as per the Railway Board's letter No. RS(S)/81/709/21 dt. 28.2.84 one person is allowed to represent even five firms and legally there cannot be any objection for such course of action. COS/N.F. Railway suggested that the system of registration of bidders should be examined, whereby such bidders are approved by COS in advance, based on whether they comply with the requirement of income-tax clearance certificate and other laws of the land. Since it might vitiate the proceedings of a public auction, this suggestion has to be examined in consultation with Legal Adviser/Railway Board. In the meantime, the instructions that not more than four persons should be allowed to represent one firm should be followed.

Item 9 : Publicity

COSs explained that advertisement in the press is generally published about three weeks in advance, giving broad details of the items to be sold and the time and place of auction as per the standard practice. ADV was of the opinion that the quantity and the details of the lot should also be published in advance and not altered. After discussion on the subject, it was explained that in the context of having monthly auctions in each depot, it is not possible to indicate details of each lot at the time of advertisement. However, the total quantity expected to be sold

will be indicated in the advertisement and full details with regard to the description of items and quantity of the lot will be indicated in the auction catalogue alongwith the other terms and conditions. But certain last minute additions and deletions will be inevitable. After discussion, it was decided that auction catalogue should be sent to the prospective bidders eight days in advance. In most of the Railways, the catalogue is sent free to the bidders. This practice should also be followed even in the case of departmental auctions and purely as a facility, free auction catalogues should be sent eight days in advance to the prospective bidders.

ITEM 10: Auction Sale or Tender Sale

COSs explained the difficulty and complications involved in a tender sale procedure. It was also explained that in tender sale, earnest money of each bidder is blocked, and the decision-making is time-consuming as it involves formation of tender committees, etc. EDV suggested that we should evolve some system of tender sale, where earnest money could be limited to certain value and the procedure of tabulation and the tender committee dispensed with. A simpler procedure of deciding the offer by the committee of two officers, say at senior scale level, could perhaps be evolved for deciding the matter on the spot by adhering strictly to the terms and conditions issued in the tender notice. It was explained that normally the offers of the bidders are not straight forward and are linked with one condition or the other and when the offers are examined, many aspects are required to be checked before such a decision is possible. However, the feasibility of simpler procedure of tender sale may be examined and, if such a procedure is approved by the Board, it can be tried out on the Railways as an experiment.

ITEM 11: Earnest Money Deposit.

The existing instructions are considered adequate.

ITEM 12: Payment in Instalment

COSs explained that as per the existing instructions, payment is allowed within 10 days upto Rs. One lakh, within 20 days for value exceeding Rs. One lakh. Instructions also exist that payment should be made in single instalment for value upto Rs. Two lakhs; two instalments may be allowed in case of sale value is above Rs. 2 lakhs but upto Rs. 5 lakhs and three instalments for sale value above Rs. 5 lakhs. If any more instalments are required, this is within the powers of COSs. EDV was of the view that whatever payment procedure and instalment is to be followed, the same should be codified in the auction catalogue and there should be no change at the time of auction. After discussion, it was decided that, subject to the delivery time being limited to 90 days, it was immaterial if the payment was allowed in a larger number of instalments. In view of this, payment by instalments at intervals of upto 20 days each but upto a maximum of five instalments could be permitted by the Railways, subject to the original delivery time of 90 days being adhered to and lots being formed in Depots accordingly.

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ITEM 13: Delivery of Material in Instalments.

After deliberation, it was decided that delivery of the material should not exceed 90 days from the date of auction for the lots pertaining to nominated scrap depots. For items outside the depot, like locomotives, bridges etc., delivery time may be allowed depending upon the need and size of the lot. For condemned rolling stock, 2 week's extra time may be allowed for purpose of cutting.

ITEM 14: Acceptance of Lower Rate below the Reserve Price.

No modification in the existing instructions is necessary.

ITEM 15: Incentive for Payment.

No modification in the existing instructions is necessary.

ITEM 16: Incentive for early removal of gold material.

No modification in the existing instructions is necessary.

ITEM 17: Interest charges on delayed payment.

No modification in the existing instructions is necessary.

ITEM 18: Ground Rent

No modification in the existing instructions is necessary.

ITEM 19: Agreement & Conditions of Sale.

No modification in the existing instructions is necessary.

ITEM 20: Survey Board & Condemnation of Rolling Stock.

No modification in the existing instructions is necessary.

ITEM 21: Procedure for Condemnation of Locomotives, Wagons & Coaches.

No modification in the existing instructions is necessary.

ITEM 22: Organisation for Scrap Disposal.

COSs explained their difficulty of inadequate organization, due to which, apart from scrap disposal, other activities of Stores functions get neglected. Some of the Railways have not been able to implement even the provision of O.2X for the Stores Deptt. as FA&CAOs of the Railways are not concurring with the creation of posts due to different interpretation. MM desired that the Xerox copies of the proposals alongwith the FA&CAOs comments should be sent to the Stores Directorate of the Railway Board by 21.7.1986 for examination.

ITEM 23: Targets for scrap disposal during 1986-87.

No modification in the existing instructions is considered necessary.

ITEM 24: Disposal of cast iron scrap & non-ferrous scrap.

No modification in the existing instructions is considered necessary.

ITEM 25 Increase in the no. of depots/cutting up yards.

and

ITEM 26 Weighing facilities for disposal of scrap.

The Railways will send the copies of their proposals, indicating as to why the proposals were not carried through, to the Stores Directorate by 21.7.1986 for consideration.

ITEM 27: Disposal of scrap from depot or from line.

No modification in the existing instructions is considered necessary.