

K.S/S/1

5/10/51

Government of India (Bharat Sarkar)
Ministry of Railways (Rail Mantralaya)
(Railway Board)

New Delhi, dated 29-5-1982.

No. RS(S) (81/709/2)

The General Manager (Stores),
All Indian Railways, CLM, DLJ
& ICF.

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

A committee consisting of senior officers of Eastern & Central Railways was appointed by the Board vide their letter No. 80/709/23/R7(S) 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) Condemnation and disposal of overaged and condemned Rolling Stocks,
- (ii) Formation of cartels by bidders in auction.
- (iii) Sale of scrap to small scale sector and examine procedure adopted by units of IAIL with particular reference to the sale of scrap to the small scale industrial units and comments on the extent to which IAIL 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.

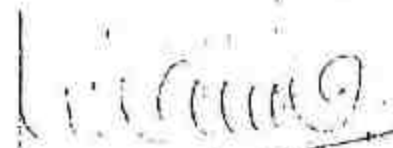
The specific point of reference, the committee's recommendation thereon and Board's decision on the recommendations made by the committee are indicated in the annexure-I.

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

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

Receipt of this letter may please be acknowledged.

DA:On2


(K. P. Verma)
Addl. Director, Railway Stores (Steel),
Railway Board.

1822 1 4/21
No. RS(5)/81/709/21

New Delhi,

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Copy forwarded for information and necessary action to:-

1. The Controller of Stores, C.I.S.I., FM-CMO, All Indian Railways and Production Units,
2. General Manager: Wheels and Axles Plant, 45, Miller Road, Bangalore
3. C.O.V. Central Organisation for Modernisation of Workshops Eastern Avenue, Baharai Bagh, New Delhi.
4. D.P. R.D.S.O. , Lucknow.
5. R.L.O. Parliament Street, New Delhi.
6. A.D.A.I. Railways, New Delhi. (with 10 spares).
7. Vigilance I, IV, RS(5), F(5) I, II, II, Track and Mech. (7) Branches in Railway Board's Office.

M(1), M(2), M(3)



K.P. Varma
(K.P. Varma)
Addl. Director, Rly. Stores (Wheel),
Railway Board.

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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 a scrap Depot through auction and the bidders get a fair idea of the composition of a lot and give 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.

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 say melting scrap should be specifically mentioned as excluded items while offering a particular lot for auction.

Item No.2 Witnessing of weightment by representatives of Accounts, R.F.F. on receipt of scrap in stores Depots.

The committee has not recommended the system of witnessing the unloading and weightment of incoming wagons containing scrap by Accounts and R.F.F. staff for following reasons.

- (i) 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.
- (ii) The contents of wagons are invariably of mixed nature and these will 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 weightment of wagons only.

Board have decided that witnessing of weightment by representatives of Accounts and R.F.F. on receipt of the scrap in stores Depot should be followed in the case of non-ferrous scrap only.

ITEM 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 no 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 Rs. 2 lacs and should normally not exceed Rs. 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.

ITEM No. 4 Review of procedure for condemnation and 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.I.V. and no separate sanction from C.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 of Board's letter No. 74-B(N)/551/1 dated 16.10.74, No. 76-M(C)/650/14 dt. 30.6.76 and No. H(L)/467/1001 dt. 8.8.74 on the subject are enclosed for strict compliance. (Annexure - II).

ITEM No. 5 System of disposal of scrap with a view to ensuring broad based participation of bidders 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 small units' participation in auction the committee has recommended that the Railways should send a few copies of the Auction Catalogues to the relevant Directorate of the State Govt. as well as to DTIC & M. for circulation amongst their constituents. This will enable such units to keep informed of such auction sale and participate in the same to their advantage. However, these small scale units should also fulfil all the auction conditions.

The recommendations of the committee are accepted by the Board.

Item No. 6 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 re-auctioned 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 organisations 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 Rs. 4 crores Group 'B' - Annual sale value above Rs. 4 crores but less than Rs. 8 crores.

Group 'C' - Annual sale value above Rs. 8 crores.

The committee recommendation that entry fee of Rs. 500/- per head where annual sale value is within Rs. 4 crores (viz. M1, V1, Q.1, M4, 102), Rs. 1000/- per head where annual sale value is between Rs. 4 and 8 crores (M2, M3, M4, 103) and Rs. 2000/- per head with annual sale value above Rs. 8 crores (M1, M2, M3, M4, 104) has been accepted. The entry fee will be in the form of Bank Draft 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 proceedings. 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 of the stores code will be issued in due course)

Item No. 7

Expedition disposal of scrap Review for improving/strictening at different stages of disposal viz holding of frequent and regular auctions, collections 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 date 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) Auction should be held in each depot at least once in a month.
- (iii) As a uniform measure there should be a single instalment for balance payment upto Rs. 2 lakhs, two instalments between Rs. 2 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 @ 1/2% of the value of the lot should be extended in case the balance sale value 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 @ 3% 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. 64/RS(G)/779/ABE XIII-B/CR dt. 29.6.79 may be removed.

Board have accepted the recommendations made by the committee. The value of interest to be charged in case of extension of time should be 2% higher than normal lending rate of Banks.

Item No. 8

Security arrangement for scrap, effective preventive measures to guard against dumping of fresh scrap arising on lots already surveyed and undergoing 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 clear out their scrap disposal with the facility of twin yard system.

Item No. 2

System of scrap disposal adopted by the units of IAIL with
particulars reference to sale of scrap to small scale
Industrial Units and comment on the extent to which the
IAIL model is of relevance to the Railways.

The committee has recommended that on the analogy of system introduced by IAIL 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 IAIL 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 sale.

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 getting the 25% scrap arising in any particular month and no recommendatory letter is also received from the D.O.I 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.

Annexure - II-1

Government of India
Ministry of Railways
(Railway Board.)

New Delhi, dt. 16-10-1974.

No. 74/A(N)/951/19

The General Managers,
All Indian Railways,

Sub: Condemnation of wagons.

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

With the creation of the posts of Additional Chief Mech. Engineers and upgradation of certain posts of Works Managers and Divisional Mechanical Engineers in fr. 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(C)/4/4 dated 28.7.71, 20.10.71 and No. 71/A(N)/951/19 dated 4.1.1972 that in works, Works Manager or any other Mechanical Officer higher in rank than Works Manager whoever is incharge of the workshop can condemn the overaged 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 underaged goods stock, Workshop Manager or any other Mechanical Officer higher in rank than Works Manager whoever is incharge of the workshop can recommend its condemnation after this personal inspection. In such cases prior approval (not personal inspection) of the Additional Chief Mechanical Engineer or Chief Mechanical Engineer is, however, necessary.

(b) On the divisions, the goods stock, whether underaged or overaged, is required to be personally inspected by a Mechanical Officer of a rank not lower than of Dy. Chief Mech. Engineer before condemnation. After inspection, overaged stock can be condemned by that officer but the Additional Chief Mech. Engineer/Chief Mech. Engineer should be informed. For the condemnation of underaged goods stock, however, prior approval of Additional Chief Mech. Engineer/Chief Mech. 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 disposes of R.T. Rly's letter No. 11/278/O/1/73 dated 28.7.74).

3. Please acknowledge receipt.

7d/-
(J. T. Mukarji)

Government of India
Ministry of Railways
(Railway Board)

Annexure - II - 2

No. 76/N(C)/650/14

New Delhi, dated 30.5.1976.

The General Manager,
All Indian Railways.

Sub: Condemnation of coaches.

Ref: Railway Board's letter No.56/249/3/11 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 underaged or overaged 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 be replaced, implying thereby a reduction in authorised stock. However, the conditions already laid down in para 713-H 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 but such concurrence is, however, not necessary for condemnation of overaged 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. WME whoever is in charge of the Workshop can condemn overaged 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.70/N(C)/951/19 dated 7.6.72. In such cases, he need not seek formal approval of the Addl. GME(C&M)/GME but the latter 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 underaged coaching stock, Works Manager or Dy. GME whoever is in charge of the workshop can recommend its condemnation after his personal inspection. In such cases prior approval (not personal inspection) of the GME or GME is, however, necessary. On the Divisions, the coaching stock whether underaged or overaged is required to be inspected - by any of the Dy. JME/Senior. WMEs or Addl. GME(C&M)/GME/GME 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.

Sd/M. S. D. Jetley
Addl. Dir. Tech. Brd. (R),
Railway Board.

Annexure-II - 3

Government of India
Ministry of Railways
(Railway Board)

New Delhi, dated 8 - 8 - 79.

No. 79-M(L)/467/1901.

The General Managers,
All Indian Railways.

Sub: Condemnation of overaged Steam Locomotives.

Ref: Board's letter No. 56/649/3/M dated 21.11.57.

In terms of para 716-B preparation of financial justification is not necessary for condemning Rolling 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 Rolling 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. 56/649/3/M dated 21.11.57 such condemnation proposals in respect of over aged stock need not be sent to Headquarters 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 disposes of Northern Railway's letter No. 498.M/O Pt. V(HL-1) dated 20.1.1979.)

Sd/-

(Y. P. Gupta)

By, Director Mech. Engineering,
Railway Board.