

**TWENTY-FOURTH REPORT**  
**PUBLIC ACCOUNTS COMMITTEE**  
**(1985-86)**

(EIGHTH LOK SABHA)

**DELAY IN SETTING UP OF REPAIR/OVERHAUL  
FACILITIES FOR A CERTAIN HELICOPTER**

**MINISTRY OF DEFENCE**



*Presented in Lok Sabha on 20-12-1985*

*Laid in Rajya Sabha on 20-12-1985*

**LOK SABHA SECRETARIAT**  
**NEW DELHI**

*December, 1985/Agrahayana, 1907 (Saka)*

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CORRIGENDA TO 24TH REPORT OF THE PUBLIC  
ACCOUNTS COMMITTEE (EIGHT LOK SABHA)

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### PART II\*

Minutes of sittings of the Committee held on -	
26.6.1985 . . . . .	
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**(1985-86)**

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## INTRODUCTION

1. The Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Twenty-fourth Report on Paragraph 52 of the Report of the Comptroller and Auditor General of India for the year 1982-83, Union Government (Defence Services) relating to delay in setting up of repair/overhaul facilities for a certain helicopter.

2. The Report of the Comptroller and Auditor General of India for the year 1982-83, Union Government (Defence Services) was laid on the Table of the House on 23rd March, 1984.

3. In this Report, the Committee have expressed their deep concern over the fact that in spite of the initial urgency expressed by the Navy for the setting up of repair facilities for helicopters for reasons of security, saving of lead time, self reliance and economy, action for initiating the implementation of the project could not be taken till as late as November, 1979, when the Government sanction for it was accorded. According to the Committee, this has not only lead to escalation in the cost of the project but has caused a drain of precious foreign exchange on account of frames of helicopters being sent abroad for repairs.

4. In the opinion of the Committee, there was complete lack of planning and concerted and purposive approach and coordination both on the part of the Naval Headquarters and the Ministry of Defence, in the implementation of this important project. The life of the helicopters inducted in 1971 is about 20 years. According to the Committee it is a matter of serious concern that although the helicopters have already outlived about 3/4 of their useful life span, the facilities for indigenous repairs have not been completed thus far. The Committee have found that the very purpose of creating these indigenous repair facilities with an outlay of about Rs. 1 crore has been largely defeated. In the opinion of the Committee, such an inordinate delay in the important project particularly pertaining to the defence of the country, is inexcusable. The Committee have emphasised that the project with some suitable and necessary modifications must be utilised for serving the corps of helicopters in use in Indian Navy from time to time.

5. The Committee have viewed with concern that due to delay in creating the indigenous repair facilities for the airframe of the helicopters, the helicopters components and assemblies including those for which indigenous facilities were being set up, continued

to be sent abroad for repairs. According to the Committee by timely completion of this project, expenditure in foreign exchange on such repairs incurred during 1976-82 (Rs. 87.58 lakhs according to the Audit Paragraph and Rs. 43.79 lakhs according to the Ministry of Defence) would have definitely been saved apart from obviating the other drawbacks as a result of sending the components abroad.

6. The Committee have further found that 4 of the 5 Naval Officers sent abroad for obtaining practical training for repair/overhaul facilities for the helicopter were transferred from the Naval Aircraft Repair Organisation even before sanction to the project was accorded in November, 1979. Even the Fifth Officer was transferred in 1980. The Committee have deplored this attitude of the Government and suggested that Government should lay down proper guidelines in the matter so that the benefit of special training imparted to the officers is available to the organisation for which the officers were trained.

7. The Committee (1985-86) examined paragraph 52 at their sitting held on 26 June, 1985. The Committee considered and finalised the Report at their sitting held on 12 December 1985. Minutes of the sitting form \*Part II of the Report.

8. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in the Appendix to the Report.

9. The Committee would like to express their thanks to the Officers of the Ministry of Defence for the cooperation extended and giving information to the Committee.

10. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of Comptroller & Audit General of India.

NEW DELHI;  
December 18, 1985  
Agrahayana 27, 1907 (Saka)

E. AYYAPU REDDY,  
Chairman,  
Public Accounts Committee.

## **REPORT**

### **Delay in setting up repair/overhaul facilities for a certain helicopter**

#### *Audit Paragraph*

1.1 Helicopters of a certain type purchased from abroad were introduced in the Navy in 1971. The Naval Headquarters (Naval HQ) proposed (July 1972) the setting up of repair/overhaul facilities for its airframe at an estimated cost of Rs. 80 lakhs (Rs. 60 lakhs in foreign exchange) at a Naval repair establishment on the ground that the helicopter had no commonality with any other helicopter being operated by the Air Force or manufactured by a public sector undertaking and no repair facilities existed with either of these agencies. The Ministry of Finance (Defence) agreed (January 1973) in principle subject to the Naval HQ furnishing the costed details of tools and test equipments, details of repair documentation, training of personnel abroad, spread of expenditure, etc. for further examination.

1.2 Based on an evaluation carried out by the Naval HQ between 1972 and 1976, the information obtained (1972) from the manufacturers of the helicopter and updated in cost for the intervening period, the Naval HQ sought (August 1976) sanction of Government to an expenditure of Rs. 117 lakhs (foreign exchange: Rs. 92 lakhs) for setting up the repair/overhaul facilities. According to the Naval HQ, obtaining (fresh) quotations and costing of the project in its totality would be time consuming and the prices obtained would remain valid for not more than 3 to 6 months.

1.3 The Ministry of Finance (Defence) asked for (January 1977) system-wise estimates for all the major systems of the helicopter for considering sanction to the project. The Naval HQ gave (July 1977) a revised proposal for Rs. 154.40 lakhs (Rs. 134.57 lakhs in foreign exchange) indicating system-wise estimated cost in respect of components/assemblies for which repair facilities were to be established. The increase in cost was reported to be due to escalation of prices in the country of manufacture of the helicopter. On commencement of the project, the expenditure on repair abroad was expected to reduce which would reach 80 per cent of the repair task done abroad on completion of the project. The Government sanction for the project was accorded in November 1979.

1.4 The project was taken up for execution soon after and according to the Naval HQ, establishment of the repair/overhaul facilities would be completed during 1984-85. The expenditure incurred on the project up to June 1983 was Rs. 77.20 lakhs. Meanwhile, the helicopter had completed 12 years' life with the Navy and the repairable arisings of its components and assemblies (including those for which facilities were being set up) continued to be sent abroad for repairs. The total expenditure incurred on their repair during 1976—82 amounted to about Rs. 281.05 lakhs (in foreign exchange) which included Rs. 87.58 lakhs on repair of components etc. covered by the project.

1.5 The unusually long time taken in sanctioning and establishing the repair/overhaul facilities for the airframe of the helicopter not only resulted in escalation in the cost (93 per cent) for setting up these facilities but also necessitated their sending abroad for repairs, which involved an expenditure of Rs. 87.58 lakhs (in foreign exchange) during 1976 to 1982.

1.6 The Ministry of Defence stated (September 1983) that even though the number of components sent abroad for repair progressively decreased, there was no obvious reduction in expenditure in repair abroad, which is attributable solely to increased cost of repair of each item sent abroad for repairs.

[Paragraph 52 of the Report of the Comptroller and Auditor General of India for the year 1982-83, Union Government (Defence Services)]

#### *Delay in sanctioning the Project*

1.7 It is seen from the Audit Paragraph that proposal for setting up of repair/overhaul facilities at an estimated cost of Rs. 90 lakhs (Rs. 60 lakhs in foreign exchange) for the airframe of the helicopters, which were purchased from abroad and introduced in the Navy in 1971, was submitted by the Naval Headquarters in July 1972. The Government sanction for the project was accorded only in November, 1979.

1.8 The Committee desired to know whether at the time of taking a decision in 1969-70 to purchase these helicopters, it was also decided to have indigenous repair/overhaul facilities for the helicopters. The Ministry of Defence stated as follows:—

“The helicopters had the unique distinction of being introduced into the foreign Navy and Indian Navy simultaneously



immediately after their design and development. There were no operating/performance data available to assess the scope of work involved in undertaking repair/overhaul facilities for the helicopter. Therefore no decision was taken on the indigenous repair/overhaul facilities at the time when it was decided to purchase these helicopters in 1969-70."

1.9 The Committee desired to know the basic reasons for setting up the repair facilities, in question. The Defence Secretary informed the Committee during evidence as follows:—

"There are three or four reasons why we do all this. One was the self-reliance. Another was to save the lead time for items sent abroad to save the cost and transportation. Security, self-reliance and economy are the three basic reasons why it was considered necessary."

1.10 The Committee desired to know as to when the work on the establishment of repair/overhaul facility for the airframe of this helicopter was initiated.

1.11 The Defence Secretary explained during evidence as follows:

"When we included the helicopters, we did not have the benefit of their experience. Nevertheless, as early as in 1971 orders were issued by the Naval Headquarters earmarking one officer and five senior Sailors to work on the facilities which would be needed for repair/overhauling of this new acquisition. Subsequently, there were further developments, when we made more studies, but all this took very considerable time. I would like to give you a copy of that letter which would show that the Indian Navy took steps to ensure that action was taken for setting up the facilities for overhaul and repairs right from the very beginning. Now, the question therefore arises as to why there was delay. As I mentioned, we did not have the benefit of a detailed study or experience of any other country. Secondly, based on the advice of the manufacturers and our own, as fliers, a very *ad hoc* estimate of Rs. 80 lakhs was submitted by the Naval Headquarters to the Ministry for sanction."

1.12 On 19 November, 1971, the Naval Headquarters had written to the Naval Aircraft Repair Organisation as follows:

"I am directed to state that the problem of repair to the helicopter components is needed to be studied to enable Naval Headquarters to establish repair agencies. I am to request that this task be undertaken by your organisation."

1.13 Asked as to when the *ad hoc* estimate of Rs. 80 lakhs was initially submitted by the Naval Headquarters for sanction, the Defence Secretary stated during evidence as follows:—

"This was in 1972. It was received in the Ministry. It was examined; in the public interest Finance felt that this was a very *ad hoc* statement and it would be more appreciated that we should have a costed list of spares and test equipment, tools, etc. We should also have a list of repair documentation, we should also have details of the training which would be needed for overhauling and major repairs of this aircraft. This was a very relevant exercise but it so turned out that this also became a very elaborate detailed exercise particularly in the background of the fact that details were not readily available. This helicopter has about 20 to 30 thousand parts and tools and equipment all of which had to be acquired. Secondly, the Indian Navy had to establish a dialogue with as many as 300 manufacturers in order to collect a variety of details."

1.14 According to the Audit Paragraph, the Ministry of Finance (Defence) agreed in principle in January, 1973 to the setting up of repair facilities for the helicopter, in question, subject to the Naval Headquarters furnishing the costed details of tools, etc. for further examination. The information obtained in 1972 was updated and furnished by Naval Hq. in August 1976. The Committee desired to know the reasons for Naval Headquarters to take as much as three years for furnishing the requisite information. The Ministry of Defence stated in a note as follows:—

"The following explanation is submitted for the evaluation work undertaken between 19th January 1973 and 27th June 1976.

Ministry of Defence on the 19th January 1973 had asked Naval Headquarters for projecting break down of project costs and indicate the basis of costing. The project for augmentation of the facilities related to approximately 1200 com-

ponents for which in-depth repair could be undertaken at Naval Aircraft Repair Organisation (NARO). The task was entrusted to NARO.

The evaluation was to cover for each component procedure for its dis-assembly, repair, re-assembly, calibration and testing identification of jigs and tools required for disassembly, documentation of the procedure for disassembly, the procedure for repair, identification of spares required for repair, the procedure for re-assembly, the procedure for calibration, the tests which are required for assessing its after repair life, identification of equipment required for the test and the procedure for documentation of all work carried out on the components which are the sub-divisions of the evaluation work for each component. This required dialogue with the manufacturers (approximately 300 numbers) and identification of jigs, tools, spares and consumable material approximating 20,000 to 30,000 and obtaining circuit diagrams, recommended scales of spares, documentation, etc. Approximately 75 per cent of the evaluation task was completed at NARO by mid 76 when the case was re-submitted for progressing the case for repair facilities for those systems for which evaluation was already completed. The remaining evaluation work was still continuing. The evaluation was completed in end 76 for most of the components and the consolidated information was prepared in the form of an Indian Navy Publication."

1.15 The Committee asked for the basis adopted for updating of cost data. The Ministry of Defence stated in a note as follows:—

"These helicopters had a unique distinction of being introduced into the foreign Navy and Indian Navy almost simultaneously. Hence neither the manufacturers nor the foreign Navy/Indian Navy had sufficient experience or data to formulate documented repair/overhaul techniques. Therefore, the estimate of Rs. 80 lakhs was provided based upon whatever information/data was available at that time. The estimate was thus more or less *ad hoc*.

When Ministry of Finance (Defence) insisted that Naval Headquarters should approach various manufacturers of the components to obtain quotations for tools, test equipments, documentation, spares, etc. to provide a more realis-

tic estimate of the project cost, Naval Headquarters carried out this exercise during 1973—77. By then Navy had gained more experience in the operation of these Helicopters. The project cost indicated by Naval Headquarters in August 1976 was thus revision of the earlier *ad hoc* estimate of Rs. 80 lakhs. This case was put up in 1976 when approximately 75 per cent evaluation and costing work was undertaken in consultation with the vendors of equipments. Since delay was foreseen in obtaining complete information for each system, the cases for seven systems were put up in 1976 alongwith the estimates for remaining systems, the project cost totalling Rs. 117 lakhs.”

1.16 It is seen from the Audit Paragraph that the Ministry of Finance (Defence) asked for in January 1977 system-wise estimates for all the major systems of the helicopter for considering sanction to the project. The Naval Headquarters gave in July 1977 a revised proposal for Rs. 154.40 lakhs (Rs. 134.57 lakhs in foreign exchange) indicating system-wise estimated cost in respect of components| assemblies for which repair facilities were to be established. The increase in cost was reported to be due to escalation of prices in the country of manufacture of the helicopter.

1.17 The Committee desired to know as to why this system-wise break up was insisted upon. The Defence Secretary stated as follows:—

“From the very beginning the charter given to the Naval Headquarters was that they would give us a costed list of tools and equipment, a cost list of documentation and the details of training etc. they would require. That was exactly what they gave in the year 1977.”

1.18 The witness further added:—

“The only thing is, in the year 1977 it has been presented in the shape of systems which we consider to be a very logical way of presentation. But what was stated in the year 1973, the same thing has been adhered to. In 1976, when the Naval Headquarters came back with their revised *ad hoc* statement, we told them that even that revised statement would not be acceptable to us and we wanted them to give us the same thing which we were asking for.”

1.19 System-wise details required by Ministry of Finance (Defence) were furnished by Naval Headquarters in July 1977. But according to the Audit Para, the Government sanction for the project was accorded in November, 1979. The Committee desired to know the reasons for delay thereafter. In a note, the Ministry of Defence stated as follows:—

“As required by Ministry of Finance (Defence), NHQ worked out the total cost of 14 systems in August, 1977. Ministry of Finance (Defence) also wanted clarifications whether the facilities for Doppler and Compass Systems existed with HAL/IAF since similar systems were being serviced by HAL/IAF. NHQ examined this aspect and clarified that no repairs/overhaul facilities for this particular Doppler and Compass Systems existed either at HAL or with IAF. It was also clarified by NHQ that the Navy was sending the components of these systems abroad for repairs because of lack of facilities existing in India. Ministry of Finance (Defence) wanted some additional clarifications and the same were provided in November 1977. The draft EFC Memorandum underwent many changes in the light of these observations and a revised EFC Memo. was put up in March, 1978 to Ministry of Finance (Defence). After giving further clarifications asked by Ministry of Finance (Defence), the revised Memo. was ultimately approved by Defence Secretary in September, 1978.

In November 1978, Ministry of Finance (Defence) requested formal confirmation from Department of Defence Production that duplication of facilities in the country will be less if the Project is entrusted to Navy as opposed to entrusting to HAL. This matter was examined by the Department of Defence Production in consultation with HAL. On 16th April 1979, Department of Defence Production proposed to send an HAL team to study the infrastructure existing at NARO (Naval) (Aircraft Repair Organisation). After the visit of the team, the Department of Defence Production confirmed in June 1979, the inability of HAL to undertake this job. Thereafter, the Memo was referred to Ministry of Finance (Defence) and EFC clearance accorded by them on 5th July 1979.

This case was then submitted to Raksha Mantri and it received Raksha Mantri's approval in August, 1979. Government sanction was subsequently issued on the 5th November, 1979.”

1.20 The Committee desired to know from the Defence Secretary the specific reasons for delay after 1977 till according of the sanction in November, 1979. The Defence Secretary explained as follows:—

“This delay is divided into two parts. One part is, we had to go to the Expenditure Finance Committee. Meanwhile in the year 1976, the Expenditure Finance Committee modified their format. Now it takes a little time for everybody to realise that the format has been changed. Such is the system of the Government, I regret to say. So, we started the work on the old format of the EFC and they are cleared by the Defence Minister and the Finance Minister.”

1.21 He further elaborated as follows:—

“All proposal of capital expenditure which at that time costing more than a crore of rupees had to be approved by the Expenditure Committee and present it to the Committee. You can get it considered whether it is justified or not. This is the procedure we have prescribed in order to ensure that there is no infructuous expenditure. Perhaps the limit of Rs. 1 crore has been raised to Rs. 2 crores now. But the procedure is still there. So, we prepared the memo. Now, first of all, the immediate job was to make modifications. Therefore, the proforma had to be modified and we had to put it up.”

1.22 With regard to the submission of initial *ad hoc* estimate of Rs. 80 lakhs, the Committee desired to know the reasons for giving an *ad hoc* estimate without giving the cost estimate. The Defence Secretary stated during evidence as follows:—

“This was done primarily because the Navy wanted that we would have the facility of repairing it within the country as quickly as possible.”

1.23 Elucidating further the Defence Secretary stated as follows:—

“In certain cases it has to be done. There were only two possibilities. One is, we go by the *ad hoc* estimate. Secondly, we prepare a complete detailed data for this purpose. We tried the first. The Naval Headquarters came up, the objectives were understood. However, the Ministry of

Defence in consultation with the Finance advised that it does not meet our requirements, you should come up with a more detailed list. The objective was to start the work as quickly as possible and based on the experience and advice given by the manufacturers, this *ad hoc* data was prepared. Since this was not acceptable, the whole thing had to be re-done. They were trying to find out a short-cut in this matter, but we insisted on a long course and it did take some time and that is why we are here before you."

1.24 The Committee desired to know as to why it was not felt necessary to accord sanction initially as the helicopter had since been received and it was felt necessary to have a repair workshop therefor quickly. The Defence Secretary explained as follows:—

"Approval to this in principle was accorded on 18-1-1973, but while granting this approval in principle to the idea of setting up a repair facility, additional information was called for and it was the collection of this additional information which took time."

1.25 The Committee desired to know if there were cases where only *ad hoc* estimates were submitted in the first instance and also details of such cases where the approval was given only on the basis of *ad hoc* estimates. The Ministry of Defence stated as follows:—

"It has not been possible to establish all cases where Government has approved projects based on rough estimates. However, the details of three cases wherein Government sanction was accorded on estimate basis are given below:—

Sl. No.	Sanction Letter No. & date	Subject
1	No. AO/7730/NHQ/232/S/D/N-III dated 1.3.85	Acquisition of Chetak Helicopters
2	AO/0274/NHQ/313/S/D/N-III dated 20.3.85	Acquisition of Kinn & Kinn
3	No. CD/4701/NHQ/857/S/72/D/N-III dated 6.9.72	Construction of a Fleet Tug for the Indian Navy

It would be noted that in all such cases the purchases were to be from defence public sector undertakings."

1.26 The Committee desired to know whether the Navy had made it known to the Ministry of Defence in 1973 or in 1974 that this exercise was going to take another two to three years and therefore, the repair facility to that extent, would get delayed. The Defence Secretary informed the Committee as follows:—

“The fact that they made three attempts is proof enough of this. We, in consultation with our Finance, insisted that since an exercise was already being done, we should have a more appropriate picture. They had, in any case, reached the end of the tunnel and, therefore, it was considered more appropriate to have the estimates.”

1.27 The witness further elucidated:—

“I would certainly say that this fact that it was likely to take a longer time was not brought to our notice in the year 1974.”

1.27A Asked about the total life of these helicopters, the Defence Secretary stated “twenty years, extendable to 25 years.”

1.28 To a question whether there was any system in the Ministry of Defence to clear projects on a *top priority* basis, the Defence Secretary stated “Most certainly”.

1.29 The Committee, therefore, desired to know the reasons for not giving due consideration to the sanctioning of this project, the Defence Secretary stated during evidence as follows:—

“It is a very difficult question. I do not know, if, during 1971 or thereafter, there was such a system. But we had a very live system of monitoring by monthly dialogue with the Services, wherein we checked with them at a very high level whether any important projects were pending sanction. This monthly meeting is carried out by me personally, with my Financial Adviser, all Joint Secretaries and the Vice-Chief of the Service concerned, himself. Each item is gone into. They furnish a list to us which is examined. If Finance needed some information, it is given. I cannot say why, at that time, it remained pending.”

*Verification from the Air Headquarters and the HAL*

1.30 The Committee enquired whether it was initially verified from the Air Headquarters and the HAL that they had absolutely no



repair facility for the repair/overhaul of the airframe of the helicopter, in question. The Ministry of Defence stated as follows:—

“NHQ were already aware of the facilities available with IAF and HAL as instruments and engines of Naval aircraft/helicopters were off loaded to IAF/HAL for repair/overhaul. There was/is no helicopter of comparable type operated by the IAF or manufactured by the HAL and therefore it was proposed by NHQ that repair/overhaul facilities for these helicopters be set up at NARO. In the course of discussions with the Government it was also clarified/confirmed by HAL that it would be cost effective to set up facilities at Naval Aircraft Yard.”

1.31 The Committee desired to know the specific reasons for again seeking this clarification about the existence of the requisite repair facilities in HAL from the Department of Defence Production and HAL as late as in 1979. The Defence Secretary stated as follows:—

“The reason basically was that the earlier enquiry was made in the year 1971-72. It was not clear from the files if this was really pursued. Then, in five years considerable new facilities had also been set up in the HAL. Therefore, a reference was made to the Department of Defence Production to find out from the HAL whether they had set up the new facilities like Avionics. If they would be in a position to take on this. They, in turn, made a reference to the various complexes that they have in Kanpur, Bangalore etc. and they also came to the Cochin Unit to have a visual impact and understanding of what exactly was needed. They came there and saw that there was no commonality existing between these two things.”

1.32 Further explaining the reasons for delay of about 7 years, the Defence Secretary, informed the Committee as follows:—

“As a matter of fact this seven year delay does not give us also any satisfaction. Secondly, there has been a very considerable streamlining in the matter of procedures. In various things we are trying to cut on the lead time.”

*Present position of the project*

1.33 According to the Audit Para, the project was taken up for execution soon after November, 1979 and according to the Naval Headquarters, establishment of the repair/overhaul facilities would be completed during 1984-85.

1.34 Asked about the target date for establishing the repair facilities when the clearance was given in 1979, the Defence Secretary replied that it was approximately, 1982.

1.35 Asked further about the latest progress of the project, the Defence Secretary stated during evidence as follows:—

“We have done 98 per cent. There are two things now left over. Money-wise, Rs. 99.8 lakhs have been spent. The little item are left. The rest is all done.”

1.36 The Committee desired to know the percentage of repairs presently carried out indigenously and how far these repairs were still got done from abroad. The Ministry of Defence stated as follows:—

“The Helicopter has a component population of over 500 which have repair potential. Of these, facilities to repair all but 25 components have been established. The repair arising of the components averages around 400 per year and repairs to these are undertaken in India. Therefore the percentage of repair work undertaken in India amounts to over 90 per cent. Though Government had given clearance for continued repair abroad of 39 components. Naval Headquarters by improving the existing facilities/establishing additional facilities have been able to undertake the repairs of many components from this list. As a result only 25 components need to be sent abroad at present.”

*Expenditure on the repairs got carried out from abroad*

1.37 It is seen from the Audit Paragraph that repairable arisings of the helicopter's components and assemblies (including those for which facilities were being set up) continued to be sent abroad for repairs. The total expenditure incurred on their repair during 1976—82 amounted to about Rs. 281.05 lakhs (in foreign exchange) which included Rs. 87.58 lakhs on repair of components etc. covered by the project.

1.38 The Committee desired to know the number of components sent abroad for repairing and expenditure on their repairs during each of the years 1976-77 to 1982-83. In a note the Ministry of Defence stated as follows:—

“The number of repair indents raised on vendors abroad for repair of items falling within the purview of this project

during the period 1976-77 to 1982-83 and the expenditure incurred thereon, are given below. The expenditure is derived from contracted cost wherever available and from indented cost in other cases:

Period	No. of repair indents	Repair expenditure (Rs. in Lakhs)
1976-77	15	1.91
1977-78	11	1.96
1978-79	9	2.79
1979-80	18	3.68
1980-81	18	6.40
1981-82	31	56.85
1982-83	14	9.17

1.39 The Committee desired to know as to how much of the expenditure of Rs. 87.58 lakhs incurred on repairs from abroad would have been saved, had the project been completed as per schedule. The Ministry of Defence stated as follows:—

“Since the element of spares used in repair/overhaul accounts for 50 per cent of the cost of the repairs/overhaul, the actual expenditure should be taken as Rs. 43.79 lakhs, as the expenditure on spares would have to be incurred whether the jobs are undertaken in India or abroad. The expenditure of Rs. 43.79 lakhs incurred on repairs from abroad was unavoidable as this amount was incurred for deeper repairs which were beyond the scope of the facilities sanctioned under the subject Government sanction letter and therefore the above expenditure has no link with the project.”

1.40 The Committee desired to know whether any expenditure had been incurred on repairs of the components/assemblies abroad during 1982-83 and 1983-84 and if so, the expenditure incurred during

these two years on repair of components covered by the project. In a note, the Ministry of Defence stated as follows:—

“During 1982-83 and 1983-84, 15 and 8 repair indents had been raised for repair of components/assemblies abroad. These components were first referred to NAY before their despatch abroad. NAY after investigation have found that these components needed repairs in depth which are beyond the capacity of NAY. It is also clarified that such facilities of in depth repair requiring production level testing and tuning were not originally envisaged in the project.

Repair expenditure based on actual contracted cost and indent estimates where items are not yet contracted is given below:—

1982-83	..	*Rs. 9.1 lakhs
1983-84	..	Rs. 4.1 lakhs

\*The repair expenditure during 1982-83 was earlier indicated as Rs. 13.97 lakhs. Figures stand revised to date because of lower expenditure actually incurred and change in exchange rate (from Rs. 18 to Rs. 16 one £).”

1.41 To a question whether any repairs were got carried out from abroad during 1984-85 and if so, how much of expenditure was incurred on such repairs, the Ministry of Defence stated that no repairs were got carried out from abroad during 1984-85.

#### *Training of the officers from abroad*

1.42 The Committee desired to have a statement showing the following information:—

- (i) Names and designations of the officers who went abroad with a view to have requisite knowledge of the repair/overhaul facilities for the helicopter in question.
- (ii) Countries and places visited by them together with the dates of such visits.
- (iii) The period for which these officers remained attached to the Naval Aircraft Repair Organisation, after their ~~afore-~~said foreign visits.

1.43. The requisite information furnished by the Ministry of Defence is as follows:—

"Stream number	Name	Appointment	Period of Appointment	Period of Visit	Place of Visit
I	Lt T Mohan Ram	NAIS Cochin	74-78	10.6.74 to 29.7.74	} UK
II	Lt (SDAE) Hoshiar Sigh	NAY Cochin	74-79	5.8.74 to 25.3.75	
III	S/Lt (SDAE) BS Dukia	NAIS/NAY Cochin	74-80	10.6.74 to 21.10.74	
IV	Lt (SDKL) Bahwan Rai	INS Garuda Cochin	74-79	17.6.74 to 5.8.74	
V	Lt R Shahdadpuri	INS Garuda	74-77	17.6.74 to 5.8.74	

The officers at Stream, I, IV and V were though appointed to NAIS/INS/Garuda, these establishments are located adjoining the Naval Aircraft Yard and the Officers' expertise continued to be available on as required basis."

1.44 In his Report submitted by one of the trainees Lt. (SDAE) Hoshiar Singh *inter alia* had stated that though there was neither any class room instructions nor any specific training programme chalked out yet they had organised themselves for the total 33 weeks of training.

#### Total expenditure on the Project

1.45 According to the Audit Paragraph the Original estimate submitted by the Naval Headquarters in July 1972 for Rs. 80 lakhs (Rs. 60 lakhs in foreign exchange) for setting up of repair/overhaul facilities for the airframe of the helicopter was updated in August 1976 to Rs. 117 lakhs (foreign exchange Rs. 92 lakhs). Further in July 1977, the Naval Headquarters had submitted a revised proposal for Rs. 154.40 lakhs (Rs. 134.57 lakhs in foreign exchange) indicating system-wise estimated cost in respect of components/assemblies for which repair facilities were to be established.

1.46 Asked about the expenditure incurred on the project so far, the Defence Secretary stated during evidence as follows:—

“This project is now nearly completed; only one or two small items are remaining, we have spent Rs. 99.82 lakhs or nearly Rs. 1 crore so far.”

1.47 The Committee desired to know the reasons for saving in expenditure *vis-a-vis* the latest estimate submitted by the Naval Headquarters in 1977. The Defence Secretary informed the Committee during evidence as follows:—

“In the 1977 estimate, as we went along, we realised that there were three new facilities which had developed. One factor was an item which became obsolescent. This was known as PTR 377. This is a radio set. So we decided that there was no point in setting up this facility for this item. Then there were two items where we found that indigenous facilities were already available; these were fuel system and transmission system. Therefore, we decided not to set up new facilities. This was available within the country. So we thought it was unnecessary.”

#### *Future utilisation of repair facilities*

1.48 The Committee desired to know as to how far these repair facilities would be useful for repairs in the improved version of the helicopters contracted in 1983. In a note the Ministry of Defence stated as follows:—

“The major differences between existing and proposed acquisitions are uprated engine and transmission, change in sensor and weapon equipment fit effecting sonar winch, doppler, radar and transponder. The details of the helicopter modification standard and the equipment fit are not known at present to evaluate their repair/overhaul requirements.

Even in the absence of complete information of the equipment fit it is expected that most of the facilities created under this project could be used in the future acquisition in respect of the following systems:—(1) Hydraulics (2) Sonar Winch (3) Servo Control, (4) Transmission (5) Fuel system (6) Radalt (7) Compass GM7B (8) Automatic Flight Control System (9) Instruments (10) Electrical.

Facilities created for Sonar, Doppler and Radar are not likely to be used for servicing the new equipment under consideration. Common range testing facilities created in connection with these will continue to be of use.

Since obsolescence of PTR 377 was identified, no facility which is exclusively meant for this set was created. Hence the facilities created will be of use in servicing the indigenous set under consideration as replacement."

*Cost-effectiveness with relation to job-value*

1.49 The Committee desired to know the job value of the repair facilities of the Helicopter created at NARO, as compared to their job value abroad. The Ministry of Defence stated as follows:—

"There is no costing done on the quantum of work undertaken at Naval Aircraft Yard (then NARO) as it undertakes jobs only for Naval requirement (no outside job undertaken).

The cost of repair of a component abroad includes the following elements:—

- (a) Cost of defect investigation
- (b) Cost of replacement of spares
- (c) Cost of testing
- (d) Cost of inspection and certification
- (e) Cost of manpower
- (f) Cost of packaging
- (g) Cost of transportation

Of these elements, cost of spares, accounts for 50 per cent of the total cost of repairs. In dealing with repairs abroad, repairs cost up to a maximum of 50 per cent of the cost of the new item is generally accepted. During 1984 the price of spares alone utilised in the repairs at NAY has been of the order of Rs. 3.09 crores. Had the jobs been done abroad, the repair bill would have been Rs. 6.18 crores.

Similarly up to May 1985 the spares utilised by NAY were of the order of Rs. 2.20 crores and the notional overseas repair cost would be Rs. 4.40 crores.

It is relevant to mention that the job value is far in excess of the total value of the project sanction of Rs. 154 lakhs indicating the cost effectiveness of the project as in 1984 and in 1985 (till May) the job value is around Rs. 309 lakhs and Rs. 219 lakhs respectively."

#### *Common repair/overhaul facilities*

1.50 The Committee desired to know whether Ministry of Defence had examined the feasibility of undertaking repairs and overhaul of the similar types of aircraft in operation/use by the three Wings (Army, Navy, Air Force) of the Defence Services and if not, reasons therefor. The Ministry of Defence stated as follows:—

"It is advantageous for each service to have its own repair and overhaul facilities because operational requirements mean that—

- (i) Repairs up to first and second level are done by and near the units maintenance shops;
- (ii) Therefore expertise training and technical manual and inventories of parts and components are also available at the same point.
- (iii) Although the type of aircraft can be one, but actually its design, component etc. are different. Jigs, fixtures and tools etc. required for the repairs and overhaul are also different.
- (iv) Operationally also, it is of advantage that each service is responsible for the timely maintenance and upkeep of the aircraft.
- (v) In particular, the helicopters operated by the Indian Navy are unique to the Indian Navy.

They have no commonality with Air Force helicopters, especially regarding their operation role fitment.

Therefore, if each service does the repair and overhaul itself, it is required to add only a few jigs and fixtures to the existing facilities and has other advantages of specialised knowledge, spare parts and stocks etc.



1.51 The Committee note that in July, 1972 Naval Headquarters had submitted a proposal for Rs. 80 lakhs (Rs. 60 lakhs in foreign exchange) for the setting up of repair/overhaul facilities for the air-frame of a certain helicopter, which was imported from and inducted in the Indian Navy in the year 1971. The repair facilities were to be established at a Naval repair establishment on the ground that the helicopter had no commonality with the other helicopters being operated by the Air Force or manufactured by Hindustan Aeronautics Limited a public sector undertaking and no repair facilities existed with either of these agencies. According to the Ministry of Defence, as the helicopter was inducted simultaneously in the Indian Navy and the Navy of the country from where it was imported immediately after its design and development, no decision was taken on creating the indigenous repair/overhaul facilities at the time when it was decided to purchase these helicopters in 1969-70.

1.52 According to the Defence Secretary, the three basic reasons for mooted the proposal of indigenous setting up of these repair facilities were security, self-reliance and economy, in other words to save the lead time for items sent abroad, to save the repair cost and the cost on transportation. The Defence Secretary also informed the Committee during evidence that the primary reason for giving ad hoc estimate of Rs. 80 lakhs in July 1972 was "because the Navy wanted that we should have the facility of repairing it within the country as quickly as possible". The Committee are deeply disturbed to note that in spite of the initial urgency expressed by the Navy for the setting up of repair facilities for helicopters for reasons of security, saving of lead time, self reliance and economy, action for initiating the implementation of the project could not be taken till as late as November 1979, when the Government sanction for it was accorded. The reasons for this inordinate delay and other important related matters are discussed in the succeeding paragraphs.

1.53 The Ministry of Finance (Defence) took as much as 6 months from July, 1972 to January, 1973 to agree to the proposal in principle subject to the Naval Headquarters furnishing the cost details of jigs, tools, repair documentation, training of personnel abroad, spread of expenditure, etc. for further examination. It is disquieting to note that the Naval Headquarters took abnormally long period of three years to finalise the requisite information as the necessary evaluation was completed by the end of 1976 for most of the components and the consolidated information was prepared in the form of an Indian

**Naval publication.** Based on this evaluation, the Naval Headquarters had submitted in August 1976, a revised estimate of Rs. 117 lakhs (foreign exchange Rs. 92 lakhs). The Committee are not convinced with the justification for this delay advanced by the Ministry of Defence that "this required dialogue with the manufacturers (approximately 300 numbers) and identification of jigs, tools, spares and consumables material approximately 20,000 to 30,000 in number and obtaining circuit diagrams, recommended scales of spares, documentation etc." The Committee consider that simultaneous negotiations with the manufacturers, whatever be their number, and evaluation of the requisite information should not have taken such a considerably long period of three years.

1.54 It is surprising to note that sanctioning of the project was further delayed as according to the Audit Paragraph the Ministry of Finance (Defence) demanded in January, 1977, system-wise estimate for all the major systems of the helicopter. The Naval Headquarters submitted in July 1977, a revised proposal for Rs. 154.40 lakhs (Rs. 134.57 lakhs in foreign exchange indicating system-wise estimated cost). However, according to the Defence Secretary "From the very beginning the charter given to the Naval Headquarters was that they would give us a costed list of tools and equipment, a cost list of documentation and the details of training etc. they would require." It is unfortunate that the matter was further delayed due to non-furnishing of the requisite information. The Committee emphasize that all requirements and details should in future be settled in the beginning itself by mutual consultations, which would obviously obviate the chances of any unnecessary delay like the one occurred in the present case.

1.55 The Committee are deeply concerned to note that even though as required by the Ministry of Finance (Defence), Naval Headquarters worked out and furnished to them the total cost of 14 systems in August, 1977, the sanctioning of the Project was further delayed by more than 2 years till November, 1979. According to the Ministry of Defence this delay is on account of two reasons. First the Expenditure Finance Committee Memorandum could not be finalised as the Ministry of Finance (Defence) had sought a number of clarifications thereon. The draft EFC Memorandum had undergone many changes in the light of these clarifications and the revised Memorandum was ultimately approved by Defence Secretary in September, 1978. In justification of this delay, the Defence Secretary stated during evidence "Meanwhile in the year 1976, the Expenditure Finance Committee modified their format. Now it takes a little

time for everybody to realise that the format has been changed." The Committee are unable to accept this argument and on the contrary the Committee find that by timely action and coordination between the different authorities, this delay could very well have been obviated.

1.56 Yet another reason for delay between August, 1977 and November, 1979 was that in November, 1978, Ministry of Finance (Defence) insisted on formal confirmation from Department of Defence Production that duplication of facilities in the country would be less if the Project was entrusted to Navy. The Department of Defence Production had confirmed only in June 1979, the inability of HAL to undertake this Job. The Committee are astonished to note as to why specific information with regard to the existence or otherwise of the requisite repair facilities in HAL was not initially obtained from the Department of Defence Production/HAL. The Committee are not able to accept the explanation advanced by the Ministry of Defence that Naval Headquarters were already aware of the facilities available with IAF and HAL as instruments and engines of Naval aircraft/helicopters were offloaded to IAF/HAL for repair/overhaul. Explaining the reason for seeking this clarification again from the Department of Defence Production and HAL as late as in 1979, the Defence Secretary informed the Committee in evidence. "The reason basically was that the earlier enquiry was made in the year 1971-72. It was not clear from the files if this was really pursued." The Committee take a very serious view on this lapse and recommend that the matter may be enquired as to how the enquiry once initiated was not pursued subsequently. The outcome of this enquiry should be intimated to the Committee within six months.

1.57 The Committee strongly deprecate the inordinate delay of more than seven years in sanctioning the project. This had not only lead to escalation in the cost of the project but has caused a drain of precious foreign exchange on account of frames of helicopters being sent abroad for repairs. Conceding the delay, the Defence Secretary stated during evidence before the Committee that "As a matter of fact this seven year delay does not give us also any satisfaction. Secondly, there has been a very considerable streamlining in the matter of procedures. In various things we are trying to cut on the lead time".

1.58 The Committee note that when the sanction for this project was accorded in November 1979, the target date set for establishing the repair facilities was the end of 1982. It is unfortunate that even this target date was not adhered to. About the latest progress on the project as on 26-6-1985, the Defence Secretary stated during evidence that "we have done 98%. There are two things now left over. Money-wise, Rs. 99.8 lakhs have been spent. The little items are left. The rest is all done."

1.59 The facts narrated above make it abundantly clear that there was complete lack of planning and concerted and purposive approach both on the part of the Naval Headquarters and the Ministry of Defence, in the implementation of this important project. There was also an utter lack of coordination between the Naval Headquarters and the Ministry of Defence. The life of the helicopters inducted in 1971 is about 20 years. It is a matter of serious concern that although the helicopters have already outlived about 3/4 of their useful life span, the facilities for indigenously repairing them have not been completed thus far. The Committee find that the very purpose of creating these indigenous repair facilities with an outlay of about Rs. 1 crore has been largely defeated. Such an inordinate delay in the important project particularly pertaining to the defence of the country is inexcusable. While the Committee appreciate that the Ministry have not attempted to defend the indefensible, they regret that the Ministry have not indicated clearly what steps they propose to take so that particularly in a Ministry of Defence entrusted with the security of the country delays of such a magnitude can never occur and if for good reasons delays cannot be avoided they are kept down to the absolute minimum. The Committee suggest that the Ministry should establish forthwith a machinery and the procedure which would ensure that the continuous watch is kept on the progress of all projects under execution with a view to preventing the occurrence of delay. The Committee further desire that the expenditure so far incurred on this project will not go waste with phasing out of the helicopters. The project with some suitable and necessary modifications must be utilised for serving the corps of helicopters in use in Indian Navy from time to time.

1.60 Further, according to the Ministry of Defence, it was never brought to their notice neither in 1973 or 1974 by the Naval Headquarters that they were likely to take considerably longer time to finalise the information required from them by the Ministry of Finance (Defence). The Committee recommend that such important

matters should not be relegated to routine correspondence but should be thrashed out in a dynamic manner at the top level. The Committee also stress that such difficulties should be sorted out even on phone and approval and ratification of the said decisions can be obtained by subsequent correspondence. Procedure with regard to the movement of files relating to such important projects should also be reviewed and suitably modified with a view to eliminate any causes for delay in the matter of taking decisions at any level. It is a different matter if it is a question of stores or reserves but for equipment which is of day-to-day use in defence forces, the procedure must be speedy and effective. The Committee also urge that whenever any item is purchased from abroad, all matters relating to relevant technical know-how, the requisite repairs and spares, the training of personnel to handle it, should be finalised as far as possible initially and simultaneously as one package.

1.61 The Committee note that due to delay in creating the indigenous repair facilities for the airframe of the helicopters the helicopter's Components and assemblies including those for which indigenous facilities were being set up, continued to be sent abroad for repairs. According to the Audit Paragraph, the total expenditure incurred during 1976-82 on repair of the components etc. covered by the project, amounts to Rs. 87.58 lakhs. However, according to the Ministry of Defence, since the element of spares used in repair/overhaul accounts for 50% of the cost of the repairs/overhaul, the actual expenditure should be taken as Rs. 43.79 lakhs. The Committee view with concern this avoidable expenditure. The Committee have no doubt that timely completion of the project would have definitely saved this expenditure in foreign exchange apart from obviating the other drawbacks as a result of sending the components abroad.

1.62 The Committee note that 5 Naval Officers were sent abroad for obtaining practical training and knowledge of the repair/overhaul facilities for the helicopter, in question. Strangely enough, 4 of these officers were transferred from the Naval Aircraft Repair Organisation even before the sanction to the project was accorded in November, 1979. Even the fifth officer was also transferred in 1980. The Committee conclude that the specialised training given to the five officers has not achieved the purpose for which it was intended. The Committee deplore this attitude of the Government and suggest that Government should lay down proper guidelines in the matter so as

to ensure that the postings of such officers on completion of their training are invariably made by keeping in view their usefulness for the project for which such training was arranged.

NEW DELHI;  
December 18, 1985  
Agrahayana 27, 1907 (Saka).

E. AYYAPU REDDY  
Chairman,  
Public Accounts Committee.

## APPENDIX

### Conclusions and Recommendations

Sl.	Para No.	Ministry concerned	Conclusion/Recommendations
1	2	3	4
1	1.51	Defence	The Committee note that in July, 1972 Naval Headquarter had submitted a proposal for Rs. 80 lakhs (Rs. 60 lakhs in foreign exchange) for the setting up of repair/overhaul facilities for the air-frame of a certain helicopter, which was imported from and inducted in the Indian Navy in the year 1971. The repair facilities were to be established at a Naval repair establishment on the ground that the helicopter had no commonality with the other helicopters being operated by the Air Force or manufactured by Hindustan Aeronautics Limited a public sector undertaking and no repair facilities existed with either of these agencies. According to the Ministry of Defence, as the helicopter was inducted simultaneously in the Indian Navy and the Navy of the country from where it was imported immediately after its design and development, no decision was taken on creating the indigenous repair/overhaul facilities at the time when it was decided to purchase these helicopters in 1969-70.
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an Indian Naval Publication. Based on this evaluation, the Naval Headquarters had submitted in August 1976, a revised estimate of Rs. 117 lakhs (foreign exchange Rs. 92 lakhs). The Committee are not convinced with the justification for this delay advanced by the Ministry of Defence that "this required dialogue with the manufacturers (approximately 300 numbers) and identification of jigs, tools, spares and consumables material approximately 20,000 to 30,000 in number and obtaining circuit diagrams, recommended scales of spares, documentation etc." The Committee consider that simultaneous negotiations with the manufacturers, whatever be their number, and evaluation of the requisite information should not have taken such a considerably long period of three years.

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