

**PUBLIC ACCOUNTS COMMITTEE  
(1975-76)**

(FIFTH LOK SABHA)

**HUNDRED AND NINETIETH REPORT**

**DEFENCE SERVICES**

[Action taken by Government on the recommendations of the Public Accounts Committee contained in their 146th Report (Fifth Lok Sabha) on some of the paragraphs included in the Report of the Comptroller & Auditor General of India for the year 1972-73, Union Government (Defence Services)—Departments of Defence and Defence Production.]



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*November, 1975/Kartika, 1897 (S)*

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CORRIGENDA TO 190TH REPORT OF THE PUBLIC  
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## CONTENTS

|  | PAGE  |
|--|-------|
| COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (1975-76) . . . . .   | (iii) |
| INTRODUCTION . . . . .   | (v)   |
| CHAPTER I Report . . . . .   | I     |
| CHAPTER II Recommendations/Observations that have been accepted by Government . . . . .  | 10    |
| CHAPTER III Recommendations/Observations which the Committee do not desire to pursue in view of the replies from Government . . . . .    | 81    |
| CHAPTER IV Recommendations/Observations replies to which have not been accepted by the Committee and which require reiteration . . . . . | 95    |
| CHAPTER V Recommendations/Observations in respect of which Government have furnished interim replies . . . . .                           | 96    |
| APPENDIX Summary of main Conclusions/Observations . . . . .  | 99    |

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(1975-76)

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22. Shri Rabi Ray

SECRETARIAT

Shri H. G. Paranjpe—*Chief Financial Committee Officer.*  
Shri N. Sunder Rajan—*Senior Financial Committee Officer.*

## INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Hundred and Ninetieth Report on the action taken by Government on the recommendations of the Public Accounts Committee contained in their Hundred and Forty-Sixth Report on Departments of Defence and Defence Production.

2. On the 3rd June, 1975, an Action Taken Sub-Committee consisting of the following Members was appointed to scrutinise the replies from Government in their earlier Reports:

Shri H. N. Mukerjee—*Chairman*

Shri V. B. Raju—*Convener*

Shri Priya Ranjan Das Munshi

Shri Darbara Singh

Shri N. K. Sanghi

Shri Rabi Ray

Shri Raja Kulkarni

Dr. K. Mathew Kurian

} *Members*

3. The Action Taken Sub-Committee of the Public Accounts Committee (1975-76) considered and adopted this Report at their sitting held on the 25th November, 1975. The Report was finally adopted by the P.A.C. on the 17th December, 1975.

4. For facility of reference the main conclusions/recommendations of the Committee have been printed in thick type in the body of the Report. A Statement showing the summary of the main recommendations/observations of the Committee is appended to the Report.

5. The Committee place on record their appreciation of the assistance rendered to them in this matter by the Comptroller and Auditor General of India.

NEW DELHI:

December 17, 1975

*Agrahayana 26, 1897 (S).*

H. N. MUKERJEE,

*Chairman,  
Public Accounts Committee.*

## CHAPTER I

### REPORT

1.1. This Report of the Committee deals with the action taken by Government on the recommendations contained in their 146th Report (Fifth Lok Sabha) on some of the paragraphs included in the Report of the Comptroller and Auditor General of India for the year 1972-73, Union Government (Defence Services) relating to the Departments of Defence and Defence Production, which was presented to the Lok Sabha on 10th April 1975.

1.2. Action Taken Notes have been received from Government in respect of all the 32 recommendations contained in the Report.

1.3. The Action Taken Notes on the recommendations of the Committee have been categorised as follows:

(i) Recommendations/Observations that have been accepted by Government.

Sl. Nos: 1, 4, 5, 6, 7, 9, 10, 12\*, 13\*, 15\*, 18, 25, 28, 29, 31 and 32.

(ii) Recommendations/Observations which the Committee do not desire to pursue in the light of the replies of Government.

Sl. Nos. 14\*, 16\*, 17\*, 19, 20, 21, 22, 23, 26, 27 and 30.

(iii) Recommendations/Observations, replies to which have not been accepted by the Committee and which require reiteration.

Nil

(iv) Recommendations/Observations in respect of which Government have furnished interim replies.

Sl. Nos: 2, 3, 8, 11 and 24.

1.4. The Committee expect that final replies in respect of recommendations to which only interim replies have so far been furnished would be submitted to them expeditiously after getting them vetted by Audit.

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\*Not vetted in Audit.

1.5. The Committee will now deal with the action taken by Government on some of their recommendations.

*Delays in Fixing Responsibility for Lapses (Paragraphs 1.16, 1.17, 1.33, 1.34, 1.48, 1.49 & 1.51—Sl. Nos. 2, 3, 6, 7, 8, 9 and 11).*

1.6. Commenting on various lapses and acts of omission and commission in the procurement and utilisation of machines and equipment in different Defence installations, the Committee had, *inter alia*, recommended fixation of responsibility for the lapses. For instance, dealing with a case of procurement of an extrusion press, the Committee, in paragraphs 1.16 & 1.17 of the Report, had observed:

"1.16. As most of the orders were suitable for 190 mm container, the press was confronted—as pointed out by Audit—with a large accumulation of forgings of the value of Rs. 5.13 lakhs which could not be utilised. The Committee cannot but deplore the haphazard planning by the Department of Defence Production before the extrusion press was ordered and installed."

"1.17. The Committee desire that responsibility for this lapse should be fixed and the action taken intimated to them. The statement given by the Department to the Audit that "the factory did not have any previous experience of extrusion of aluminium alloy and the assessment of requirements of forgings could not, therefore, be made on the basis of any actual experience" is not at all acceptable. Government should have conducted a survey of the anticipated load of the extrusion press by using the containers of all the three sizes before placing orders for the forgings on two different factories. And in any case Government should not have any difficulty in procuring competent technical and expert advice before committing themselves to the large monetary expenditure."

1.7. In their Action Taken Note dated 11th July, 1975 on the above recommendations, the Department of Defence Production have stated:

"The comments of the PAC have been noted. A Board of Enquiry has been appointed by DGOF to investigate the circumstances leading to the accumulation of forgings; the basis on which the forgings were ordered and fixing of responsibility for the lapse in ordering, review and disposal of forgings are amongst the terms of reference."



1.8. In another instance of purchase of shot blasting plants, the Committee had the following observations to make in paragraphs 1.33 and 1.34:

"1.33. The Ministry of Defence had with them four sand blasting machines, two of which were purchased in 1921 and two in 1942. These were conventional types of sand blasting machines. It has been admitted by the Ministry of Defence that factory 'A' did not have any experience of using fully automatic type, with electronic control like the shot blasting plants which were procured against indent placed on the DGS&D in January, 1964. The Committee have noted that against the indent for four sand blasting machines placed by factory 'A' in January, 1964, the DGS&D on the recommendation of the indentors had placed an order on a firm in April, 1965 for supply of two shot blasting plants. It was stated by the indentor that they preferred shot blasting machines to sand blasting ones as the latter involved health hazard to the men working on the machines. The Committee note with some surprise that although they had no experience of using fully automatic type shot blasting machines, factory 'A' approved the procurement of two such plants against their original indent of four sand blasting machines. Some parts were missing from the plants which were received in the factory during July—August, 1966 and it took another two years to provide the missing parts. The reasons for this particular delay have not been explained. The Committee desire that responsibility for all these lapses should be fixed. The quantity and value of the missing parts should be intimated to the Committee."

"1.34. Another unsatisfactory feature is that on account of the variation in the air pressure, the plants became inoperative and also the workload in the mean time had registered a fall. When the difficulty about the fluctuating air pressure arose, Factory 'A' after some make-shift arrangements took action in 1969 i.e. after about a year of its commissioning to connect the machine directly with one of the compressors. The second machine for which there was no adequate workload was transferred to another factory in May, 1970 and there also it could be installed only in September, 1972, i.e. after a lapse of two years. The explanation of the Ministry that the installation of the plant could not be completed due to other priority works is unconvincing. The Committee note that out of 9 compressors procured for this factory, only two

compressors could be installed for supply of compressed air to the second shot blasting plant. They deplore the lack of advance planning in the matter of procurement of machines and their utilisation by providing air compressors. They would like that the reasons for the delay in providing compressed air supply to the shot blasting plants should be fully probed and responsibility fixed."

1.9. The Action Taken Notes dated 9th July, 1975 furnished in this regard by the Department of Defence Production are reproduced below:

"The observations of the PAC have been noted. A Board of Enquiry has been constituted by the DGOF to investigate the circumstances leading to the purchase of plants and the delay in obtaining replacement of the missing part. The Board will also assess the quantity and value of the missing parts. The result of the enquiry would be intimated to the PAC."

"A Board of Enquiry has been constituted by the DGOF to investigate the reasons for the delay in providing compressed air supply to the plants. The result of the enquiry would be reported to the PAC."

1.10. Similarly, in regard to the purchase of two single spindle circular groove and slot milling machines, the Committee, in paragraphs 1.48, 1.49 and 1.51, had observed:

"1.48. From the material made available before them, the Committee think that the concerned officers in the Directorate General of Ordnance Factories are answerable for the purchase of two machines (single spindle circular groove and slot milling) costing Rs. 2.62 lakhs for Factory 'B' when the latter had demanded two HMT M3V Vertical Milling Machines. Not only was the purchase effected in haste for which no satisfactory explanation has been advanced but it was thrust upon Factory 'B' who could not put it to any effective use. The result has been that there was a frantic search for a possible user of an unwanted machine among the various Ordnance Factories until it found a berth in Factory 'F' in 1973 i.e. about six years after its purchase. The Committee recommend that responsibility for various acts of omission and commission should be fixed and a report of the action taken intimated to them."

"1.49. The Committee are not at all convinced by the argument advanced by the Ministry that single spindle circular groove and slot milling machines 'were modern and capable of executing the type of intricate jobs encountered by Factory 'B' '.....The scrutiny and comments on the machines offered against the tender opened in April 1964, could be finalised by Factory 'A' only by 21st December, 1964. As the DGS&D was expediting for comments, DGOF sent the comments on the tenders to DGS&D on 6-1-65, without reference to Factory 'B'. There should have been proper assessment of the requirements followed by consultations with the user as to the possible utilisation of the machines indented for. This was not done. There was no justification whatsoever for not consulting Factory 'B' about the suitability or otherwise by DGOF, when the comments of Factory 'A', one of the indentors had specifically been sought. This gives rise to serious suspicion of corruption. The explanation of the Ministry that the fact that Factory 'B' sent several reminders for the procurement of single spindle circular groove machine indented apparently confirmed that the factory was not averse to the procurement of these machines' is plausible but not convincing. The Ministry themselves have confirmed that Factory 'B' wanted general purpose machine and not special purpose one. The Committee would like to express their displeasure at the manner in which the deal was rushed through and desire that responsibility for the lapses should be fixed."

"1.51. The Committee consider that the DGOF had failed to ensure the full utilisation of the two machines which had been purchased at considerable cost. Apart from this, the DGOF was totally ignorant of the actual requirements of the various Ordnance Factories and this is evident from the fact that circular letters had been issued to various Ordnance Factories enquiring whether they would accept one of the machine declared surplus by Factory 'B'. The Committee desire that individual responsibility for indenting the unwanted machines should be fixed and the action taken in this regard intimated to them. A report about the utilisation of the machines by Factory 'C' and Factory 'F' should also be furnished to the Committee for their information."

1.11. In their Action Taken Notes dated 11th July, 1975, the Department of Defence Production have replied:

"A Board of Enquiry has been ordered to investigate the circumstances leading to the purchase of Milling Machines.

Report of the Enquiry is awaited. Further action will be taken on receipt of the Report."

"Comments of the PAC have been noted. The points raised by the PAC are under investigation by a Board of Enquiry ordered by DGOF."

"Circumstances leading to the purchase of Milling Machines are already under examination by a Board of Enquiry. Further action will be taken on receipt of the Report of the Enquiry. Both the machines are active in the factories to which these were transferred."

1.12. In paragraphs 1.16, 1.17, 1.33, 1.34, 1.48, 1.49 and 1.51 of their 146th Report (Fifth Lok Sabha) the Committee had, inter alia, examined various lapses in the procurement and utilisation of machines and equipment in different Defence installations and had recommended fixation of responsibility for them. The only response to these recommendations is that various 'Boards of Enquiry' have been constituted to investigate these cases. In respect of the purchases of shot blasting plants and milling machines, it is not clear from the replies of the Department whether fixation of responsibility has been included as one of the terms of reference of the Boards of Enquiry. Government's replies to the recommendations of the Committee require to be explicit and self-contained. In this connection, the Committee stress an earlier recommendation contained in paragraph 1.15 of their 5th Report (Fourth Lok Sabha), which is reproduced below:

"In respect of a number of recommendations which have been included in Appendix IV, the Committee observe that the Ministries have replied as 'noted'. It is not clear from such replies as to what specific action Government have taken or intend to take to give effect to the Committee's recommendations in letter and spirit. The Committee desire that Government's replies should be explicit and self-contained. In particular, where remedial measures are called for, the details of action taken should be specifically spelt out."

1.13. The Committee also desire that the investigations by the Boards of Enquiry of these cases should be completed soon and a report on the action taken on their findings submitted to the Committee without delay.

#### **Purchase of Shoes (Paragraph 1.93—Sl. No. 22)**

1.14. Dealing with a case of purchase of sub-standard shoes for the

Indian Navy, the Committee, in paragraph 1.93, had, *inter alia*, observed as follows:

"The Committee are surprised to note that two more orders for shoes of the same type were placed on the same firm, namely M/s. Pioneer Leather Works, Bombay, during March and September, 1971 and the supplies were accepted after inspection by the Surveyor of Stores of the Navy. When a ship which had received 100 pairs of shoes in March, 1972 reported that the shoes were not non-slip and oil resistant, were heavy and inconvenient to wear, the leather was stiff and rough and the rubber sole opened out at joints after some use" the Naval Headquarters asked the local authorities to investigate in the matter and the conclusions of the local authorities were the same as before, viz. "there were no malafides on the part of any individual connected with the placement of the local purchase orders or the inspection of the shoes. This is a matter which should be further probed."

1.15. In their Action Taken Note dated 16th August, 1975, the Department of Defence, while informing the Committee that a Board of Enquiry, convened on 6th June, 1975, to investigate the circumstances leading to the purchase of the shoes in question and their acceptance in inspection, had submitted its Report on 21st June, 1975 (a copy of the findings of the Board of Enquiry furnished to the Committee by the Department is reproduced in Appendix D), stated as follows, with reference to the observations of the Committee contained in paragraph 1.93:

"The circumstances in which orders were placed on the same firm even after the findings of the Board of Officers were made known in February, 1971 are further clarified below:

The functions of Purchase of Stores, Inspection of Stores and Receipts of Stores are carried out by three agencies independently of each other but under the overall control of the Admiral Superintendent, Dockyard, Bombay. These three agencies are—

- (a) the Depot headed by a Senior Naval Stores Officer at Ghatkopar located at a distance of about 20 km. from the Naval Dockyard;
- (b) the Purchase Officer located at Naval Dockyard, Bombay; and
- (c) the Inspecting Officer viz., the Surveyor of Stores.

The stores on receipt after acceptance by the Surveyor of Stores are received by the Depot and issued to dependent units. Normally, the units make complaints, if any, to the supplying agency viz., the Depot. In the

present case also, the letter dated 23rd February, 1971 from the FOC-in-C, Eastern Command, conveying the findings of the Board of Officers was endorsed only to the Depot and not to the other two agencies. The latter were thus unaware of the supply of the defective shoes in question. In this connection paras 20 and 21 of Annexure (viz. the Report of the Board of Enquiry) are also relevant. Naval Headquarters have, however, asked the ASD, Naval Dockyard in their letter No. CG/3306, dated 5th August, 1974 enclosed as Annexure III that in case of receipt of a complaint from any user by the Depot or the other two agencies, the same must be passed on to the other agencies dealing with local purchaser also so that before further supplies are obtained greater caution could be exercised. The Board of Enquiry have also made certain recommendations in this regard (vide para 23(b) of the Report reproduced in Appendix I). These recommendations are under examination with a view to implementing them."

1.16. While the Committee do not wish to pursue their recommendation relating to a further probe into the placement of the local purchase orders for shoes and their inspection, in view of the findings of the latest enquiry, the Committee note that the Board of Enquiry have made certain recommendations in regard to the procedure for reporting substandard supplies, which are stated to be under examination. The Committee desire that these should be processed expeditiously and instructions issued accordingly to the lower formations.

#### **Local Purchase Procedure (Paragraph 1.95—Sl. No. 24)**

1.17. In paragraph 1.95 the Committee had recommended:

"The Committee would like the Ministry of Defence to thoroughly examine the existing procedures for local purchases and also lay down a definite procedure for the inspection of items to be purchased locally. Every care should be taken to see that the items purchased locally conform as closely as possible to the commodities which are included in the Schedule of items."

1.18. In their Action Taken Note dated 16th August, 1975, the Department of Defence have replied:

"This point has been examined by the Board of Enquiry constituted by NHQ and their findings and recommendations may be seen in paras 23(a), (b) and (c) (of the Report reproduced in Appendix I). As already stated, these recommendations are under examination in detail with a view to their implementation as necessary."

1.19. The Committee note that the adequacy of the existing procedures for local purchases has been gone into by the Board of Enquiry constituted for investigating the circumstances leading to the purchase of sub-standard shoes for the Indian Navy. Certain recommendations in this regard by the Board are stated to be under examination. The Committee urge early action in this matter under intimation to them.

## **CHAPTER II**

### **RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT**

#### **Recommendation**

It has been stated by the Department of Defence Production that there was adequate workload for the press for sizes relating to 190 mm containers against Defence orders and the requirements for other sizes were small. Despite this fact, strangely enough a factory 'A' had placed three orders on two different factories at three different points of time (1953, 1959 and 1963) for supply of various types of forgings based on annual anticipated load of the extrusion press by using the containers of all the three sizes of 130 mm, 190 mm and 230 mm. The Committee are surprised that the working papers relating to the placement of inter-factory demands on other factories for the forgings were not traceable. The Committee are also surprised that no record is available about the result of the survey said to have been made of the overall requirements of the extruded non-ferrous sections to meet the requirements of ordnance factories, Railways and Hindustan Aircraft Ltd. before ordering a 3500 ton press.

[St. No. 1, para 1.15 of Appx. IV of 146th Report of PAC/5th Lok  
Sabha]

#### **Action taken**

A Board of Enquiry has been constituted to investigate the circumstances leading to the placement of orders for forgings.

[M.O. Defence (Defence Production) O.M. No. F. 26(2)/75/D(PA),  
Dt. 14-7-75]

#### **Recommendation**

The Committee note that a Technical Team was appointed by the General Manager of the Factory 'A' in 1972 which recommended that forgings worth Rs. 2,71,800.78 could be utilised in the Ordnance Factory itself within next 4 to 5 years and that out of the forgings so recommended, those worth Rs. 42,865.23 have already been utilised. Forgings worth Rs. 0.87 lakh have been sent to other factories. The Committee would



urge that expeditious action be taken to utilise the balance forgings worth Rs. 1.54 lakhs which are now available with the ordnance factories.

[Sr. No. 4, Para 1.18 of Appx. IV of 146th Report of PAC/5th Lok Sabha].

#### **Action taken**

Directions of the PAC have been noted. All out effort is being made to utilise the forgings.

[M.O. Defence (Defence Production) O.M. No. F. 26(2)/75/D(PA),  
Dt. 14-7-75]

#### **Recommendation**

The Committee have been informed that the press was capable of producing 40 tonnes per month of assorted sizes of rods/sections working two 10 hours' shift and this is likely to improve after the commissioning of the two homogenising furnaces. The Committee regret to observe that the two homogenising furnaces which were sanctioned in August, 1970 are still under trial run and that the capacity of the plant was not fully utilised due to lack of balancing facilities. In fact, out of 10 balancing equipments sanctioned in March, 1967, one was commissioned in 1968, one in 1969, one in 1970, 4 in 1972 and one in 1973. The Committee would urge that the Ministry should investigate the delays in the provisioning of the balancing facilities and also in the commissioning of the homogenising furnaces.

[Sr. No. 5, Para 1.19 of Appx. IV of 146th Report of PAC/5th Lok Sabha]

#### **Action taken**

A Board of Enquiry has been ordered by the Director General, Ordnance Factories to probe into the circumstances causing delays in the provisioning of the balancing facilities and also in the commissioning of the homogenising furnaces.

[M.O. Defence (Defence Production) O.M. No. F. 26(2)/75/D(PA),  
Dt. 14-7-75]

#### **Recommendation**

The Ministry of Defence had with them four sand blasting machines, two of which were purchased in 1921 and two in 1942. These were con-

ventional types of sand blasting machines. It has been admitted by the Ministry of Defence that factory 'A' did not have any experience of using fully automatic type, with electronic control like the shot blasting plants which were procured against indent placed on the DGS&D in January, 1964. The Committee have noted that against the indent for four sand blasting machines placed by factory 'A' in January, 1964, the DGS&D on the recommendation of the indentors had placed an order on a firm in April, 1965 for supply of two shot blasting plants. It was stated by the indentor that they preferred shot blasting machines to sand blasting ones as the latter involved health hazard to the men working on the machines. The Committee note with some surprise that although they had no experience of using fully automatic type shot blasting machines, factory 'A' approved the procurement of two such plants against their original indent of four sand blasting machines. Some parts were missing from the plants which were received in the factory during July-August, 1966 and it took another two years to provide the missing parts. The reasons for this particular delay have not been explained. The Committee desire that responsibility for all these lapses should be fixed. The quantity and value of the missing parts should be intimated to the Committee.

[Sr. No. 6—Para 1.33—Appendix IV 146th Report of the PAC/5th Lok Sabha].

#### **Action taken**

The observations of the PAC have been noted. A Board of Enquiry has been constituted by the DGOF to investigate the circumstances leading to the purchase of plants and the delay in obtaining replacement of the missing part. The Board will also assess the quantity and value of the missing parts. The result of the enquiry would be intimated to the PAC.

[M.O. Defence (Defence Production) O.M. No. F. 26(2)/75/D(PA),  
Dt. 14-7-75]

#### **Recommendation**

Another unsatisfactory feature is that on account of the variation in the air pressure, the plants became inoperative and also the workload in the meantime had registered a fall. When the difficulty about the fluctuating air pressure arose, Factory 'A' after some make-shift arrangements took action in 1969 i.e. after about a year of its commissioning to connect the matter directly with one of the compressors. The second machine for which there was no adequate workload was transferred to another factory in May, 1970 and there also it could be installed only in September, 1972, i.e. after a lapse of two years. The explanation of the Ministry that the

installation of the plant could not be completed due to other priority works is unconvincing. The Committee note that out of 9 compressors procured for this factory, only two compressors could be installed for supply of compressed air to the second shot blasting plant. They deplore the lack of advance planning in the matter of procurement of machines and their utilisation by providing air compressors. They would like that the reasons for the delay in providing compressed air supply to the shot blasting plants should be fully probed and responsibility fixed.

[Sl. No. 7, Para 1.34—Appendix IV—146th Report of the PAC/5th Lok Sabha].

#### **Action taken**

A Board of Enquiry has been constituted by the DGOF to investigate the reasons for the delay in providing compressed air supply to the plants. The result of the enquiry would be reported to the PAC.

[M.O. Defence (Defence Production) O.M. No. F. 26(2)/75/D(PA),  
Dt. 14-7-75]

#### **Recommendation**

The Committee are not at all convinced by the argument advanced by the Ministry that single spindle circular groove and slot milling machines "were modern and capable of executing the type of intricate jobs encountered by Factory 'B' ". . . . . The scrutiny and comments on the machines offered against the tender opened in April, 1964, could be finalised by Factory 'A' only by 21st December, 1964. As the DGS&D was expediting for comments, DGOF sent the comments on the tenders to DGS&D on 6th January, 1965 without reference to Factory 'B'. There should have been proper assessment of the requirements followed by consultations with the user as to the possible utilisation of the machines indented for. This was not done. There was no justification whatsoever for not consulting Factory 'B' about the suitability or otherwise by DGOF, when the comments of Factory 'A', one of the indentors had specifically been sought. This gives rise to serious suspicion of corruption. The explanation of the Ministry that the fact that Factory 'B' sent several reminders for the procurement of single spindle circular groove machine indented apparently confirmed that the factory was not averse to the procurement of these machines" is plausible but not convincing. The Ministry themselves have confirmed that Factory 'B' wanted general purpose machine and not special purpose one. The Committee would like to express their displeasure at the manner in which the deal was rushed through and desire that responsibility for the lapses should be fixed.

[Sl. No. 9, Para 1.49—146th Report—5th Lok Sabha].

**Action taken**

Comments of the PAC have been noted. The points raised by the PAC are under investigation by a Board of Enquiry ordered by DGOF.

[M/o Defence (Defence Production) O.M. No. 26(2)/75/D(PA)  
Dt. 14-7-75]

**Recommendation**

The Committee fail to understand why the concerned officials of the DGOF took no action to reduce the number of machines on order when they became aware in February, 1965 that Factory 'B' required a general type machine. They also fail to understand why no action was taken to reduce the number of machines when the delivery date was extended. The assertions of the Ministry that the machines were required have not been proved by the total evidence produced. One machine worked in one shift only since installation and the other machine worked sporadically in one or two shifts from December, 1966 to December, 1967 and thereafter was declared surplus on account of lack of load. It was transferred to another ordnance factory in February, 1973, and put to use there. The other machine was in use till April, 1972. Thereafter it was offered to Factory 'E' who had earlier declined to accept the machine on the ground that it would not meet their requirements. After the General Manager of the Ordnance Factory had confirmed that the machine could not be used by Factory 'E' it was again circulated to all the ordnance factories in September, 1973. Finally in November, 1973, the machine was ordered to be transferred to Factory 'F' for use by them against the requirement of one Kopp Rotary Milling Machine.

[Sr. No. 10, Para 1.50—146th Report, 5th Lok Sabha].

**Action taken**

The points raised by the PAC are under investigation by a Board of Enquiry ordered by DGOF. Report of the enquiry is awaited.

[M/o Defence (Defence Production) O.M. No. F. 26(2)/75/D(PA3,  
Dt. 14-7-75]

**Recommendation**

The average annual requirement of studs for the Defence Department is of the order of 50,000 Kgs. Till May, 1963 Stud Protectors were imported from U.K. and thereafter the DGS&D obtained supplies from indigenous stockists of imported studs. The traders imported the stud protectors against their commercial quota in ungalvanised condition and then

supplied after galvanising against DGS&D contracts. According to the information furnished to the Committee, none of the suppliers can yet be called an established source, as the supplies so far have mostly been made from imported stocks only giving rust preventive treatment in the country. The supplies made by a firm in Rajkot did not strictly conform to Defence specifications and the studs supplied by them had to be accepted under deviation with price reduction.

[Sr. No. 12 (Para 1.68) of Appendix IV—146th Report (5th Lok Sabha)].

#### **Action Taken**

The position stated by the PAC is factually correct.

[M/o Defence (Defence Production) O.M. No. F. 26(2)/75/D(PA),  
Dt. 15-7-75]

#### **Recommendation**

The Committee are surprised that although the requirement of Defence Department was known, the DGS&D has not been able to locate any dependable indigenous supplier nor any positive steps have been taken by the Government for the setting up of suitable units for the production of studs indigenously. All that the Ministry could say is that "efforts to establish the indigenous manufacture of the store continue to be made". The Committee desire that the Government should intensify their efforts to locate one or more dependable manufacturers of this item so that the Defence Supplies may not be hampered.

[Sr. No. 13 (Para 1.69) of Appendix IV—146th Report (5th Lok Sabha)].

#### **Action Taken**

Directions of the PAC have been noted. Efforts to locate dependable manufacturers of "stud protector rustless" have been intensified. Technical Committee (General Stores) which is an import substitution body for indigenisation of General Stores have already finalised preliminary formalities and a trial order is being placed on a newly located firm.

[M/o Defence (Defence Production) O.M. No. F.26(2)/75/D(PA),  
Dt. 15-7-75]

#### **Recommendation**

The Committee have been informed that the question of representation of the firm against large rejection of stores, on account of following a

different mode of testing than the specified in the acceptance tender, was taken up with the Ministry of Law, who had suggested that a meeting should be convened with the firm to sort out the differences. At the meeting held on 28th May, 1970 the firm's representative did not agree to supply the balance quantity of stores against the running contract due to the alleged inordinate delay in inspection and the increase in the raw material prices. The Committee have also noted in this connection that the Ministry of Law to whom the matter was referred had observed that "there had been inordinate delay in testing. Consequently, straightaway cancellation of the outstanding quantities would not be advisable. . . . Government case did not appear to be on sound footing and the cancellation of the contract at the risk and expenses of the firm, therefore, would not appear to be legally tenable." As stated in the Audit Para the DGS&D had to cancel the balance 70,049 kgs. outstanding against the contract with the concurrence of the firm without financial repercussion on either side.

[Sr. No. 15 (Para 1.71) of Appendix IV—146th Report (5th Lok Sabha)].

#### **Action Taken**

The observations of the PAC have been noted. The position is factually correct.

[M/o Defence (Defence Production) O.M. No. 26(2)/75/D(PA),  
Dt. 15-7-75]

#### **Recommendation**

The Committee have been informed that the annual requirement of the navy for 'non-slip, oil resistant' is of the order of 2500 pairs and the source of supply of this item till 1967-68 was M/s. Bata India Ltd., Calcutta. The Committee have also been informed that the Batas were not interested in manufacturing this item owing to the smallness of the orders and owing to the difficulties in obtaining certain components of non-slip sole and heel, the same being an imported material from the U.S.A. The Navy had, therefore, no alternative but to go in for local purchase.

[Sl. No. 18, Para No. 1.89 of Appendix IV of the 146 Report of the PAC (1974-75) (Fifth Lok Sabha)].

#### **Action Taken**

Under instructions of Naval Headquarters a Board of Enquiry was convened on 6th June, 1975 at Bombay to investigate the circumstances leading to the local purchase of the shoes non-slip in question and their

acceptance in inspection. The Board was also directed to recommend improvements necessary in the existing procedures for:—

- (i) Local Purchase of Stores.
- (ii) Inspection of Locally purchased stores.

After examining ten witnesses, and based on their evidence, the Board submitted its report on 21st June, 1975.

The findings of the Board of Enquiry which have been accepted by Government are given in Annexure.

The recommendations made by the Board *vide* para 23 of Annexure are under the active consideration of Naval Headquarters and necessary instructions will be issued by them shortly to their lower formations. The progress in this regard may be permitted to be watched by the Ministry.

[M/o Defence O.M. No. F. 10(2)/75/D(N-III), Dt. 16-8-75]

## ANNEXURE

### FINDINGS AND RECOMMENDATIONS OF THE BOARD OF INQUIRY CONSTITUTED BY NHQ

The Board has carefully examined the circumstances leading to the local purchase of shoes non-slip, oil resistant from M/s. Poiner Leather Works, Bombay between January 1970 to September 1971 and the two complaints received on the sub-standard quality of these shoes, and its findings are detailed below:—

#### *Requisitions for Local Purchase*

2. The procedure which was followed by the then Assistant Naval Stores Officer-in-Charge of Clothing and Mess Traps Section at Naval Store Depot, Ghatkopar for requisitioning *ad-hoc* local purchase of shoes non-slip on Naval Store Officer (Purchase) Naval Dockyard, Bombay was fully in accordance with the rules on the subject and the needs for the item at that time. The Central supply had not materialised and a large number of dues outs from ships and establishments were pending necessitating resort to local purchase. The quantities requisitioned for local purchase were based on actual pending demands from ships and establishments and  $\frac{1}{2}$  Mean Stock Level (MSL).

#### *Tender Enquiries and Issue of Purchase Orders*

3. The Assistant Naval Stores Officer responsible for making local purchase of items of clothing and mess traps in the Office of the Naval Stores Officer (Purchase), Naval Dockyard, Bombay experienced considerable difficulty in procuring shoes non-slip as this was an uncommon item for which there was no demand in the market outside. On the first two occasion that the tender enquiries were floated no positive response was received from the firms. On the third occasion, only three firms, viz. M/s. Pioneer Leather Works, Bombay, M/s. Bombay Foot Wear and M/s. Usha Leather Industries, Bombay out of 11 to whom tender enquiries were sent, responded. The trade samples called for from M/s. Pioneer Leather Works, Bombay and M/s. Bombay Foot Wear, whose quotations were lower, were both rejected by the Surveyor of Stores as they did not conform to the stock sample against which they were inspected. The firms were informed of the reasons for rejection and asked to rectify the



defects. Subsequently M/s. Pioneer Leather Works improved on its quality whereas M/s. Bombay Foot Wear did not as on later occasions the trade sample of M/s. Pioneer Leather Works was approved by the Surveyor of Stores and that of M/s. Bombay Foot Wear was not.

4. Although tender enquiries were continued to be sent to a number of firms on each of the subsequent occasions of making local purchase only two more firms M/s. Maula Buksh Sons & Co. Kanpur (in August 1970, March 1971 and August 1971) and M/s. Karim Boy Dohadwala (in August 1971) sent samples. However, their trade samples also did not conform to the stock sample and were rejected by the Surveyor of Stores.

5. From the sum total of action taken by the Assistant Naval Officer responsible for the purchase, the Board is, therefore, of the opinion that all reasonable efforts were made by him to interest as many firms as possible and to encourage those which responded. All the rules on the issue, opening and acceptance of tenders were also fully observed.

6. M/s. Pioneer Leather Works which took interest to develop this uncommon item, in the event, received the purchase orders. It was a reputed firm and was registered for supply of stores to Naval Dockyard. It had been a regular supplier of large number of other types of footwear also to the Navy.

7. Warranty clause was not included in the purchase order against defective supply of material, workmanship and finish and performance as this was not the procedure then for *ad-hoc* local purchase items. In fact this procedure has been prescribed only in May 1975 by Naval Headquarters.

8. In view of the above, the Board is of the opinion that no malafide can be attributed in this case on the part of officers in the purchase department of the Naval Stores Officer (Purchase) for the placement of purchase orders on M/s. Pioneer Leather Works for shoes non-slip.

#### *Use of Stock Sample as against Specification*

9. Tender enquiries and subsequent inspection was correctly based on stock sample. None of the concerned organisations at Bombay viz. Naval Store Officer (Purchase), Naval Dockyard and the Surveyor of Stores, Naval Dockyard, were aware that a specification for this item existed. In fact it was clearly stated in Navy Order (Special) 8/70 that local purchase of this item was to be based on stock sample and this fact has been verified by the Board. Neither the Assistant Naval Store Officer responsible for the purchase nor the Surveyor of Stores can therefore, be held guilty of procuring shoes non-slip through stock sample as against specification. As only those items for which specifications exist can be sent for test to the Chief Inspector of Textiles and Clothing,

Surveyor of Stores was justified in inspecting and accepting the trade sample and bulk supplies by visual inspection and user guidance. Although specification for the item has since been promulgated, it highlights the need for expeditious action on laying down specifications for all items commonly used in the Navy, wherever this has not been done so far.

*Inspection of Trade Samples and Bulk Stock*

10. The Surveyor of Stores during the period September 1969 to September 1971, when the trade samples of shoes non-slip received from various firms were inspected and the supplies from M/s. Pioneer Leather Works were accepted, was Shri A. J. Fernandes, Civilian Technical Assistant who has since retired. The actual inspections of trade samples and bulk supplies, over a period extending to two years, however, was carried out by a number of officers and inspectors and not by one individual only.

11. The equipment and laboratory facilities and technical staff available to the Surveyor of Stores for carrying out the function of inspection of stores are most inadequate. His inspection, therefore, is perforce limited to visual inspection and, where appropriate, user guidance. In cases where no specifications are available, it is not even possible for him to send the samples to the concerned Inspectorate of the Directorate General of Inspection, Ministry of Defence.

12. In this particular case, as it happened, the trade samples, of the two firms M/s. Pioneer Leather Works and M/s. Bombay Foot Wear, who responded positively initially, were not only inspected by the Surveyor of Stores but even the Admiral Superintendent, Naval Dockyard personally saw them in February 1970 before the purchase order in favour of M/s. Pioneer Leather Works was approved and the trade sample of M/s. Bombay Foot Wear was rejected. He had called for the two trade samples as there was appreciable difference between the price offers of M/s. Pioneer Leather Works and M/s. Bombay Foot Wear was (Rs. 29.40 + 10 per cent ST and Rs. 22.65 + 10 per cent ST respectively) and he thought it fit to personally see them before according his approval to the proposal for purchase of 545 pairs from M/s. Pioneer Leather Works. The Senior Administrative Officer through whom this action was taken has verified this statement. The Board also visually inspected samples of shoes non-slip supplied by M/s. Pioneer Leather Works, 104 pairs of which are held with SNSO(B) as frozen stock, and came to the conclusion that visually the shoes appeared to be satisfactory.

13. In view of the above, the Board is of the opinion that the Surveyor of Stores and his staff carried out the inspection of trade samples, and the main supplies subsequently to the best of their abilities. The fault,

if any, lay in not the individual who performed the inspection but in the system which required an organisation ill equipped both in terms of staff and facilities to undertake this task. This measure of expediency for *ad-hoc* local purchase till such time proper inspection organisations, such as the Chief Inspectorate of Naval Stores (CINS) had been established. Even though such organisations have now been set up, Surveyor of Stores continues to be responsible for inspecting items of clothing and mess traps and likelihood of similar cases of inadequate inspection continues to exist. This needs immediate remedial measures.

14. Therefore, the Board is of the opinion that there is no evidence of any malafide on the part of the personnel who inspected the trade samples and bulk supplies received from M/s. Pioneer Leather Works in this particular case.

*Complaints on the Quality of Shoes Non-Slip*

15. A total of 4431 pairs of shoes non-slip in 15 lots over a period of about a year and half (January 1970 to September 1971) were purchased from M/s. Pioneer Leather Works and issued to 30 ships and establishments. Of them complaints were received from only two sources, the IN Submarine KALVARI and INS MYSORE. INS MYSORE, however, used the shoes in the normal manner and was subsequently unable to produce either the used or the new ones when called upon to do so. The serious complaint, therefore, was only in respect of the submarine KALVARI for 50 pairs of shoes.

16. Whilst there is no doubt that the shoes non-slip supplied by M/s. Pioneer Leather Works were not upto the standard prescribed in the specifications for this type of footwear, the Board is convinced that, taking into account the difficulty experienced in procuring this very uncommon item, they nevertheless were the best available at that time and, with the exception of INS KALVARI's consignment served the purpose fairly adequately. The alternative would have been to do without them which would have affected the operational efficiency of the Engine Room Branch sailors during the crucial period of 1971.

17. It is also significant to note that the cost of the present central supply from Tannery Footwear Corporation, Kanpur, conforming to the laid down specification, is approximately Rs. 45/- as against the maximum rate of Rs. 32.60 (including Sales Tax) paid to M/s. Pioneer Leather Works. Even so there has been one complaint on lines similar to INS MYSORE on the shoes non-slip supplied by Tannery Footwear Corporation.

18. There is, however, no doubt on the fact that the stock received by INS KALVARI was very sub-standard and, in the absence of any

complaint from other 28 ships/establishments this can be attributed only to manufacturing defects during production in a certain isolated batch. The total loss to the State, therefore, amounts to the following only:—

- |  |                |
|--|----------------|
| (a) INS KALVARI's sub-standard stock . . . . .   | 50 prs.        |
| (b) Used by CITS FOR TEST . . . . .  | 2 prs.         |
| (c) Number which may be found to be defective after the<br>existing frozen stock is released for issue . . . . . | maximum of 105 |

-----  
Maximum 157 prs of :  
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19. At the rate of Rs. 34.43 (including 10 per cent Sales Tax) paid for them the maximum loss which the State may have to incur works out to Rs. 5405.51. Payment for a bill of Rs. 5085.60 for supply of normal shoes black leather in 1974 by M/s. Pioneer Leather Works, on the other hand, has been withheld pending finalisation of re-imbursement to the Government for the sub-standard shoes non-slip.

#### *Procedure for Reporting Sub-Standard Supplies*

20. The system for processing complaints made by the users on discovery of sub-standard supplies was faulty to the extent that the purchase and inspecting agencies were not required to be informed of such complaints at the earliest stage, either by the complainant or the supplier of the items, viz., Senior Naval Store Officer, Bombay, so that remedial measures could be taken by them. In the event the Assistant Naval Store Officer (Purchase) and Surveyor of Stores continued to make purchases oblivious of the serious complaint lodged by the Flag Officer Commanding-in-Chief, Eastern Naval Command on the supply made to INS KALVARI. Even a copy of the test report of the Chief Inspectorate of Textiles and Clothing dated 23rd September 1971 was not endorsed to either of the officers. In fact it was in as late as 1973 that the Assistant Naval Stores Officer (Purchase) and Surveyor of Stores came to know of the complaint and the CITS report and that too through the test audit report. Had they been aware of the complaint lodged by HQ, Eastern Naval Command, they undoubtedly would have been more vigilant in placing orders and inspecting the supplies.

21. That the purchase were continued to be made from the same source even after HQ, Eastern Naval Command had lodged a serious complaint on their quality is, in the opinion of the Board, solely due to a lacuna in the procedures and no individual or individuals can be blamed for it. This lacuna in the system persists even to date and a similar mistake could well be repeated unless immediate remedial measures are taken.

*Local Purchase Procedure*

22. Other than the lacunae pointed out above, there are no deficiencies in the procedure for the local purchase of stores and the current practices and orders of the Admiral Superintendent, Naval Dockyard on the subject are adequate.

**Recommendations**

23. The Board recommends that:—

- (a) The responsibility for inspection of items of clothing and mess traps purchased locally be transferred from the Surveyor of Stores to the Chief Inspector of Naval Stores, Bombay who has the technical staff, facilities and the organisation to undertake this task.
- (b) Comprehensive orders on the procedure to be followed for processing complaints lodged by users on sub-standard items issued to them be promulgated in the form of a Navy Order. The following in particular should be incorporated in the procedure:—
  - (i) Unless it is definitely known that the items were obtained through central supply (Director General of Supplies and Disposal) copies of all correspondence and signals, right from the initial stage, must be endorsed to the Controller of Procurement, Bombay and the Inspecting Authority (Surveyor of Stores or the Chief Inspector of Naval Stores when the responsibility for inspection is transferred to him).
  - (ii) The Controller of Procurement should be required to obtain Naval Headquarters approval if, for some reason, he wishes to continue to make purchases from the same source, until final decision on the complaint has been given by Naval Headquarters.
- (c) Wherever no specifications are laid down and only stock samples are required to be used to guide purchase, action on a priority basis be taken to prepare and promulgate them to all concerned.
- (d) The balance of 104 pairs of shoes non-slip received from M/s. Pioneer Leather Works and held in stock in the Naval Store Depot, Ghatkopar be released for issue to ships and establishments.

(e) M/s. Pioneer Leather Works be required to re-imburse loss incurred/accept liability on account of the following:—

- (i) Re-imburse Rs. 1790.36 being cost of 50 pairs of shoes issued and used by INS KALVARI and 2 pairs used by Chief Inspector of Textiles and Clothing during tests @ Rs. 34.43 per pair.
- (ii) Accept liability for any other shoes out of the 104 pairs now in stock which may be found to be sub-standard by users, when issued to them.

24. The Board observes that instructions on inclusion of warranty clause in tender enquiries, acceptance of tenders and local purchase orders in respect of clothing and mess traps items have already been issued *vide* Naval Headquarters letter SQ3/3130 dated 27th May, 1975 and no further action is needed on this lacuna in the rules which then existed.

#### **Recommendation**

The Committee consider that the agreements concluded on 3rd October, 1968 and 15th March, 1969 by the Station Commander of the concerned Wing of the IAF with a private contractor for setting up a cinema in the Air Force premises, despite the unambiguous instructions of the Government that 'no cinema was to be given to a private contractor under any circumstances' were wholly irregular. It is surprising that the Air Force Commander should have ignored the clear instructions issued by the Air Headquarters in June 1966 that "units might run their own open-air cinema provided it did not involve construction on Government land and that prior permission/sanction of Government would have to be obtained in any case if construction was required on Government land."

[Sl. No. 25 (para 1.117) of Appendix IV to 146th Report of PAC (5th Lok Sabha) (1974-75)].

#### **Action taken**

The Unit Administration had initially taken up a case for the construction of a Cinema from public funds. However, this request was turned down due to financial stringency. Thereafter, the Unit Administration entered into an agreement with a private contractor for providing this amenity in the larger interest of welfare of service personnel and the families on the base. The Air Force Station was a newly formed base situated far from the town and with no transport facilities and no welfare/recreational amenities in its vicinity. In the zest to provide the much needed amenity, the local Air Force Authorities overlooked the necessity

of obtaining formal permission to build a cinema on Government land. This also occurred because the Unit Administration was not aware of the rule position in this regard.

DADS has seen.

[M/o Defence O.M. No. 11(7)/75-(D) (Budget) dated 27-8-75].

### **Recommendation**

Within a period of three months a third contract for a period of 10 years was concluded in July 1969 with the same contractor by the President of the Service Institute of the Air Force Station, permitting him to construct a pucca cinema-hall on Government land. The Ministry of Defence have admitted that the action of the unit to permit construction of a semi-permanent structure on Government land without prior approval of the Government as required under Air Headquarters instructions issued in June 1966 was irregular and that "the disciplinary aspect of the case is being looked into". It has been stated that in all the Station Commander acted on his own, without obtaining any financial or legal advice.

[Sl. No. 28 (para 1.120) of Appendix IV to 146th Report of the PAC (5th Lok Sabha) (1974-75)].

### **Action taken**

The contract was further revised in July 1969 after a clearer picture of the economics of the cost of construction of the cinema and of its running became available. Even after conceding these concessions, the Air Force Station was in no way a loser as is evident from the reply to Sl. No. 32.

2. As to the disciplinary aspect of the case, administrative action has been taken against the then Station Commander and the then O i/c Administration and they have been formally censured by the Chief of the Air Staff for their lapse in not being aware of the existing orders on the subject and thereby permitting construction of a semi-permanent structure on Government land without prior approval of the Government.

3. DADS has seen.

[M/o Defence O.M. No. F. 11(7)/75-(D) (Budget) dated 27-8-75].

### **Recommendation**

To make matters worse, the third contract of July 1969 did not provide for recovery of any rent for land, water and conservancy etc. It is only after Audit had pointed out the lapse that the Unit (and not the contractor)

started crediting the amounts to Government from the rebates collected from the contractor. The Ministry of Defence are of the view that "provision for recovery of charges for water and conservancy could have been made in the contract as the cinema in this case was run not entirely by the President, Service Institute but by a private contractor in a structure built by him."

[Sl. No. 29 (para 1.121) of Appendix IV to 146th Report of the PAC (5th Lok Sabha) (1974-75)].

#### **Action taken**

Provision for recovery of charges for land, water and conservancy were not made when finalising the contract in July, 1969, because the Station Administration had viewed this activity as solely a PSI activity. However, once Audit had pointed out the lapse to the Unit, action was taken by the PSI to credit the payment to the Public funds.

2. DADS has seen.

[M/o Defence (Defence Production) O.M. No. F. 11(7)/75-(D) (Budget) dated 27-8-75].

#### **Recommendation**

The Committee desire that the Ministry should investigate this case in detail with a view to ensuring that no malafides are involved. The Government should also examine whether any action can be taken against the contractor for non-payment of electricity dues beyond 1-8-1972.

[Sl. No. 31 (Para 1.123) of Appendix IV to 146th Report of the PAC (5th Lok Sabha) (1974-75)].

#### **Action taken**

The matter was investigated by a Service Court of Inquiry (vide complete copy of the proceedings and findings of the Court of Inquiry enclosed alongwith copies of all Exhibits and Appendices). The Court of Inquiry has come to the conclusion that the construction of the cinema on Government land was solely motivated by the desire of the station Administration to provide a minimum welfare amenity, demanded by the Station personnel and their families, who had no other source of recreation nearby. No malafide could be attributed to any Service personnel. The contractor has paid in April 1973 the outstanding electricity dues amounting to Rs. 3,196 pertaining to the period from 1-8-1972 to 31-12-1974.

2. DADS has seen.

[Ministry of Defence O.M. No. 11(7)/75 (D) (Budget) dated 27-8-1975].



**ANNEXURE**

I.A.F.F.(P)—28

Old Form A.F.(1)F—21.

**INDIAN AIR FORCE**

**PROCEEDINGS OF BOARD OF OFFICERS, COURT OF ENQUIRY,  
etc.**

(NOTE.—This form is not to be used for proceedings of a Court of Enquiry on a flying accident).

NOTES FOR  
COURT OF  
ENQUIRY

PROCEEDINGS OF A \*  
COURT OF ENQUIRY

\*The form being applicable by any Board of Officers or Committee or Court of Enquiry this blank to be filled in accordingly.

Assembled at No. 28 WING,  
AF

on the 6th Sep. 71 and subsequent days

by order of AOC-in-C WAC,  
IAF *vide*

letter No. WAC/C 2654/18/ORG dated 30 Aug. 71 for the purpose of investigating the circumstances under which a contract was signed between Shri Gupta and PSI, AF, Hindon for cinema.

PRESIDING OFFICER  
Air Cdre DN MANIKTALA, AVSM  
(3434) MED

*Members*

Wg Cdr RN DOGRA Vr. (4725) FB (P)  
Sqn Ldr SN Chaturvedi (5030) Accts

*In Attendance*

N I L

The COURT having assembled pursuant to order, proceed to record evidence of the witnesses as per the terms of reference, mentioned overleaf (below) examine the relevant documents.

**TERMS OF REFERENCE**

- (a) To enquire into the circumstances leading to the unauthorised construction of cinema building by the contractor on the Government land alongwith the usual anciliaries.
- (b) To enquire into the circumstances in which the contract had been entered into for ten years in violation of the existing instructions in this regard.
- (c) The non-collection of rents and allied charges from the contractor on account of the cinema.
- (d) To enquire into any other incidental matters (i.e. audit objections etc.)
- (e) To apportion blame, if any, and to make recommendation.

*Witnesses*

| Rank        | Name             | Number | Branch/Trade | Page  |
|-------------|------------------|--------|--------------|-------|
| 1. Wg Cdr   | R Paul           | 2585   | A&SD         | 1 & 2 |
| 2. Wg Cdr   | R R Hingorani    | 3695   | A&SD         | 3 & 4 |
| 3. Sqn Cdr  | S C Pandey       | 6172   | A&SD         | 5 & 6 |
| 4. Wg Cdr   | T T Visuvasam    | 2497   | A&SD (Ret)   | 7     |
| 5. Sqn Ldr  | V S Paul         | 6028   | A&SD         | 8     |
| 6. Flt Lt   | B K Atri         | 7496   | FB(N)        | 9     |
| 7. Wg Cdr   | N V Krishnaswamy | 3677   | Adm          | 10-13 |
| 8. Flt Lt   | G. Joseph        | 6952   | Adm          | 14-15 |
| 9. Air Cdrc | K M Ram          | 3101   | F(P)         | 16-18 |
| 10. Sqn Ldr | S Nayak          | 5525   | Accts        | 19    |

*FINDINGS ONLY*

ATTACHED.

Sd/-x x x

(D N MANIKTALA) Air Cdrc  
Presiding Officer

Sd/-x x x

(R N DOGRA) Wg Cdrc

Sd/---x x x

(S N CHATURVEDI) Sqn Ldr

} Members.

Date 8 Feb 72.

## RECOMMENDATION OF COURT

The court recommends that the running of the semi-permanent cinema at No. 28 Wing as a PSI venture in terms of the agreement of 16 Jul 69 (Exh 'M') drawn between the PSI and Shri P P Gupta may be regularised as a special case.

|   |          |
|---|----------|
| Sd/-x x x<br>(DN MANIKTALA) Air Cdre<br>Presiding Officer | } Member |
| Sd/-x x x<br>(RN DOGRA) Wg Cdr                            |          |
| Sd/-x x x<br>(SN CHATURVEDI) Sqd Ldr                      |          |

Date 8 Feb 72.

*Court of Inquiry assembled at No. 28 Wing, A.F. on 6th September, 1971 & subsequent days*

## DIARY OF ACTION

- |            |  |
|------------|--|
| 6 Sep. 71  | 1. The Court assembled at 0900 hrs<br>2. 1st and 2nd Witnesses examined<br>3. The Court adjourned at 1700 hrs.   |
| 7 Sep. 71  | 4. The Court re-assembled at 0900 hrs<br>5. 3rd witness examined<br>6. The court adjourned at 1100 hrs as no other witness made available.   |
| 13 Sep. 71 | 7. The Court re-assembled at 0800 hrs<br>8. 4th & 5th witnesses examined<br>9. The court adjourned at 1300 hrs as no other witness made available.   |
| 7 Dec. 71  | 10. The Court re-assembled at 1200 hrs<br>11. 6th Witness examined<br>12. The Court adjourned at 1400 hrs as no other witness made available.  |
| 4 Feb. 72  | 13. The Court re-assembled at 0830 hrs<br>14. 7th and 8th witness examined<br>15. The Court adjourned at 1750 hrs  |
| 5 Feb. 72  | 16. The Court re-assembled at 0830 hrs<br>17. 9th and 10th witness examined<br>18. The Court adjourned at 1400 hrs   |
| 7 Feb. 72  | 19. The Court re-assembled at 0830 hrs<br>20. The Court deliberated over the evidence of the witnesses<br>21. Findings and recommendations finalised by the Court<br>22. The Court adjourned at 1700 hrs |
| 8 Feb. 72  | 23. Completed proceedings handed over to Stn. Cdr. No. 28 Wing, A.F.   |

## LIST OF EXHIBITS

| <i>Exhibit</i> | <i>Subject</i>  |
|----------------|---|
| "A"            | Air HQ letter Air HQ/20727/S/Org dated 15 Jun. 66 regarding Taking over by CSD (I) of Cinemas Run by Contractors.                     |
| "B"            | HQ Western Air Command, IAF letter WAC/2654/1/Org dated 24th June. 66 regarding Taking over by CSD (I) of Cinemas-Run by Contractors. |
| "C"            | No. 28 Wing, Air Force letter 28W/2003/26/Wks dated 12th July, 1966 regarding Provision of Cinema at Air Force Station.               |

- "D" . . . H. Q. Western Air Command letter WAC/2654/1/Org dated 2nd August, 1966 regarding Provision of Cinema at Air Force Station.
- "E" . . . Copy of Note 1 regarding discussion on "Grow More Food and Camp Cinema Contract" during SOA's visit to No. 28 Wing.
- "F" . . . Remarks on Note 4—Grow More Food and Cinema Contract.
- "G" . . . Note 5—Note of Action regarding Discussion with Gp. Capt. Ram and Flt. Lt. Joseph.
- "H" . . . Memorandum of Agreement made on 3rd Oct., 1968.
- "J" . . . D.O. No. 28W/S.1361/4/Org dated 25 March, 1969 from Gp. Capt. K. M. Ram to AVM C. L. Mehta.
- "K" . . . Record of Discussion with S. O. A. HQ WAC during his visit to 28 Wing 28W/1361/4/Org.
- "L" . . . D. O. letter WAC/2705/28Wks dated 10 April, 1969.
- "M" . . . Memorandum of Agreement made on 16th July, 1969.
- "N" . . . Extract—Brief on Points for Discussion with S. O. A. on 21st March, 1969.
- "O" . . . Extract from Brief on points raised by 28 Wing.
- "P" . . . Note 4 Regarding S. O. A's visit to No. 28 Wing on 21st March, 1969.
- "Q" . . . D. O. letter 28W/S. 1361/4/Org dated 25th March, 1969 from Stn. Cdr 28 Wing to SOA, W. A. C.
- "R" . . . Extract—Record of Discussion with S. O. A. during his visit to 28 Wing on 21st March, 1969.
- "S" . . . Note 3 on file WAC/C.2654/18 Org.
- "T" . . . Note 1 on File 28W/2102/13/NPF
- "U" . . . Draft Contract Agreement—Camp Cinema
- "V" . . . Letter No. 28W/2102/13/Wel dated 15th Nov., 1968 regarding construction of a Temporary Semi permanent cinema hall.
- "W" . . . Letter 28W/S. 1361/4/Org dated 8th April, 1969 regarding Record of discussion with S. O. A.
- "X" . . . P. O. L. No. 65 dated 23-5-69 on a/c of Cinema a/c of No. 28 Wing for period 1-3/69.
- "Y" . . . Letter No. 28 W/2102/13/NPF dated 12 June, 1969 regarding POL No. 65.

***COURT OF INQUIRY ASSEMBLED AT AIR FORCE STATION, ON  
6 SEPTEMBER 1971, NARRATIVE OF EVENTS***

Air Force Station, was formed on 1st April 1965. By 1968, it had attained large proportions with a population of about 4000 including families. There was then an acute dearth of recreational facilities at the Station. The nearest town where facilities like cinema were available, was Gaziabad, about 5 miles away from the Station. The bus services from

station to Gaziabad were infrequent and overcrowded. In these buses, service personnel started losing Identity Cards at a rapid rate, which alarmed the Station authorities as it was apprehended that foreign agents might be at work. This prompted the Station administration to arrange a cinema, at the Station, as an urgent measure. As this was not permissible through public funds, they explored the possibilities of having it under the auspices of the P.S.I. with the help of an individual who could finance it and run it for and on behalf of the P.S.I. They found their helper in Shri P. P. Gupta, who was already running a similar venture for an Army Unit at Meerut. M.E.O. was verbally consulted, who had no objection to this proposal and the L.A.O. agreed to these arrangements when it was explained to him that the cinema was being run by the P.S.I. for the welfare of the service personnel. Furthermore, when the point was discussed with the S.O.A. and his staff on their visit to the Station, no serious objection appears to have been raised. Having been satisfied that no gross infringement of the regulations on the subject was involved, the station finalised the arrangements on behalf of the P.S.I. for a semi-permanent cinema along with the usual ancillaries with Shri P. P. Gupta, by drawing an agreement on 16th July, 1969 which authorised Shri Gupta to construct and run the cinema in the camp for a period of 10 years, while giving a rebate of Rs. 500 per month to the P.S.I. While the economies of this P.S.I. venture were prudent and reasonable, it later came to light that this project was in violation of the provisions of Air HQ letter No. Air HQ/20727/8/Org dated 15th June, 1966 which some how had escaped notice at all levels. The reason for this oversight appears to be that this letter was issued soon after 1965 Pakistan hostilities and was not repeated thereafter. If this letter was then not in force, the action taken by the Station would be deemed as correct and in order. Another letter on the subject now been issued by Air HQ *vide* Air HQ/20727/8/Org dated 23rd November, which is more comprehensive and states in the opening paragraph that the policy on this subject is not clear to many stations. These are justifiable, mitigating factors which led to the omission of not taking due cognizance of Air H.Q. letter under reference.

1ST WITNESS:—Wg. Cdr. R. Paul (2585) A.&S.D. of Headquarters W.A.C. I.A.F. states:—I am employed as C. Org. O.H.Q. W.A.C. with effect from 24th June, 1971. The subject of cinema contracts is dealt with by C. Org. Section. With regards to Camp cinema contract dated 16th July, 1969 between P.S.I. Air Force and Mr. P. P. Gupta, I have checked my office records and have following factual information to give. The policy as regards running of the cinemas at Units/Stations is laid down in Air Headquarters letter No. Air HQ/20727/8/Org. dated 15th June, 1966. I hereby produce a copy of this letter. Copy marked as Exhibit 'A' and is attached to the proceedings. This letter was sent to

No. 28 Wing *Vide* H.Q. W.A.C. letter No. WAC/2654/1/Org. dated 24th June, 1966. I hereby produce a copy of this letter. The letter is marked as Exhibit 'B' and attached to the proceedings. In para 1 (a) of Air Headquarters letter Exhibit 'A' it is stated that no cinema is to be given to a private contractor under any circumstances and *vide* para 3 of this letter no Regimental/P.S.I. Property can be constructed on Government land without Government sanction. While acknowledging the receipt of Air Headquarters letter/forwarded by HQ Exhibit 'A' W.A.C./Exh. 'B', No. 28 Wing *vide* letter No. 28W/2003/25/Wks. dated 12th July, 1966, a copy of which I hereby produce, copy is marked as Exhibit 'C' and attached to the proceedings, asked for confirmation if a private contractor could be permitted to run the cinema purely on temporary basis. In reply H.Q. W.A.C. *vide* letter No. WAC/2654/1/Org. dated 2nd August, 1966 copy of which I hereby produce, copy marked as exhibit 'D' and attached to the proceedings, reiterated the decision given in Air Headquarters letter (Exhibit 'A') and turned down this proposal of No. 28 Wing. The records show that the subject of camp cinema contract was discussed during the visit of A.V.M. C. L. Mehta, AVSM, the then S.O.A. of H.Q. W.A.C., at No. 28 Wing, on 21st March, 1969, and as a result of this discussion, the Wing was asked to send a copy of the contract to Command H.Q. for scrutiny. This fact was brought out in Note No. 1 on file No. WAC/C. 2654/18/Org. a copy of which I hereby produce, the copy is marked as Exhibit 'E' and attached to the proceedings. This note is signed by Flt. Lt. B. K. ATRI, ORG. IV on 23rd April, 1969. As entering into a cinema contract with a private contractor was contrary to the above mentioned instructions, the cinema contract papers which had been forwarded by No. 28 Wing to Command Headquarters were returned to Flt. Lt. G. Joseph, S. Ad. O. of No. 28 Wing, presumably by hand, as borne out *vide* noting by Flt. Lt. Atri dated 3rd June, 1969, below note 4 on file No. WAC/C, 2654/18/Org. I hereby produce a copy of this Note. Copy is marked as Exhibit 'F' and is attached to the proceedings. However, there is no letter in the file under which the contract documents were received and also there is no forwarding letter addressed to No. 28 Wing under which they were returned to them. Note 5 on the same file dated 3rd June, 1969, a copy of which I hereby produce, copy is marked as Exhibit 'G' and attached to the proceedings, shows that the subject was also discussed between the then S.O.A., A.V.M. C. L. MEHTA, AVSM, and Gp. Capt. K. M. Ram, Station Comman-

der No. 28 Wing and Flt. Lt. Joseph, Asst. O i/c Admin., No. 28 Wing. At this discussion, S.O.A. gave the ruling that no unit under W.A.C. will enter into contract with any private party for cinema, and that, the P.S.I. can, however, run a cinema without any contract. There is no letter or communication in the file addressed to No. 28 Wing by which the Wing was specifically instructed not to enter into contract with a private party or not to put up any structure on the Government land without Government sanction, other than Air Headquarters letter (Exhibit 'A') and Command Headquarters letter (Exhibit 'B').

Sd/- R. PAUL,  
Wg. Cdr.

*2nd WITNESS.*—Wg. Cdr. R. R. Hingorani (3693) A.&S.D. of No. 28 Wing of Air Force states:—I am employed as O i/c Admin. at No. 28 Wing, A.F. since June, 1970. With regards to cinema contract between the P.S.I. No. 28 Wing and Shri P. P. GUPTA of 16th July, 1969, I have checked my office records and I give the following information. My records show that Air Headquarters letter No. Air HQ/20727/S/Org. dated 15th June, 1966 (Exhibit 'A') forwarded under cover H.Q. W.A.C. letter No. WAC/2654/Org. dated 24th June, 1966 (Exhibit 'B') was duly received. While acknowledging the Command letter No. 28 Wing, *vide* letter No. 28W/2003/25/Works dated 12th July, 1966 (Exhibit 'C') requested for permission to approve on temporary basis the running of a camp Cinema by a private contractor. H.Q. W.A.C. *vide* letter No. WAC/2654 i/Org. dated 2nd August, 1966 (Exhibit 'D') rejected this request. On 3rd October, 1968, P.S.I. No. 28 Wing entered into a contract with Shri P. P. GUPTA to run a camp cinema for three years. I hereby produce a copy of this contract. Copy is marked as exhibit 'B' and attached to the proceedings. The records show that the minutes of the discussion held at No. 28 Wing between the Station Commander and the S.O.A. were forwarded to the S.O.A. by hand *vide* D.O. letter No. 28W/S. 1361/4/Org. dated 25th March, 1969 from Gp. Capt. K. M. Ram, addressed to A.V.M. C. L. Mehta, AVSM. I hereby produce a copy of this D.O. letter. Copy is marked as Exhibit 'J' and attached to the proceedings. I also produce a copy of the relevant extract from the minutes of discussion concerning the camp cinema. The copy is marked as exhibit 'K' and attached to the proceedings. The minutes of the discussion under reference were approved by the S.O.A. as mentioned in the D.O. letter No. WAC/2705/28/Works dated 10th April, 1969, from Wg. Cdr. T. T. Visuvasam,

C.O. W.O. to Gp. Capt. K.M.E. Station Commander, No. 28 Wing. I hereby produce a copy of letter. Copy is marked as Exhibit 'L' and attached to the proceedings. In accordance with the terms of para 22 of the contract between P.S.I. and Shri P. P. GUPTA, dated 3rd October, 1968 (Exhibit 'H'), a fresh contract was drawn out on 15th March, 1969 to become perrative with effect from 1st April, 1969 for a period of five years. As required in the Minutes of discussion dated 21st March, 1969 (Exhibit 'K'), a copy of the fresh contract was forwarded to Command Headquarters vide 28W/S. 1361/4/Org. dated 8th April, 1969. Enclosure 77 of the file which appears to be the original copy of this letter has a noting in pencil "bought back from W.A.C.". In May 1969 a preliminary observation was received from the L.A.O. A.F. regarding functioning of a private cinema on Defence land without payment of the Government ground rent. L.A.O. was informed that the cinema was being run by the P.S.I. for the welfare of the Station personnel. This objection has still not been settled by the L.A.O. Statement of case for this has since been forwarded to HQ. WAC. In July, 1969 another contract was drawn up with effect from 16th July, 1969 for a period of ten years for running of a camp cinema between Shri P. P. Gupta and the Station P.S.I. I hereby produce a copy of the contract. Copy is marked as Exhibit 'M' and attached to the proceedings. According to this contract Shri P. P. Gupta was required to convert at his own cost semi-permanent structure into a permanent building by August, 1969 and to provide for all machinery, furniture, fittings and equipment etc. in the cinema, the terms of the contract do not make the contractor responsible for payment of land rent. There is no records to show how the previous contract of 15th March, 1969 (Exhibit 'L') was cancelled and a fresh contract dated 16th July, 1969 entered into, nor the circumstances leading to it, Command Headquarters was not informed about this contract. However, a copy of the same was forwarded to them on 3rd June, 1970 which was later returned unactioned by Command Headquarters drawing attention to the provisions of Air Headquarters letter Air HQ/20727/8/Org. dated 15th June, 1966 (Exhibit 'A'). The cinema hall has been functioning reasonably satisfactorily except that accomplish of the hall are poor, to remedy which a number of modifications involving a substantial financial outlay will be necessary. In addition, toilets for patrons have still to be completed. The cinema building was completed by stages beginning from May, 1969 and was finally completed in Feb-



ruary/March, 1970, though the contractual requirement was for the completion of the building by August 1969. No penalty has so far been imposed on the contractor as no clause for this exists in the contract. No allied charges have been recovered so far. Instructions were given to the C.P.W.D. to raise the necessary Bills as far back as 1 November, 1968 *vide* 28W/2102/13/NPF dated 7th December, 1968. The cinema hall can accommodate 500 persons; 450 push back seats have already been fixed. The cinema runs two shows daily in the evening.

3rd WITNESS.—Sqn. Ldr. S. C. Pandey (6172) A & S. D. of H.Q. W.A.C. I.A.F. states:—I am employed as Command Works III, since 16th August, 1971. With regard to cinema contract between the P.S.I. No. 28 Wing and Shri P. P. Gupta on 16th July, 1969, I have checked my office records and I give the following information. At encl: 24 of File No. WAC/S. 2705/28/Wks, there is a brief on points for discussion with S.O.A. on 21st March, 1969. Item 14 of this Enclosure refers to construction of semi-permanent cinema house. Against this item it has been stated under column "BRIEF" a camp cinema has been organised through a civilian contractor who has agreed to put up temporary structure for the benefit of the service personnel. Necessary contract has been drawn up. The contractor will pay ground rent, if required, as well as electricity charges. A copy of this extract I hereby produce. Copy is marked as Exhibit 'N' and attached to the proceedings. At enclosure 25 of the same file, remarks by the then "Works III" as given Item 14, a copy of the remarks I hereby produce, copy is marked as Exhibit 'O' and attached to the proceedings are "No. 28 Wing has been advised by the S.O.A. to submit the contract deed to H.Q. W.A.C. for scrutiny by legal experts and clearance." This Enclosure has been signed by Flt. Lt. V. S. Paul Works III and dated 21st March, 1969. Enclosure 24 is neither signed nor dated. However, note 4 on the same file, a copy of which I hereby produce, copy is marked as Exhibit 'P' and attached to the proceedings, shows that both the enclosures No. 24 and 25 were submitted for the perusal of the then S.O.A. On Note 4 the with me at an early date." At Encl. 26-A is a D.O. letter No. 28W/S. 1361/4/Org. dated 25th March, 1969 from Group Captain K. M. Ram, AVSM, Station Commander, No. 28 Wing addressed to A.V.M. C. L. Mehta, AVSM, SOA, H.Q.W.A.C., a copy of the D.O. letter I hereby produce, copy is marked as Exhibit 'Q' and attached to the proceeding. Under this D.O. letter was forwarded a record of discussion with the S.O.A. during his visit to No. 28 Wing, A.F. on 21st. March, 1969, Items VII of the records

of discussion relates to construction of semi-permanent cinema hall in Camp area by the contractor, a copy of this Item VII, I hereby produce, this is marked as Exhibit 'R' and attached to the proceedings. On the D.O. (Exhibit 'Q') it is noted by the S.O.A. "Please examine this and if this is alright then send "back to O.C. Hindan". This noting is dated 28th March, 1969 and addressed to C.O. & W.O. on the same Enclosure (Exhibit 'Q') a note to Flt. Lt. Paul reads "Please discuss before I send this back to No. 28 Wing. This note appears to be the initials of Wg. Cdr. T. T. Visuvasam and is dated 28th March, 1969. At Encl. 27. is a D.O. Letter WAC/2705/28/Wks. dated 10th April, 1969 from Wg. Cdr. T. T. Visuvasam, C.O.&W.O. addressed to Gp. Capt. K. M. Ram, AVSM, Station Commander, No. 28 Wing, A.F. Hindan (Exhibit 'L'). In this D.O. letter it is stated that the recorded discussion received by *vide* 28W/S. 1361/4/Org. dated 25th March, 1969 (Exhibit 'J') have been approved by the S.O.A. and a copy of the approved draft were enclosed with the letter.

4th WITNESS.- Wg. Cdr. T. T. Visuvasam (2497) A & SD (Retired) states:—I am now re-employed at NCC Directorate Madras. I served as Command Org. and Command Works Officer at this Headquarters (HQ. WAC) from November, 1967 to November, 1969. As regards the camp cinema at No. 28 Wing, Air Force I have following information to give. After having seen the file No. WAC/S. 2705/28/Wks. (Shown by the Court) I find that the subject first came to my notice through Encl. 25 on the file prepared by Flt. Lt. Paul (Works-III) which was a brief on the points for discussion (*vide* Encl. 24) concerning C. Org. and W.O. section, with the then S.O.A. on his visit to No. 28 Wing, Air Force on 21st March, 1969. Items 14 (Exh. 'N') of this Encl. relates to this subject. At Encl. 26A (Exh. 'Q') is a D.O. letter dated 25th March, 1969 from Gp. Capt. K. M. Ram, AVSM, the then station Cdr. No. 28 Wing, Air Force addressed to A.V.M. C. L. Mehta, AVSM, the then S.O.A., enclosing a record of discussions with the S.O.A. during his visit to No. 28 Wing, Air Force on 21st March, 1969. Item VII (Exh. 'R') of this record of discussion relates to this subject. On the D.O. letter, as noted on this, the then S.O.A. directed me to examine the record of discussions and return it back to No. 28 Wing, Air Force if they were alright. After discussion of the points with Flt. Lt. Paul (W-III) and after having satisfied myself, I returned the record of discussions under my D.O. letter on 10th April, 1969. (Exh. 'L') addressed to Gp. Capt. K. M. Ram, AVSM, station Cdr. No. 28 Wing, Air Force, duly approv-

ed on behalf of the S.O.A. Item VII (Exh. 'R') relates to this subject. While giving the general approval to the record of discussions. I agreed to the item as a proposal and as indicated, I awaited the copy of terms of contracts since the entire thing was on a proposal stage. On receipt of the detailed contracts we were to examine it from what its worth, subject to rules and regulations in force. Hence, my approval in this particular case is to proposal that was put forward to Command through the discussion and not for the actual construction and running of a cinema, since as it is indicated in the discussion also, it was at a proposal stage. As I was satisfied on the points, I did not refer the subject back to the S.O.A. to seek his specific approval, specially as in this case we wanted the draft contract to be sent to us for further scrutiny. I do not remember to have accompanied the then S.O.A. on his visit to No. 28 Wing, Air Force on 21st March, 1969. Most likely, Flt. Lt. Paul (W-III) who was incharge of station works at H.Q. WAC. accompanied the then S.O.A. on his visit.

Sd/- \*\* \*\* \*

13-10-1971.

5th WITNESS.—Sqn. Ldr. V. S. Paul (6028) A & SD states:—I am at present posted at Air Headquarters as Asst. Director of Works. I was serving as Works III at HQs Western Air Command, I.A.F. from June, 1966 to July, 1970 and my job included Works services of No. 28 Wing, A.F. As regards a camp cinema at No. 28 Wing, A.F. I have following information to give after having examined the file No. WAC/G. 2705/58/Wks. I accompanied the then S.O.A. A.V.M. C.L. Mehta A.V.S.M. on his visit to No. 28 Wing, A.F. on 21st March, 1969. On arrival a brief on points for discussion was handed over to the S.O.A. by the Station Commander. This brief is placed at Encl. 24 of the file. At the discussion on item 14 (exhibit 'N') of this brief, as it occurred in my presence, between the Station Commander and the S.O.A., the S.O.A. advised the station commander to submit the contract deed to HQ. Western Air Command, I.A.F. for scrutiny by Legal experts and clearance and this I included in the brief on points raised by No. 28 Wing, A.F., prepared by me and submitted to the S.O.A. vide Note—4 of the file (exhibit 'P') as item 14 in Encl. 25 (Exhibit 'O'). As noted on the D.O. letter dated 25th March, 1969 which is placed as Encl. 26A, in the file (Exhibit 'O'), the record of discussions forwarded by No. 28 Wing A.F. under their D.O. letter was dis-

cussed by me with Wg. Cdr. Visuvasam, the then C.O. & W.O. Item 7 (Exhibit 'R') relates to this subject. In this discussion I suggested to the C.O. and W.O. that the contract deed should be sent to Command Headquarters for scrutiny as the subject was at a proposal stage. While I was at No. 28 Wing, A.F. with the S.O.A. on 21st March, 1969 no building or structure or the location of the proposed cinema, was shown to us.

Sd/- \* \* \* \* \*

6th WITNESS.—Flt. Lt. B. K. Atri (7496) FB(N) of No. 48 Squadron, Air Force states:—I was employed as Org. IV at HQ WAC IAF from 31 Jul. 68 to 7 Jul. 71. With reference to Note 1 on file No. WAC/C.2654/18/Org. (Exhibit 'E') I recollect that Encl. 1 in the file, which is now absent from the file, was the copy of the grow-more-food and cinema contract papers which were later returned to Flt. Lt. Joseph, then officiating S.Ad. O. of No. 28 Wing, as indicated in my note dated 3 Jun. 69 below note 4 of the file (Exhibit 'F'). As regards cinema contract the regulations on the subject were explained by me in Note No. 3 of the file. I hereby produce an extract of Note 3 (seen by the Court and taken as Exhibit 'S'). I discussed Note 3 with A.V.M. C.L. Mehta, AVSM, the then S.O.A. and on his instructions, a meeting was held in the SOA's office on 3 Jun. 69 at which Gp. Capt. (Now Air Cdre) K. M. Ram, AVSM, the then Stn. Cdr. No. 22 Wing and Flt. Lt. Joseph Asst. O. I/C Admin. No. 28 Wing were present besides myself. At this meeting the SOA gave a ruling that no Unit under this Command was to enter into a contract with any private party for running a cinema and that the P.S.I. can however, run a cinema without any contract. This fact was recollected by me as note of action vide Note 5 (Exhibit 'G') soon after the meeting. I have got no further details to give on this subject, beyond what I have stated about.

Sd/- \* \* \* \* \*

7-12-1971.

7th WITNESS.—Wg. Cdr. N. V. Krishnaswamy (3677) Adm. of Air Force Academy states:—"I was employed as O. i/c Admin. at No. 28 Wing, A.F. from Feb. 68 to Mar. 70. Prior to this, I was employed as S.Ad.O at No. 5 B.R.D. A.F. from Jul. 65 to Jan. 68. I was not posted as S.Ad.O at any other places, prior to my posting to No. 5 B.R.D. A.F. At the time of posting to No. 28 Wing. Gp. Capt. (Now Air Cdre) K. M. Ram, A.V.S.M. and Bar was the Stn. Cdr. Due to inadequate amenities at the camp, necessity for organising a camp

cinema was very keenly felt by all personnel on the station. Open Air cinema was not suited to the place since major part of the year is cold or raining. During the latter half of 1968, one civilian, Shri P. P. Gupta, who was running a cinema contract at Meerut approached No. 28 Wing to give him permission to start a similar cinema venture. He also showed a copy of contract agreement which he had entered into with the Army authorities at Meerut. Immediately, I discussed it with Air Cdre K. M. Ram, the then Stn. Cdr. and it was decided to give him permission to run a cinema in the camp. Accordingly, a draft contract agreement was drawn to run a cinema in a temporary structure, to be erected by the contractor. It was stipulated *vide* para 22 of the contract that the contractor was to indicate after six months, as to when and on what terms, he will take up the construction of pucca cinema hall. This contract was duly signed by the Stn. Cdr. (Air Cdre K. M. Ram) and Shri P. P. Gupta. (A copy of the contract is available as Exh. 'H' of the proceedings). I had put up the contract to the Stn. Cdr. for his signature *vide* Note 1 in file No. 28W/2102/13/NPF (Pt. I). A copy of this Note, I hereby produce. The copy is marked as Exh. 'T' and attached to the proceedings. In accordance with para 22 of the contract, a revised contract for erection of a semi-permanent cinema hall was drawn out on 15 Mar. 69; a C.T.C. of this contract is available as Enclosure No. 77B in file No. 28W/S.1361/4/Org. I do not find the original copy of the contract in the file. This contract was also signed by Air Cdre K. M. Ram as Stn. Cdr. and Shri P. P. Gupta as the contractor. I hereby produce a copy of the C.T.C. of this contract. The copy is marked as Exh. 'U' and attached to the proceedings. On 21st Mar. 69, S.O.A. A.V.M. C.L. Mehta A.V.S.M. visited No. 28. Wing and the subject matter was discussed with him by the Stn. Cdr and was featured in the record of discussions submitted to the S.O.A. (This is available as Exh. 'J' of the proceedings). As per the discussion, a copy of the terms of contract was to be forwarded to H.Q. W.A.C. for their scrutiny and any further discussions. While I was on leave and sick in hospital during Apr, May and part of June, I understand that a couple of discussions took place between the Stn. Cdr. and the S.O.A. during which Flt. Lt. Joseph who was officiating my absence as O. i/c Admin. was also present. I also see from the records that the copy of the contract was forwarded to Command. and was brought back personally as is seen from pencil noting on E-77A of file No. 28W/S.1361/4/Org./Pt. I. I was told by Flt. Lt.

Exh. 'T'

Exh. 'U'

Joseph that H.Q. W.A.C. advised No. 28 Wing to redraw this contract to make Shri P. P. Gupta run the cinema for and on behalf of the P.S.I. Accordingly, a contract was drawn between the P.S.I. and the contractor in Jul. 69. This was signed by me as President of the Service Institute, and the contractor, Shri P. P. Gupta. It was countersigned by the Stn. Cdr. Air Cdre Ram. Since the contractor had to invest a huge sum to the tune of Rs. 1,00,000 approximately, he insisted that that contract be drawn for a minimum period of 10 years, as he had to recover this investment. In addition to putting up a permanent structure, the contractor was obliged to pay Rs. 500 per month as rebate to P.S.I. The contractor was under the impression that for welfare purposes, there will not be any charges for the electricity consumed. But, however, it was stipulated in the contract that if and when the bills are produced, the same had to be paid by him.

*Questions by the Court*

- Q. 1** Para 11 of the contract dated 15 Mar. 69 makes the contractor responsible for the payment of electric charges at the rates fixed by the Electric Supply Company, like the C.P.W.D. or M.E.S., whereas, para 17 of the contract dated 16 Jul. 69 makes him so responsible if any claim is made by C.P.W.D./M.E.S. How would you like to explain this?
- A. 1** As I have already explained, the contractor was under the impression that for welfare purposes, no electricity bills would be charged. He was, however, informed that if bills for electricity consumption were raised, he had to defray the charges. As there was a doubt whether for welfare activities, electric charges are leviable, in order to protect the interest of the P.S.I., it was stipulated that, if any claim is made in this regard, the contractor would be liable to pay.
- Q. 2** Whereas para 1 of the contract dated 15 Mar. 69 makes the contractor responsible for the payment of ground rent, if required by the Government, no such clause has been included in the contract dated 16 Jul. 69. Would you like to explain this omission?
- A. 2** As regards the ground rent, the matter was discussed with the then M.E.O. of Meerut Circle (Shri Mathur) about the formalities to be followed in connection with the construction of a camp cinema. I also simultaneously followed it up with a letter No. 28W/2102/13/Wel dated 15 Nov. 68 (placed in file as E.36). I hereby produce a copy of this letter.

Exh. "V" The copy is marked as Exh. "V", and attached to the proceedings. Although the M.E.O. gave me to understand that the Stn. Cdr is empowered to allot the land for welfare purposes free of rent, he has not confirmed so in writing in response to my letter referred to above. However, if the ground rent was so leviable, it would have been paid from the Rs. 500 per month rebate that the contractor was making to P.S.I. in case the contractor himself declined to pay.

Q. 3 Clause of the contract dated 16 Jul. 69 authorises the contractor to convert the cinema hall into a permanent structure with necessary ancillaries at his own cost and clause 7 authorises him to operate cycle stand, resturant, cold drinks, coffee and refreshment centre and any other stall required at the cinema. Do the ancillaries mentioned in clause I, cover the facilities stated in clause 7? Whether the contractor was also required to put up constructions for the said facilities?

A. 3 Yes, the contractor was permitted to also construct structures for the facilities mentioned in clause 7, as part of the cinema.

Q. 4 Air HQrs. letter No. Air HQ/20727/8/Org. dated 15 Jan. 66 (Exh. "A") duly received at No. 28 Wing prohibits giving of a cinema contract to private individual and also forbids any construction on Government land without Government sanction. It is further seen that No. 28 Wing represented to Command H.Q. with reference to the said Air HQrs. letter for permission to run a cinema *vide* letter No. 28W/2003/25/Wks dated 12 Jul. 66 (Exh. "C") which request was turned down by Command H.Q. *vide* letter No. WAC/2654/1/Org. dated 2 Aug. 66 (Exh. "D"). How would you explain entering into a contract dated 15 Mar 69 and 16 Jul 69 inspite of these clear instructions?

A. 4 I was not aware of the existence of these letters, since they were received much before I reported to No. 28 Wing on posting.

Q. 5 It is apparent that Air H.Q. letter quoted in question 4 above, was circulated to all units through various Command Headquarters. During your previous appointment as S.Ad.O. of No. 5 B.R.D. did you not come across this letter?

A. 5 I do not remember to have seen this letter during my previous tenure as S.Ad.O. of No. 5 B.R.D. Perhaps this letter was received when I was away from the Unit on leave or on S.Ad.O.'s course.

Q. 6 In view of the L.A.O's observation raised *vide* P.O.L. No. 65, dated 23 May, 69 regarding functioning of a private cinema on defence land without payment of ground rent, how is that you entered into a fresh contract regarding the cinema on 16 Jul. 69

A. 6 The P.O.L. was received during the period when Flt. Lt. Joseph was officiating in my absence on leave as O. i/c Admin. and he had replied the P.O.L. *vide* 28W/2102/13/NPF dated 12 Jun. 69 stating that the cinema was being run by the P.S.I. Hence settlement was requested. Since no reply was received, it was presumed that the objection was settled.

Q. 7 Before taking up the running of the camp cinema as a P.S.I. venture, did you explore the possibilities of having a cinema constructed at public cost?

A. 7 Yes, we explored, but this was not possible in view of Air H.Q. letter No. Air HQ/37528/205/W (Coord) dated 27 Nov. 67 which placed a ban on such welfare facilities at Government expense due to financial stringencies.

Q. 8 For welfare purposes, is it in order for the P.S.I. to enter into agreements with private individuals. If so, do you consider that the agreements entered into with Mr. Gupta are of the same nature?

A. 8 Yes, P.S.I. is permitted to enter into contracts with private parties for running of welfare ventures for the benefit of station personnel. I regard the agreements with Mr. P. P. Gupta one such venture, which was run for and on behalf of the P.S.I.

*3th Witness* Flt. Lt. G. Joseph (6952) Adm. of No. 43 W.E.U. states: "I was on the posted strength of No. 28 Wing, A.F. from May 66 to Dec. 69. Till May, 67 when I took over as Stn. Adj. I was doing Code and Cypher duties. From Apr. to Jun. 69 I officiated as O.i/c Admin. when Wg. Cdr. Krishnaswamy was away on leave. During this period, sometime, in the first week of Jun. 69, exact date I do not remember, I accompanied the Stn. Cdr. Air Cdre Ram (then Gp. Capt.) A.V.S.M. and Bar to Command H.Q. for discussion with the S.O.A. in connection with running of a cinema at No. 28 Wing. During the discussion with S.O.A., Flt. Lt. Atri of Command H.Q. was present, besides Air Cdre Ram and myself, Air Cdre Ram had gone into the S.O.A's office ahead of me and after about



- 5 minutes or so, I was called in the office. As far as I can recollect in my presence, the S.O.A. A.V.M, C.L. Mehta, A.V.S.M. told Air Cdre Ram in the interest of the welfare of airmen of your station, you may enter into an agreement with "this chap" keeping in view that this chap is your P.S.I. employee or words to that effect. Then I left the office. We went back to the Unit when Air Cdre Ram told me to keep this matter pending till Wg. Cdr. Krishnaswamy returned from leave. Grow-more-food and C.T.C. of Cinema contract papers, forwarded to H.Q. W.A.C. *vide* letter No. 28W/S. 1361/4/Org. dated 8 Apr. 69, a copy of which I hereby produce, copy marked as Exh. "W" and attached to the proceedings, was brought back in original and placed as E.77 in file No. 28W/S.1361/4/Org. P.O.L. No. 65, dated 23 May, 69 was received in my section on 30 May 69. I hereby produce a copy of it. Copy is marked as Exh. "X" and attached to the proceedings. It pertained to functioning of a private cinema on defence land without payment of the ground rent. This P.O.L. was discussed between the Stn. Cdr., L.A.O. and O. i/e Admin. and myself and the reply was given to L.A.O. by me *vide* letter No. 28W/2102/13/NPF, dated 12 Jan. 69. I hereby produce a copy of this letter. Copy is marked as Exh. "Y" Exh. "Y" and attached to the proceedings.

Q. 9 An return of Wg. Cdr. Krishnaswamy from leave. what briefing did you give him on the subject of cinema contract?

A. 9 I told the Wg. Cdr. about the discussion that the Stn. Cdr. and I had had with the S.O.A. at Command H.Q. in the first week of Jun. 69 and that at this discussion S.O.A. had advised that P.S.I. may enter into an agreement with Shri Gupta keeping in view that he is a P.S.I. employee.

Q. 10 Do you consider if there is any discrepancy between the above briefing you gave to Wg. Cdr. Krishnaswamy and the letter you wrote to L.A.O. (Exh. "Y") wherein you stated "that the camp cinema is run by P.S.I. for the benefit of all personnel of this Wing and Lodger Units"?

A. 10 There is no discrepancy in the two as I regarded the running of the camp cinema as a P.S.I. venture.

*9th Witness* Air Cdre K. M. Ram (1301) F.(P), AVSM and Bar of H.Q. E.A.C., I.A.F. states: "I was Stn. Cdre of No. 28 Wing,

A.F. from Feb. 67 to 13 Aug. 69. By 1968 the Station population had increased to about 4000 including families. There was no recreational facilities at the station at that time. The nearest cinema hall was over 5 miles at Gaziabad. There was no regular service transport between the Air Force Station and Gaziabad. Personnel and their families had to trek up to Mohan Nagar which is about half a mile away and from there take a chance in a bus (which were usually overcrowded) plying between Delhi and Gaziabad. There was persistent demand from all sections of the population of Air Force Station that a cinema be constructed on the station itself. Whenever A.F. personnel travelled by buses either to Gaziabad or towards Delhi for the purpose of recreation, they invariably found that their identity cards were stolen by a very organised gang of pickpockets most likely under the pay of foreign agents. Every loss of identity card was normally investigated through the local civil police but the menace continued unabated. This aspect was of great worry and anxiety to me as Stn. Cdr. and it was brought to my notice that if the recreational facilities on the station, like a cinema, are constructed, this menace would be effectively checked. I, therefore, asked my O. i/c. Admin., Wg. Cdr. N. V. Krishnaswamy to investigate the possibility of running a cinema at the Station. It was brought to my notice by him that Air H.Q. had stated that due to financial stringency, a cinema hall could not be sanctioned for the Station. I then asked him to explore other possibilities. After some time, I was informed that one Shri P. P. Gupta who was already running a Cinema for some Army Units at Meerut was the only reliable person prepared to undertake the running of a 35 m.m. cinema in the camp. I asked the O. i/c. Admin. to ascertain from the M.E.O., Meerut Circle, under whose jurisdiction our Station fell, the rules regarding the use of defence land for running a cinema as a welfare activity for service personnel. Later, I also had a talk with Shri Mathur in my office on the same issue and he had verbally assured me that their department had no objection to the use of any defence land, within the camp area, for recreational purposes such as running a cinema for the service personnel. Therefore, we earmarked an area in the camp for open air cinema and asked Mr. Gupta to make necessary arrangements. While these arrangements were going on, on 21 Mar. 69, S.O.A., Air Vice Marshal C. L. Mehta A.V.S.M. along with a team of Staff Officers inspected my station when this aspect of construction of the cinema was discussed. This record of discussion was forwarded to H.Q.

W.A.C. by me *vide* D.O. letter No. 28W/S.1361/4/Org. dated 25 Mar. 69 (Exh. "J") and I was advised to take action *vide* letter No. WAC/2705/28/Wks, dated 10th Apr. 69 (Exh. "L"), *i.e.* to forward the copy of the terms of contract to be entered with the individual to H.Q. W.A.C. for scrutiny. This had already been done *vide* letter No. 28W/S.1361/4/Org. dated 8 Apr. 69 (Exh. "W"). Under this letter, the contract for grow-more-food campaign was also included. During the visit of the S.O.A. no specific instructions were given to abandon the project. The Station authorities gathered the impression that their project had the blessing of Command H.Q. and went ahead with the proposed arrangements. On 3 Jun. 69, as advised by the S.O.A., I along with my officiating O. i/c. Admin. Flt. Lt. Joseph met the S.O.A. in his office to discuss the subject. During this meeting the S.O.A. advised me that instead of entering into direct contract with the individual, we should make arrangements in such a way that they are shown as employees of the P.S.I. and P.S.I. could enter into separate agreement with the individuals as particularly in the case of cinema, P.S.I. was not capable of investing the large sum required for the purpose. He then handed over the contract agreement along with the covering letter in original for revision. On return of Wg. Cdr. Krishnaswamy, O. i/c. Admin. from leave, I appraised him of the advice given by the S.O.A. and advised him to draft out fresh agreement for running the cinema as well as the grow-more-food campaign. Towards the middle of Jun. 69, Wg. Cdr. Krishnaswamy put up the revised agreement duly signed by him as P.S.I. and by Shri Gupta. I asked him as to why the agreement was for such a long period of 10 years and he stated that the P.S.I. was not in a position to invest so much money in the venture and Shri Gupta's investment may be in the region of a lakh of rupees. Since this venture was meant for the welfare of the Stn. personnel, as well as provide steady income of Rs. 500 per month to the P.S.I., I agreed to countersign the document. Soon after, I handed command of the station on posting to Air Cdre H. R. Chitnis and briefed him on this subject. During May, 69, a preliminary observation was raised by the L.A.O. regarding the functioning of the cinema on Govt. land (Exh. "X"). This observation was discussed with me by the L.A.O. in presence of Flt. Lt. Joseph, officiating O. i/c. Admin. when it was explained to the L.A.O. that cinema was running for the welfare of airmen as a P.S.I. venture. He agreed to drop the observation. A letter was also written to L.A.O. (Exh. "Y") accordingly. To the best of my knowledge, the

arrangements under which the P.S.I. was running the cinema were not subject to scrutiny of Audit authorities since it was a matter purely concerning N.P.Fs. During my tenure as a Stn. Cdr. of No. 28 Wing or even earlier, I had not been made aware of the existence of Air H.Q. letter No. Air H.Q./20727/8/Org. dated 15 June 66 (Exh. "A"). Alongwith No. 28 Wing was established on 1 Apr. 65, it had very little time to settle down as Pakistan hostilities of 1965 soon intervened and my impression on taking over the station was that it was still in the process of settling down with very few welfare activities available on the station. I regarded the running of the cinema purely as a P.S.I. venture and accordingly, the agreement was signed by the O. i/c. Admin. as President Service Institute. This agreement was of internal nature between the P.S.I. and an individual not, subject to Government audit, safeguarding the interest of both the parties.

*10th Witness* Squadron Leader Satchidananda Nayak (5525) Accts. of No. 28 Wing, A. F. states:—

I am posted as the Senior Accounts Officer of No. 28 Wing A.F. w.e.f. 1 Apr. 71. From records of Audit objections for the period 1 Jan. to 31 Mar. 69, I find that no objection has been raised by the L.A.O. on Cinema Account in his final audit report. It would mean that P.O.L. No. 65 dated 23 May, 69 (Exh. "X") has been settled/dropped by the L.A.O. However, from the files I find that there is an observation on the Station Cinema during the audit of quarter 10-12/69. I reproduce the observation below:—

*"Obs. XV Pt. XII.—*It has been observed from various S.R.Os that a cinema is functioning in the Wing area. It is requested that the following information may kindly be furnished.

1. Date from which the cinema is functioning.
2. Authority for the opening of the cinema.
3. Whether the cinema is running by the Wing Authorities or by a Contractor.
4. If running by a contractor, a copy of the agreement executed may be furnished".

2. A statement of case for this observation has been forwarded to H.Q. W.A.C. *vide* 28th Wing A.F. letter No. 28W/1108/1/EAS/Pt. V dated 10th December, 1970. This objection is still outstanding.

### FINDINGS OF THE COURT OF INQUIRY

Air Force Station, Hindon was formed on 1 April, 1965. By 1968, its population had increased to approximately 4,000 personnel of all categories including families. The Station then had grossly inadequate welfare facilities especially as it was a new Station. The Station is situated rather out of the way, approximately 5 miles from Gaziabad, the nearest town where recreational facilities like cinema are available. The nearest bus point is about half a mile away from the domestic camp and the buses were usually overcrowded and irregular in service. A great and urgent need for welfare facilities like a cinema was then felt, especially, as the incidence of loss of identity cards while going in the civil buses for this purpose to Gaziabad had attained alarming proportions in which the hand of foreign agents was suspected. Finding that this facility cannot be made available through public funds, the station authorities decided to run a cinema as a P.S.I. venture for the *bona fide* use of service personnel and their families. Being a freshly raised station, the P.S.I. could not afford to run it all from their resources. They, hence explored the possibility of taking the help of an experienced individual who could set up this venture from his own resources and run it for and on behalf of the P.S.I. In order to suitably compensate the individual for his investment, an agreement on behalf of the P.S.I. was entered into with Shri P. P. Gupta on 16 July, 1969 which at the same time protected the interest of P.S.I. By this agreement, Shri P. P. Gupta was authorised to run this venture for 10 years under the control of P.S.I. and to give a rebate of Rs. 500 per month to the P.S.I. This venture was initially stated in 1968 as an Open Air Cinema with temporary structures, but as that area is subject to severe winter and heavy rains, it was agreed by Shri P. P. Gupta to convert it into a semi-permanent structure along with the usual ancillaries at his cost.

Before this S.P.I. agreement with Shri Gupta was finally drawn on 16 July, 1969, the Station verbally consulted the then M.E.O. if their proposal was in order and followed it up with a letter to him (Exh. 'V'). In verbal discussion the M.E.O. seemed to be satisfied with the arrangements and raised no objection. However, as no reply to Exh. 'V' is available in the files, confirmation by the M.E.O. to this proposal cannot be firmly established. Incidentally, as Shri P. P. Gupta was already running a cinema at one of the Army Units and was reputed to be a reliable person, it convinced the Station authorities that the proposed agreement would be in order. Later, on 21 March, 1969 this point appears to have been

discussed with the then S.O.A. and his staff on their visit to the Station. According a record of discussion was sent to Command H.Q. (Exh. 'J'). Later, a discussion was held again on the subject in the S.O.A's. office at H.Q. W.A.C. at which as recorded in a Note of Action (Exh. 'C'), the Station Commander and the officiating O. i/c Admin. were advised that it was in order for the P.S.I. to run a cinema on their own. In March, 1969, L.A.O. had raised an observation (Exh. 'X') with regard to payment of ground rent, thinking that a private cinema was being run by a private person on Government land. In reply (Exh. 'Y') the Station stated that the cinema was being run by the P.S.I. for the benefit of service personnel. The L.A.O. was satisfied with this reply as the observation was not included in the final objection statement.

3. In view of the foregoing it appears quite reasonable that the Stn. authorities felt that their action to allow a semi permanent structure for running of a cinema as a P.S.I. venture with the help of a private individual was in order and they went ahead with an agreement with Shri P. P. Gupta in the belief that they were not contravening the regulations on the subject. In drawing this agreement they were firmly of the impression that the agreement was of an internal nature in line with agreements that are made between P.S.I. and its employees for running of a similar venture like grow-more-food and dairy farms etc. and that they were adequately protecting the interests of the P.S.I. by stipulating a rebate of Rs. 500 p.m. to the P.S.I.

4. However, it is noted that Air H.Q. letter No. Air HQ/20727/8/Org. (Exh. 'A') which prohibits such a venture seems to have escaped notice at all levels. The reason for this oversight was perhaps that this Air H.Q. letter was issued soon after the effects of 1965 Pakistan hostilities had had time to settle down to normal administrative routine. This letter, it may be mentioned was not repeated since then. This conclusion is perhaps borne out by the fact that Air H.Q. issued another letter, more detailed and comprehensive, on 23 Nov., 1970 (Air HQ/20727/8/Org. dated 23 Nov., 1970) stating in the opening paragraph that stations in general did not appear to be clear on the subject. Though the administration cannot completely absolve themselves of their responsibility of knowing policy letters, they over-looked this letter under the circumstances mentioned above. Except this oversight they explored all other avenues available to them to satisfy themselves of the correctness of their proposed action. If this omission is accepted as reasonable, the subsequent action taken by the Station would be deemed as prudent and in order. It would rather speak highly of the initiative, imagination and drive of the Station authorities concerned to have been able to arrange such a major welfare facility in so short a time.

5. In order to provide reasonable safety to Shri P. P. Gupta for his financial investment of this magnitude to help a welfare venture, the 10 year period of agreement seems quite reasonable. It may be repeated that the Station authorities regarded their agreement as internal matter between Shri P. P. Gupta and the P.S.I. It was concluded only to protect the justified interest of both the parties. The economics of the scheme as it appeared to the Station authorities, was that in 10 years the P.S.I. would have gained a sum of Rs. 60,000 with which they would be able to buy of the total assets of the cinema at the end of that period. The Court has not been able to find out any orders or instructions which prohibit P.S.I. agreement to spread over a number of years.

6. Payment of ground rent and allied charges for P.S.I. ventures for *bona fide* use of service personnel is in doubt, especially in view of L.A.O's apparent acceptance of unit's reply *vide* Exh. 'Y' in reply to his P.O.L. Exh. 'X'. However, if these charges become leviable, clause 17 of the agreement makes Shri P. P. Gupta responsible for payment of electricity charges. Ground rent, if demanded may be paid out from the P.S.I. rebate of Rs. 500 per month.

7. While the observation raised by the L.A.O. in May, 1969 on the subject has been settled/dropped, the objection raised for the quarter 10-12-69 is still outstanding and is being at present progressed at Command H.Q.

8. In view of the circumstances stated in detail in para 1 to 6 the Court is unable to attach specific blame to any individual. The circumstances under which Air H.Q. letter (Exh. 'A') escaped notice have been explained above in detail. These appear to be reasonable, justifying a lenient view of this omission. The Court is satisfied that the Station authorities undertook this P.S.I. venture in their anxiety and deep concern for the lack of welfare facilities at the Station. It was done in good faith and with the only motive to help the welfare and morale of service personnel. If there has been any short-coming, it has been entirely due to their enthusiasm to meet an urgent need of the Station. The Court is further satisfied that this P.S.I. venture is economically sound and is serving a great need at the Station.

Sd/- D. N. MANIKTALA Air Cdre.  
Presiding Officer.

Sd/- R. N. DOGRA Wg. Cdr.  
Member

Sd/- S. N. CHATURVEDI Sqn. Ldr.  
Member.

**APPENDIX 'A' TO AIR HEADQUARTERS LETTER NO. AIR HQ/  
20727/8/ORG, DATED 15 JUNE, 1966**

**QUESTIONNAIRE—AIR FORCE CINEMAS**

1. By which name is your cinema known?
2. Is the Cinema running at present?
3. If it is closed, state for what period?
4. When was this cinema constructed and by whom? Is it on government leased land and if so, the period of lease may be indicated?
5. Is the cinema building a temporary construction or a permanent one?
6. Is the cinema built as a cinema or has a barrack/lecture hall been converted into a cinema?
7. Is the cinema licensed by the civil authorities?
8. Is the cinema building has been inspected by civil authorities, have any defects been pointed out? If so, kindly give full details together with the date of last inspection.
9. What type of flooring is the auditorium—wooden, or cement concrete etc.?
10. Is the auditorium flooring flat or sloped or with steps? Give details of actual slope or the exact dimensions of each step.
11. Is your cinema the only cinema or are there any other cinemas in the station? If so, how many and at what distance are these from the cinema? Are the other cinemas in bounds to service personnel?
12. What is the strength of the station both civil and Air Force personnel, state number of officers and other ranks and how many married families in the station?
13. Is the cinema within easy reach of civilians and are civilians being admitted to the cinema at present?



14. Are there any adjoining village within easy reach of the Cinema if so, please give details—distance from cinema and population of each village?
15. Is the cinema run by a contractor, or under unit arrangement? If run under unit arrangement, do you wish to hand it over to CSD(I) to run it?
16. If the cinema is run by a contractor, when does his lease expire.
17. What is the rent paid by the contractor for cinema building?
18. What is the assessed rent of the cinema building?
19. What are the charges for supply electricity to cinema for general lighting and power? What is the average monthly bill for electricity paid by the contractor? Is the supply AC or DC?
20. What is the seating capacity of the cinema classwise and what are the admission rates charged for each class?
21. How many shows are held daily and at what time?
22. What type of films are shown generally—Hindi, English or provincial language?
23. How many charges of programme do you have in a week?
24. What type of seats are in use in the cinema and what is their condition at present?
25. To whom do these seats belong—contractor or MES?
26. What type of cinema equipment is being used by the contractor? If possible, kindly give the make of the projectors, sound system, arc lamps, rectifiers or motor generators and the present condition of the equipment. Is there one or two projectors in use?
27. Does the State Government or local municipality or the cantonment board charge show tax for the cinema? If so, what is the exact amount charged per show?
28. Is the Octroi Duty charged on import of films to the Station and what are the current rates?
29. The following charts should also accompany the replies to this Questionnaire:—
- (a) A detailed line plan of the cinema building with full details of dimensions of the hall, stage, projection room, rewinding and Motor room and also position of latrines, number of doors and their dimensions (Width and height within the frame).

- (b) A sketch of the cantonment indicating locations of the cinema and other cinemas, if any, and the residential quarters of troops?

## EXHIBIT 'A'

From:—Air Headquarters, New Delhi—11

To:—As per standard List 'A'

Date:—15th June, 1966.

Ref.:—Air HQ/20727/8/Org.

## TAKING OVER BY CSD (I) OF CINEMAS RUN BY CONTRACTORS

The Government have laid down the following policy regarding running of Air Force Cinemas:—

- (a) No cinema is to be given to a private contractor under any circumstances.
- (b) On completion/vacation of an Air Force cinema building, it will be offered to CSD(I) for running the same.
- (c) In case for some reasons the CSD(I) is unable to take over the cinema, it may be run by the unit only after Government sanction for the same has been obtained by this Hqrs.

2. In view of the above, it is advised that this Headquarters (DDO&E) be informed about the construction/vacation of a cinema building about 6 months in advance. On receipt of this information CSD(I) will be approached to make arrangements for taking over the cinema. Such intimation will be accompanied by a detailed statement as per attached performa. in triplicate.

3. The units may please note that no Regimental/PSI property can be constructed on Government land without Government sanction. If any unauthorised constructions have been put up, the necessary action for regularisation will have to be taken. If the lease is granted by Government, one of the essential conditions would be that no lease, licence, contract, etc., shall be given by the leasee in favour of private party.

4. The units may, however, run their own open-air-cinema provided it does not involve construction on Government land. In any case if any construction is required on the Government land prior permission/Government sanction will have to be obtained as mentioned in the preceding para.

Sd/- (R. K. CHARI) CSO II  
Air Vice Marshal,  
Air Officer i/c. Administration.

Copy to:—

Dte. of Air Force Works.

## EXHIBIT 'B'

**From:—H.Q. Western Air Command, IAF.**

**To:—All Units under W.A.C., I.A.F.**

**Copy to:—Air Headquarters, New Delhi (Dte. of org).**

**Date:—24th June, 1966.**

**Ref.:—WAC/2654/1/ORG.**

**TAKING OVER BY CSD(I) OF CINEMAS RUN BY CONTRACTORS**

Enclosed please find a copy of Air Headquarters letter No. Air HQ/20727/8/ORG., dated 15th June, 1966 for your information and necessary action.

2. Six months prior to the expected date of construction of a new Cinema Building or vacation of a Cinema Building by the Contractor running of a cinema at your Wing/Unit, the proforma given at Appendix 'A' to Air Headquarters letter under reference be completed and submitted to this Headquarters to enable Air Headquarters to make arrangements for the CSD(I) to take over the cinema or obtain Government sanction for unit run cinema as applicable. In the case of unit run cinemas the proforma may be completed and submitted immediately if it is proposed by your Wing/Unit to hand over to CSD(I) to run it.

3. All Wings/Units having contractor run cinemas are to ensure that no fresh contract is entered into on completion of the present tenure of contract.

4. The following information with regard to cinema run at Wings/Units be submitted to this Headquarters latest by 15th July, 1966.

- (a) Is the cinema run by CSD(I)?
- (b) Is the cinema run by private contractor, if so, what is the date of expiry of the present contract?
- (c) Is the cinema run under unit arrangement? If so, the authority for the same?

Sd./

(S. G. BORKAR) Flt. Lt.

Wing Commander

Senior Officer Administration,

H.Q. Western Air Command, IAF.

## EXHIBIT 'C'

From:—No. 28 Wing, Air Force

To:—Headquarters Western Air Command, I.A.F.

Date:—12th July, 1966

Ref.:—28W/2003/26/Wks.

## PROVISION OF CINEMA AT HINDAN

Reference is made to your letter No. WAC/2654/1/Org., dated 24th June, 1966.

2. There is no Cinema building at present on this Station. In this connection your attention is invited to this Wing's letter of even number dated 17th March, 1966 and your Headquarters letter No. WAC/S.2778/Wks. dated 25th April, 1966.

3. Further please confirm if a private contractor can be permitted to run the Cinema over here purely on temporary basis. The condition of the contract will be such that his services can be terminated at any time without assigning any reason. If this is not acceptable, it is requested that 16 M.M. projector along with the screen may please be made available to this Station.

4. Please expedite action.

Sd./-

(P. P. DUTTA) Sqn. Ldr.

Group Captain, Commanding

No. 28 Wing, Air Force.

## EXHIBIT 'D'

From:—Headquarters Western Air Command, IAF.

To:—No. 28 Wing, Air Force.

Date:—2nd August, 1966.

Ref.:—WAC/2654/1/ORG.

## PROVISION OF CINEMA AT HINDAN

Reference your letter No. 28W/2003/26/Wks. dated 12th July, 1966.

2. Please refer to Air Headquarters letter No. Air HQ/20727/8/ORG dated 15th June, 1966 para 1(a) wherein the Government's decision not to give cinemas to private Contractors under any circumstances has been communicated. Hence your request to run a cinema by a private Contractor on purely temporary basis cannot be agreed to.

3. You may submit an application for a grant/loan from I.A.F. Central Welfare Fund for the purpose of purchasing the projector and screen. This application may be sent to this Headquarters (P.4).

Sd./-

(S. G. BORKAR), Flt. Lt.

Group Captain,

Senior Officer Administration

H.Q. Western Air Command, I.A.

Copy to: P.4

INTERNAL  
COPY to: P. 4

EXHIBIT 'E'

COPY

NOTE—1

Reference Encl. I.

2. During the S.O.A's visit to No. 28 Wing A.F. on 21st March, 1969. He had discussed "Grow more food and camp cinema contract" with the Station Commander. The Wing was asked to submit a copy of the agreement undertaken with the contractor to this H.Q. to ensure that there are no legal complications involved at a later stage.

3. C.J.A. is requested to kindly go through the contract and give expert opinion on the subject before it is submitted to the S.O.A.

Sd./-

Flt. Lt.

Org. IV

23 Apr. 69.

(B. K. ATRI),

EXTN. 498.

C.J.A.

EXHIBIT 'F'

REMARKS ON NOTE—4

Grow more food and cinema contract papers returned to Flt Lt. G. Joseph S. Ad. O. No. 28 Wing, A.F.

Sd./-

Flt. Lt.

(B. K. ATRI).

3 Jun. 1969



3. The Contractor agrees to screen all such regional language films for which there is demand from more than 75 service personnel. The monthly screening programme is to be arranged in such a manner that all regional films are covered evenly.

4. The contractor agrees to submit cinema programme at least one in advance to the Said Officer. The Said Officer may not permit any particular picture to be screened at the Cinema.

5. The Contractor agrees to show one newsreel/documentary in each show and change the same every week.

6. The projector, cinema screen and any other equipment that may be required to show the films will be provided and installed by the Contractor.

7. The Contractor agrees to show such Military training films as may be provided to the Contractor by the Said Officer free of charge on the days and timings fixed by the Said Officer.

Sd/- Contractor

Sd/-

(K. M. RAM),

Group Captain Commanding Officer,  
No. 28 Wing, Air Force.

8. The rates of admission will be as follows:

|                           |                    |                             |
|---------------------------|--------------------|-----------------------------|
| (a) Officers and Families | Rs. 1 - per head   |                             |
| (b) SNCOs and Families    | Rs. 0.75 per head  |                             |
| (c) Airmen and Families   | Rs. 0.50 per head. |                             |
| Children under 6 year     | Free               | To be seated on<br>curries. |
| Children 6—10 years       | Rs. 0.25 per head  |                             |

9. The Contractor agrees to provide seating for 1000 personnel as per the following details:

|                           |                          |
|---------------------------|--------------------------|
| (a) Officers and Families | 150 Seats                |
| (b) SNCOs and Families    | 250 "                    |
| (c) Airmen and Families   | 400 " and 200 on benches |

10. The Contractor is to issue serially numbered tickets to persons attending the cinema shows and arrange for all such tickets to be torn into half as the ticket holder enters in cinema to prevent tickets being used

again. One half ticket is to be given to the purchaser and the other half retained by the gate keeper. The Contractor undertakes not to permit any malpractice in the sale of tickets. The Contractor will not give any complimentary passes except with the prior permission of the Said Officer.

11. The Said Officer reserves the right to give contract in respect of Cycle stand/tea shop or restaurant etc. at the cinema.

12. The contractor agrees to abide by the provision of India Cinematograph Act of 1918 as amended from time to time and civil rules pertaining to screening of the films. He is also to satisfy all the conditions imposed by the Government for screening the films under the aforesaid Act. In case the Contractor is found guilty of violating any of the Civil rules relating to the screening of films or operation of cinema, he undertakes the responsibility of settling the dispute with the concerned authorities at his own expense. No responsibility will devolve on the Said Officer for failure to comply any of these rules, for screening of films.

13. The contractor agrees to undertake reasonable fire fighting precautions in the projector room. He is also to ensure that a man trained in the use of fire fighting equipment is on duty on the projector room during the projection of the films.

14. The Contractor agrees to pay all electric charges for the electric energy used for showing the films, light on the dates and rates fixed by the Electric Supply Co.

15. The contractor and his employees will be at all times in possession of valid Security Passes to be issued by the Said Officer. Initial application for such passes will be submitted by the Contractor immediately a new man is employed by him and submit all passes for subsequent renewals five days before such renewals are due.

16. In the event of loss/damage to the Contractor's machinery and equipment on account of fire or bad weather or any other account, the Said Officer shall have no liability whatever to compensate the Contractor for the loss sustained.

17. The Contractor will pay a rebate of Rs. 800/- (Rupees eight hundred) per month to Air Force Station. This payment shall be made by 5th of every month. This rebate can be revised (increased/decreased) during the currency of the contract by mutual agreement of both the parties.

18. The Contractor will deposit a sum of Rs. 1000/- (Rupees one thousand) in cash which amount will be liable for forfeiture in part or in



full if in the opinion of the Said Officer, the Contractor infringes any of the conditions laid in this agreement.

19. On termination of the contract for any reason other than the breach of this agreement, the amount of security deposit shall be refunded by the Said Officer provided there is no claim due from the Contractor.

20. All money or compensation payable by the Contractor to the Said Officer under the terms of the contract may be recovered from or realised by the sale of sufficient part of Contractor's Security Deposit.

21. The Contractor will ensure that Cinema surroundings are kept neat and clean. The contractor will also make arrangements for temporary urinals at the cinema.

22. The contractor will after six months from the commencement of contract indicate to the Said Officer as to when and on what terms he will take up the construction of pucca cinema hall.

23. Either party may terminate this contract by giving 90 days notice in writing to the other party.

24. The Said Officer may terminate the contract by notice to the Contractor as per clause 23 above, without getting himself bound legally, if:

- (a) The contractor assigns or sublets the contract without the written approval of the Said Officer.
- (b) The Services of the Contractor are not found satisfactory.

25. The Said Officer may terminate this contract without any notice and getting himself bound legally if the Contractor is found guilty of fraud in respect of the contract, or the Contractor directly or indirectly gives promise or bribe, gift or loan to any officer or subordinate.

26. In case it is required, the Contractor agrees to pay rent for the land provided to him by the Said Officer for running the Cinema.

27. In the event of termination of the Contract for any reasons, the Contractor will be entitled to remove all his belongings alongwith any structures raise or made by him for running the Cinema.

28. The Said Officer may authorise such officer as he may wish to operate the contract on his behalf and the Contractor will accept to operate the contract as if they were issued by the Said Officer.

29. In case of any dispute or difference arising out of this Contract settlement of which is not herein before provided for, the decision of the Said Officer shall be final and binding.

Signature of the Contractor.

Sd/-  
(K. M. RAM),  
Gp. Capt.  
Station Commander.

STATION: AIR FORCE

DATE: 3rd October, 1968.

Witness:

1. Omprakash,  
107/C, Cariappa Str.  
Meerut Cantt.
2. S. K. Agarwala,  
15-D1, Ghaziabad,  
Dayanand Nagar.

Witness:—1. Sd/- (K. U. KRISHNASWAMY)  
Sqn. Ldr.  
2. Sd/- (G. JOSEPH),  
Flt. Lt.  
Exh. HI.

Memorandum of Agreement made on fifteenth day of March, 1969 between the STATION COMMANDER, INDIAN AIR FORCE STATION, (hereinafter called the 'SAID OFFICER' of the one part and Shri PREM PRAKASH GUPTA resident of 107/C Cariappa Street, Meerut Cantt hereinafter called the "CONTRACTOR" which expression shall include his heirs, of the other part. Whereas the contractor has agreed to run a Cinema in Air Force Station on terms and conditions specified in the following clauses.

1. The contractor may erect a temporary semi-permanent cinema building with necessary ancillaries at his own cost at the place approved by the Said Officer. The contractor agrees to pay, if required by the Government, rent for the land provided for erecting the cinema as laid down under the rules.

2. The contractor will install his own 35 MM Cinema projectors and all other equipment required for running the cinema.

3. The contractor may show two cinema shows daily on working days and three shows on Sundays and other holidays.

4. The contractor agrees to screen Hindi, English and all regional language films for which there is demand from more than 75 service personnel. The monthly screening programme is to be arranged in such a manner that all regional films are covered evenly.

5. The contractor agree to submit cinema programme atleast one week in advance to the Said Officer. The Said Officer may cancel film shows on any day if there is any other function in the station on that day and the said officer may not permit any particular picture to be screened in the Cinema.

6. The contractor agrees to show one newsreel/documentary film in each show and change the same every week.

7. The contractor agrees to show such Military training films as may be provided to the Contractor by the Said Officer free of charge on the dates and timings fixed by the Said Officer, and make available the hall for any function in the station.

8. The rates of admission will be as follows:

|               |                  |
|---------------|------------------|
| (a) Class I   | Rs 1/0 Per Seat  |
| (b) Class II  | Rs -/75 per Seat |
| (c) Class III | Rs -/50 per Seat |

The Contractor will issue serially numbered tickets to persons attending the cinema shows and arrange for all such tickets to be torn into half as the ticket holder enters in cinema to prevent tickets being used again. One half ticket is to be given to purchaser and the other half retained by the gate keeper. The Contractor undertakes not to permit any malpractice in the sale of tickets. The Contractor will not give any complimentary pass except with the prior permission of the Said Officer.

9. The Contractor agrees to abide by provisions of Indian Cinematograph Act of 1918 as amended from time to time and civil rules pertaining to the screening of films. He is also to satisfy all the conditions imposed by the Government for screening films under the aforesaid Act. In case the Contractor is found guilty of violating any of the Civil rules relating to screening of films or operation of cinema, he undertakes the responsibility of settling the dispute with the concerned authorities at his own expense. No responsibility will devolve on the Said Officer for failure to comply any of these rules for screening of films.

10. The contractor agrees to undertake reasonable fire-fighting precautions in the projector room. He is also to ensure that a man trained in

the use of fire fighting equipment is on duty in the Projector room during the projection of the films.

11. The Contractor agrees to pay all electric charges for electricity used for light and showing the films on the dates and rates fixed by the Electricity supply Company (Either CPWD or MES).

12. The contractor may operate a cycle stand, restaurant and any other stall required at the cinema.

13. The contractor and his employees will be at all times in possession of valid security passes to be issued by the Said Office Initial application for such passes will be submitted by the Contractor immediately a new man is employed by him and submit all passes for subsequent renewal five days before such renewals are due.

14. In the event of loss/damage to the Contractor's property on a/c of fire or bad weather, the Said Officer shall have no liability whatever to compensate the Contractor for the loss sustained.

15. The Contractor will pay a rebate of Rs. 500 (Rupees five hundred only) per month to Air Force Station. This rebate shall be paid by 5th of every month.

16. The Contractor will deposit a sum of Rs. 1000 (Rupees one thousand only) in cash with the Said Officer as Security Deposit. This amount will be liable for forfeiture in part or in full if in the opinion of the Said Officer, the Contractor infringes any of the conditions laid down in this agreement.

17. On termination of the contract the amount of security deposit shall be refunded to the Contractor by the Said Officer provided there is no claim due from the Contractor.

18. Any money or compensation payable by the Contractor to the Said Officer under the terms of this contract may be recovered or realised from the Contractor's Security Deposit.

19. The Contractor will erect the cinema as mentioned in clause 1 of this agreement by the end of May 1969. The Contractor will ensure that cinema surroundings are kept neat and clean. The contractor will also make arrangements for urinals at the cinema.

20. This contract will be for a period of FIVE years commencing from First day of APRIL 1969 and will be extendable for further periods by mutual agreement of both the parties.

21. The agreement made on the third day of October 1968 between the Said Officer and the Contractor will remain in force upto 31st March 1969 and will become inoperative w.e.f. 1st April 1969 and treated as cancelled from 1-4-69. This agreement will thereafter become in force from 1st April 1969 as mentioned in clause 20 above.

22. After the expiry of the contract, the Contractor will be entitled to remove all his belongings alongwith structures/buildings erected by him, cinema machinery and all other equipment, furniture, electric and all other fittings.

23. The Said Officer may authorise such officers as he may wish to operate the contract on his behalf and the Contractor will accept to operate the contract as if they were issued by the Said Officer.

24. In case of any dispute or difference arising out of this contract settlement of which is not hereinbefore provided for, the decision of the Said Officer shall be final and binding.

25. PROVIDED ALWAYS and it is hereby agreed that wherever such an interpretation would be requisite to give the fullest possible scope and effect to any contract or covenant herein contained, the expressions, the 'SAID OFFICER' and the 'CONTRACTOR' herein before used include their respective heirs and successors.

26. In witness whereof the parties hereto have signed this deed on this 15th March 1969 in the presence of the witness whose signatures are also taken below.

Sd./-

Sd./-

(PREM PRAKASH GUPTA)

STATION—Air FORCE

DATE: 15th March 1969

Gp. Capt.

STATION COMMANDLR

Witness

1. Sd./-

2. Sd./-

1. Sd./-

2. Sd./-

Exh 'J'

From: Group Captain K. M. Ram, A.V.S.M. Station Commander

28 W/S.1361/4/Org

25 March, 1969

I am forwarding herewith a draft copy of the record of discussions we had during your visit to this Wing on 21st March, 1969.

If you approve these could be distributed to all action addressees for the necessary follow up action.

I will be grateful for any early reply to this letter.

Sd./ \* \*

Air Vice Marshal C. L. Mehta, A.V.S.M.

Senior Officer i/c Administration,

H.Q. Western Air Command, IAF.

New Delhi-10

Encl: As stated.

Exh 'K'

Ref: 28W/1361/4/ORG

RECORD OF DISCUSSIONS WITH THE S.O.A. HEADQUARTERS  
WESTERN AIR COMMAND DURING HIS VISIT TO THE WING ON  
21ST MARCH, 1969

| Sl. No. | Subject | Action by |
|---------|---------|-----------|
|---------|---------|-----------|

1. The following points were discussed with the S.O.A. Headquarters Western Air Command, IAF during his visit to this Wing on 21st March, 1969:—

\* \* \* \* \*

VII. *Construction of Semi-Permanent Cinema house in Camp area by the Contractor*

12. Since a cinema house has not been sanctioned for this Station a contract has been entered with an individual to run a 35 mm. Cinema in a semi-permanent building which he will construct at his cost. A copy of the terms and of the contract will be forwarded to Headquarters Western Air Command for scrutiny.

\* \* \* \* \*

Exh 'L'

From: Wg. Cdr. T. T. Visuvasam

WAC/2705/28/WKS  
 HQ Western Air Command  
 I.A.F. Subroto Park,  
 NEW DELHI-10  
 10th April 1969.

My dear Group Captain,

Please refer to your D.O. letter No. 28W/S.1361/4/ORG dated 25th March, 1969 to Air Vice Marshal C. L. Mehta, Senior Officer Administration of this Headquarters.

2. Draft copy of the record of discussion held during S.O.A's visit to your Wing on 21st March, 1969 is approved by him. The points covered in the discussion may be sent to the action addressees concerned. I am enclosing a copy of the approved draft.

With best wishes.

Sincerely yours,

Sd./- \* \* \*

Group Captain K. M. Ram, A.V.S.M.,

Station Commander

No. 28 Wing, Air Force.

Extract of record of discussions with the S.O.A. Headquarters Western Air Command during his visit to this Wing on 21st March, 1969.

VII. *Construction of semi-permanent cinema house in camp area by the contractor.*

12. Since a cinema house has not be sanctioned for this Station, a contract has been entered with an individual to run a 35 mm. cinema in a semi-permanent building which he will construct at his cost. A copy of the terms of the contract will be forwarded to Headquarters Western Air Command for scrutiny.

Exh 'M'

Memorandum of Agreement made on the 16th day of July 1969 between the PRESIDENT SERVICE INSTITUTE, AIR FORCE STATION, herein-after called the 'FIRST PARTY' which expression shall

include his successors in office and assigns of the one part and Shri PREM PRAKASH GUPTA resident of 107/C Carriappa Street, Meerut Cantt. hereinafter called the 'SECOND PARTY' which expression shall include his successors, heirs and assigns of the other part. WHEREAS the FIRST PARTY HAS AGREED to employ the SECOND PARTY to run the AIR FORCE CINEMA in AIR FORCE STATION for a period of ten years commencing from the date of this agreement on the terms and conditions laid down in the following clauses:—

1. The SECOND PARTY shall convert the present semi permanent cinema erected by him into a permanent cinema hall with necessary ancillaries at his own cost. This will be completed by the end of August, 1969.

2. The SECOND PARTY shall instal his own cinema machinery and other equipment and provide his own furniture and other fittings in the cinema.

3. The SECOND PARTY shall be entitled to screen films in any languages, Hindi, English, Tamil, Malayalam, Telegu, Punjabi, Bengali or any other language as desired by him.

4. The SECOND PARTY shall be entitled to give two cinema shows daily on all working days and three or more shows on all Sundays and other holidays.

5. The SECOND PARTY shall be entitled to charge the following admission rates:

|               |                  |
|---------------|------------------|
| SPECIAL CLASS | Rs 2.00 per seat |
| RESERVE CLASS | Rs 1.00 "        |
| FIRST CLASS   | Rs 1.00 "        |
| SECOND CLASS  | Rs 0.75 "        |
| THIRD CLASS   | Rs 0.50 "        |

6. The SECOND PARTY shall issue serially numbered tickets to persons attending the cinema shows and arrange for all such tickets to be torn into half as the ticket holder enters the cinema, one half ticket to be given to purchaser and the other half retained by the gatekeeper. The SECOND PARTY will not be liable to give any complimentary passes.

7. The SECOND PARTY shall be entitled to operate a cycle stand, restaurant, cold drinks, coffee and refreshment centre and any other stall required at the cinema.

8. The SECOND PARTY agrees to show such military training films that may be provided to him by the FIRST PARTY free of charge, along



with the regular shows or at other timings which may not effect the daily regular shows.

9. The SECOND PARTY shall deposit a sum of Rs. 1000/- (Rupees one thousand) with the FIRST PARTY as Security Deposit which shall be refunded by the FIRST PARTY on expiry of the agreement.

10. The FIRST PARTY shall issue security passes to the SECOND PARTY and all other persons working under him to enable him and his staff to enter the Air Force Station area as and when required by him and will also ensure that admission is allowed to the SECOND PARTY and his staff at all times inside the Air Force Station to run the cinema and to reside in the cinema building.

11. The FIRST PARTY shall ensure that no other cinema shows in 70, 35 or 16 mm are given by any body inside or outside the Air Force Station commercially or non-commercially. The FIRST PARTY may however show only English films in 16 mm for Commissioned Officers only inside the Officers Mess occasionally if desired. The SECOND PARTY only shall have the monopoly to screen films.

12. The FIRST PARTY shall be responsible to settle all matters with the Air Force Authorities regarding cinema and ensure that the Air Force Cinema is run smoothly by the SECOND PARTY throughout the period of this agreement and his cinema building is looked after by him at all times. In the event of any dispute with the Air Force authorities resulting in termination of this agreement at any time before the expiry of the period of 10 years, for any reasons, the FIRST PARTY shall compensate the SECOND PARTY to the extent of the value of cinema building, machinery, furniture and all other fittings as prevailing at that time in the market and for other losses suffered.

13. The SECOND PARTY can transfer the cinema building to the FIRST PARTY after the expiry of the period of this agreement on payment of due compensation to him by the FIRST PARTY on account of the value of the building machinery, furniture and other effects as prevailing in the market at that time to the satisfaction of the SECOND PARTY and including the goodwill. In the event of no settlement of this amount of compensation to be paid by the FIRST PARTY to the SECOND PARTY, the SECOND PARTY shall be entitled to dispose off, sell, transfer or remove all the building, machinery, furniture and other effects belonging to him and the FIRST PARTY shall have no objection to it.

14. The SECOND PARTY can transfer the cinema building and other effects and also the rights granted under this agreement at any time

during the currency of this agreement with the permission of the FIRST PARTY who will have no objection to such transfer.

15. After the expiry of the period of 10 years of this agreement, the same may be extended for further period as mutually agreed.

16. In consideration of the rights herein contained, the SECOND PARTY shall pay to the FIRST PARTY a sum of Rs. 500 (Rupees five hundred) per month. This amount will be paid by 5th of every month. The SECOND PARTY shall not pay any other charge.

17. The SECOND PARTY agrees to defray any bill pertaining to consumption of electricity in the cinema if any claim is made by CPWD/MES against the FIRST PARTY, otherwise the SECOND PARTY is not liable for payment of any electric charges.

18. The SECOND PARTY will conform to the security regulations enforced in the Air Force Station from time to time.

19. The Air Force Cinema will be for service personnel and their families.

20. In case of any dispute between the aforesaid parties, the decision of the Officer Commanding, Air Force Station, will be final.

In witness whereof the parties hereto have signed this deed on this 16th day of July 1969 in the presence of the witnesses whose signatures are also taken below.

Sd./-

(PREM PRAKASH GUPTA)

Witnesses:—

Sd./-

(Prahlad Batipa)

Meerut City.

Sd./-

(A. K. Goel)

107, C Carriappa Street

Meerut Cantt.

Sd./-

PRESIDENT SERVICE INSTITUTE  
AIR FORCE STATION

Witnesses:

Sd./-

(V. K. SINGH) FG. OFFR.

Asstt. O.I/C Admin.

Air Force Station

Sd./-

(B. S. SINGHAL) FLT. LT.

Station Adjutant

No. 28 Wing Air Force.

COUNTERSIGNED

Sd./-

(K. M. RAM)

Group Captain, Commanding  
Air Force Station.

## EXTRACT—BRIEF ON POINTS FOR DISCUSSIONS WITH S.O.A. 21-3-69

| Subject  | File Reference  | Brief   |
|--|-----------------|---|
| 4. Construction of a semi permanent cinema house | 28W/2012/13/Wks | A camp cinema has been organised through a civilian contractor who has agreed to put up temporary structure for the benefit of the service personnel. Necessary contract has been drawn up. The contractor will pay ground rent if required as well as electricity charged. |

Sd/- xx xx xx

Exh. 'O'

## EXTRACT FROM BRIEF ON POINTS RAISED BY NO. 28 WING A.F. ON S.O.A's VISIT ON 21st March, 1969

Remarks on the points pertaining to work services raised by No. 28 Wing are submitted itemwise in the following paragraphs. The points are placed at Encl. 24.

| Items No.    | Remarks  |
|--------------|--|
| 14           | No 28 Wing has been advised by SOA to submit the contract deed to HQrs. Western Air Command for scrutiny by legal experts and clearance. |
| 21 Mar. 1969 | Sd/-<br>Flt. Lt.<br>(V. S. PAUL) W-III   |

Exh. 'P'

Note—4

Reference S.O.A's visit to No. 28 Wing on 21st March, 1969.

2. The points raised by No. 28 Wing are placed at Encl. 24 and remarks of Command Works Section at Encl. 25 itemwise.

3. Submitted for perusal.

Sd/-  
Flt. Lt.  
W-III  
22 March, 1969  
(V S Paul)

EXTN. 421

Flt. Lt. Wks. III to Discuss  
with me at an early date  
Initials of SOA 22/3/69  
Thro'

C. O. Initials of CO. WO.

Exh 'Q'

From: Group Captain K. M. Ram, AVSM  
Station Commander

28W/S. 1361/4/Org.  
No. 28 Wing, Air Force  
Hindan  
Ghaziabad (UP)  
25th March, 1969.

My dear Air Marshal,

I am forwarding herewith a draft copy of the record of discussions we had during your visit to this wing on 21st March, 1969.

If you approve these could be distributed to all action addressees for the necessary follow up action.

I will be grateful for an early reply to this letter.

Sd/-

K. M. Ram.

Air Vice Marshal C. L. Mehta, AVSM  
S. O. A.  
HQ. Western Air Command, IAF  
New Delhi-10.

COWO

Please examine this and if this is alright then send it back to OC Hindan.

Initials SOA

28/3

Flt. Lt. Paul  
Please discuss before I  
send this back to No. 28 Wing.

Sd/-

COWO 28/3

## EXHIBIT 'R'

EXTRACT—RECORD OF DISCUSSIONS WITH THE  
S. O. A. HQ. W.A.C. DURING HIS VISIT TO THIS WING  
ON 21st MARCH, 1969.

| Sl. No. | Subject | Action by |
|---------|---------|-----------|
|---------|---------|-----------|

*VII Construction of semi-permanent cinema house in Camp area by the contractor.*

12. Since a cinema house has not been sanctioned for this station, a contract has been entered with an individual to run a 35 m.m. cinema in a semi-permanent building which he will construct at his cost. A copy of the terms of the contract will be forwarded to HQ. W.A.C. for scrutiny.

Sd/-

O i/c Admin.

C.O.W.O.

---

 EXHIBIT 'S'

## NOTE.....3

Reference Encl. 1 & 3.

2. During the visit of SOA to No. 28 Wing on 21st March 1969, the wing was asked to submit a copy of the contracts of cinema an "Grow more food". The copies of the contracts are placed at Encl. 1.

3. In accordance with Air HQ letter No. Air/20727/8/Org dated 15 Jun. 66, the Govt. had laid down certain policy regarding running of Air Force Cinemas. As per this letter no cinema is to be given to a private constructor under any circumstances. This letter has been circulated to all Units under this command vide our letter No. WAC/2654/1/Org dated 24 Jun. 66 (Encl. 182 linked file).

4. While acknowledging our above quoted letter No. 28 Wing *vide* their letter No. 28W/2003/26/Wks dated 12 July 66 (Encl. 195 linked file) requested permission to run the cinema by a contractor on temporary basis. This was not agreed to in view of the ban imposed by Air HQ and the Wing was informed accordingly (Encl. 200 in the linked file).

5. In view of the clear cut instructions given by Air HQ as well as this HQ that no cinema is to be given by private contractors. It is not understood how No. 28 Wing has entered into a contract with a private

party, without our knowledge. The contract agreement was also not sent to this HQ for approval.

6. In view of the above, it is recommended that No. 28 Wing be informed to terminate the cinema contract given to a private company with immediate effect and arrangement should be made to hand over the same to CSD.

7. Forwarded for your perusal and orders, please.

Sd/-

Flt. Lt.

ORG. IV

24 May, 1969.

(B. K. ATRI)

S. O. A. Please discuss

Sd./- C. L. MEHTA, A.V.M. Extn 498.

Thro' 27/5/69.

CO. & WO. Sd/- 27 May, 1969.

---

EXHIBIT 'T'

Note 1 on File No. 28W/2102/13/NPF

Ref. E. 29

2. The contract agreement form duly signed by the Contractor Shri P. P. Gupta is submitted for your perusal and signature. Necessary amendments in certain clauses have been incorporated as desired by you. The agreement forms may please be signed on each page and intialled at portions crossed out. The contractor hopes to commence screening of the films from 15 Oct., 1968.

Sd/- N. V. Krishnaswamy

Sqn. Ldr.

O. i/c Admin.

3 Oct., 1968.

Stn. Cdr.

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## EXHIBIT 'U'

## DRAFT CONTRACT AGREEMENT—CAMP CINEMA

Memorandum of Agreement made on fifteenth day of March, 1969 between the STATION COMMANDER, INDIAN AIR FORCE STATION (Ghaziabad), hereinafter called the 'SAID OFFICER' of the one part and Shri PREM PRAKASH GUPTA resident of 107/C Cariappa Street, Meerut Cantt. hereinafter called the 'CONTRACTOR' which expression shall include his heirs, of the other part. Whereas the Contractor has agreed to run a cinema in Air Force Station, (Ghaziabad) on the terms and conditions specified in the following clauses:—

1. The Contractor may erect a temporary semi-permanent cinema building with necessary ancillaries at his own cost at the place approved by the Said Officer. The Contractor agrees to pay, if required by the Government, rent for the land provided for erecting the cinema as laid down under the rules.

2. The Contractor will instal his own 35 mm cinema projectors and all other equipment required for running the cinema.

3. The Contractor may show two cinema shows daily on working days and three shows on Sundays and other holidays.

4. The Contractor agrees to screen Hindi, English and all regional language films for which there is demand from more than 75 service personnel. The monthly screening programme is to be arranged in such a manner that all regional films are covered evenly.

5. The Contractor agrees to submit cinema programme at least one week in advance to the Said Officer. The Said Officer may cancel film show on any day if there is any other function in the station on that day and the Said Officer may not permit any particular picture to be screened in the cinema.

6. The Contractor agrees to show one newsreel/documentary film in each show and change the same every week.

7. The Contractor agrees to show such Military training films that may be provided to the Contractor by the Said Officer free of charge on the days and timings fixed by the Said Officer, and make available the hall for any function in the station.

8. The rates of admission will be as follows:—

|               |                   |
|---------------|-------------------|
| (a) Class I   | Rs. 1.00 per Seat |
| (b) Class II  | Rs. 0.75 per Seat |
| (c) Class III | Rs. 0.50 per Seat |

The Contractor will issue serially numbered tickets to persons attending the cinema shows and arrange for all such tickets to be torn into half as the ticket holder enters in cinema to prevent tickets being used again. One half ticket is to be given to the purchaser and the other half retained by the gate keeper. The Contractor undertakes not to permit any malpractice in the sale of tickets. The Contractor will not give any complimentary passes except with the prior permission of the Said Officer.

9. The Contractor agrees to abide by provisions of Indian cinematograph Act of 1918 as amended from time to time and civil rules pertaining to the screening of films. He is also to satisfy all the conditions imposed by the Government for screening films under the aforesaid act. In case the Contractor is found guilty of violating any of the Civil rules relating to screening of films corporation of cinema, he undertakes the responsibility of settling the dispute with the concerned authorities at his own expense. No responsibility will devolve on the Said Officer for failure to comply any of these rules for screening of films.

10. The Contractor agrees to undertake reasonable fire fighting precautions in the projector room. He is also to ensure that a man trained in the use of fire fighting equipment is on duty in the projector room during the projection of the films.

11. The Contractor agrees to pay all electric charges for electricity used for light and showing the films on the dates and rates fixed by the Electricity Supply Company. (Either CPWD or MES).

12. The Contractor may operate a cycle stand, restaurant and any other stall required at the cinema.

13. The Contractor and his employees will be at all times in possession of valid security passes to be issued by the Said Officer. Initial application for such passes will be submitted by the Contractor immediately a new man is employed by him and submit all passes for subsequent renewal five days before such renewals are due.

14. In the event of loss/damage to the Contractor's property on account of fire or bad weather, the said Officer shall have no liability whatever to compensate the Contractor for the loss sustained.

15. The Contractor will pay a rebate of Rs. 500.00 (Rupees five hundred only) per month to Air Force Station. This rebate shall be paid by 5th of every month.

16. The Contractor will deposit a sum of Rs. 1000.00 (Rupees one thousand only) in cash with the Said Officer as security deposit. This



amount will be liable for forfeiture in part or in full if in the opinion of the Said Officer, the Contractor infringes any of the conditions laid down in this agreement.

17. On termination of the contract the amount of security deposit shall be refunded to the Contractor by the Said Officer provided there is no claim due from the contractor.

18. Any money or compensation payable by the Contractor to the Said Officer under the terms of this contract may be recovered or realised from the Contractor's Security Deposit.

19. The Contractor will erect the cinema as mentioned in clause 1 of this agreement by the end of May 1969. The Contractor will ensure that cinema surroundings are kept neat and clean. The Contractor will also make arrangements for urinals at the cinema.

20. This contract will be for a period of FIVE years commencing from First Day of APRIL, 1969 and will be extendable for further periods by mutual agreement of both the parties.

21. The agreement made on the third day of October, 1968 between the Said Officer and the Contractor will remain in force upto 31st March, 1969 and will become inoperative w.e.f. 1st April, 1969 and treated as cancelled from 1-4-1969. This agreement will thereafter become in force from 1st April, 1969 as mentioned in Clause 20 above.

22. After the expiry of the contract, the Contractor will be entitled to remove all this belongings along with structures/buildings erected by him, cinema machinery and all other equipment, furniture, electric and all other fittings.

23. The Said Officer may authorise such officers as he may wish to operate the contractor on his behalf and the Contractor will accept to operate the contract as if they were issued by the Said Officer.

24. In case of any dispute or difference arising out of this contract, settlement of which is not herein before provided for, the decision of the Said Officer shall be final and binding.

25. PROVIDED ALWAYS and it is hereby agreed that wherever such an interpretation would be requisite to give the fullest possible scope and effect to any contract or covenant herein contained, the expressions, the "SAID OFFICER" and the "CONTRACTOR" herein before used include their respective heirs, and successors.

In witness whereof the parties hereto have signed this deed on this day 15th March, 1969 in the presence of the witnesses whose signatures are also taken below.

Sd./-

(PREM PRAKASH GUPTA)

Sd./-

(K. M. RAM) Gp. Capt.,  
STATION COMMANDER.

Station: (Ghaziabad)

Date: 15th March, 1969.

Witness

Witness

1. Ratan Prakash  
121, Shah Khaki  
Meerut City.  
2. Sd./-  
824 Meerut City.

Sd./-  
1. (N. V. KRISHNASWAMY) Sqn. Ldr.,  
O. i/c Admin.  
2. Sd./-  
(G. Joseph) Flt. Lt.

Station Adjutant.

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 EXHIBIT 'V'

From: No. 28 Wing, Air Force.

To: Military Estates Office,  
Meerut Circle, Meerut Cantt.

Date: 15th November, 1968.

Ref: 28W/2102/13/Wel.

**CONSTRUCTION OF A TEMPORARY SEMI PERMANENT CINEMA  
HALL ON MILITARY LAND BY THE CONTRACTOR**

The contract for running a camp cinema has been awarded to one Shri P. P. Gupta of Meerut.

2. To provide more amenities to the personnel making use of the cinema, the Contractor has proposed for putting a semi permanent cinema hall in the Air Force land within our camp premises at a suitable place.

3. Kindly intimate if you have any objection for the contractor putting a semi permanent construction on a defence land and also if any other

formalities have to be complied with before according permission to the contractor.

Sd/-

N. V. Krishnaswamy, Sqn. Ldr.,  
for Group Capt. Commanding,  
No. 28 Wing, Air Force.

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APPENDIX 'W'

No. 28 Wing, Air Force Station,  
28W/S. 1361/4/Org. 8th April, 1969.

Headquarters Western Air Command, I.A.F. (For Wg. Cdr.  
T. T. Viswasam).

RECORD OF DISCUSSION WITH THE S.O.A. HQ WESTERN AIR  
COMMAND DURING HIS VISIT TO THE WING ON 21ST MARCH,  
1969

Enclosed please find the C.T.C. of contract papers in respect of 'Grow More Food and Camp cinema of this wing for your Headquarters perusal and advice. While entering in the contract all legal aspects have been taken into consideration with a view to ensure that this Wing is not put to any loss or any legal problems at later date.

Sd/-G. Joseph,  
Flt. Lt.,  
Officer i/c Admin.,  
Station Commander.

Encl. As stated.

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APPENDIX 'X'

*P.O.L. No. 65 Dated 23-5-69 on a/c of cinema a/cs of No. 28 Wing for the Period 1-3-69.*

It has been observed that Private cinema is functioning in this Wing on the Government land for which payment has been made by the Defence Services. Please intimate whether the contribution have been made by

the Private Contractor for the land occupied by him, if so, the particulars of cash accounts in which the hire charges of land has been credited to Government may please be intimated.

Sd./-

L.A.O. (A.F.),

1. Station Education Officer.

2. S.A.O.

True Copy.

APPENDIX 'Y'

Tele: 213351/3

No. 28 Wing, Air Force,

Mohannagar P.O.

28W/2102/13/NPP

12th June, 1969.

L.A.O. (A.F.) New Delhi.

P.O.L. NO. 65 ON A/C OF CINEMA A/CS OF NO. 28 WING FOR  
THE PERIOD 1-3-68

It is intimated that Camp cinema is run by P.S.I. for the benefit of all personnel of this Wing and Lodger Units. Hence you are requested to settle the above-said objection.

Sd/-G. Joseph, Flt. Lt.

for Officer-in-charge Admin:

*Commanding Officer.*

Copy to:—S. Ed. Offr.

S. Accts. Offr.

REMARKS BY AIR OFFICER COMMANDING-IN-CHIEF

I concur.

2. Though technically the unit should not have authorised the contractor to build a cinema building on the Government land and thereafter run it, yet in view of the pressing need for provision of such an amenity to the large population in the camp from the morale, welfare and security point of view, the technical irregularity committed may be condoned. There has been no malafide on anybody's part and as such nobody is held to be blamed. The dues accruing to the State like the rent for land, electricity.

water and conservancy charges are being deposited into the public fund from time to time. There has been no loss as such to the State.

3. It is hence recommended that *ex-post-facto* sanction of the Government may be obtained at an early date for the following:—

- (a) Construction of a cinema on Government land.
- (b) Running of the cinema by a private contractor Shri Prem Prakash Gupta.

Sd/.....

#### REMARKS BY C.A.S.

I concur.

2. The present unwholesome arrangement of running the cinema through a contractor is to be ceased at the earliest. The contractor may be duly compensated towards cost of the building and other assets in accordance with Government decision as soon as finalised.

3. *Ex-post-facto* sanction of the Government would be required for the following irregularities:—

- (a) Construction of the cinema on Government land.
- (b) Running of the cinema by a private contractor.

4. On termination of the cinema contract with the present contractor, the cinema may be run under unit arrangements subject to the Government sanction being accorded.

5. Disciplinary aspect of the case is to be closed after Government decision is finalised on the Audit Para.

Sd/- J. S. Sodhi,

Gp. Capt.

D. Org.

Chief of the Air Staff.

Dated 4-7-1974.

### **Recommendation**

1. The Committee have noted that under Clause 12 of the present agreement, termination of the contract before 1979 would involve a payment of compensation amounting to Rs. 3,75,000 (valid upto 31-7-1973) as demanded by the contractor and that the question of take-over of the cinema building is under consideration of the Government. The Committee would like that decision in this regard should be taken at an early date.

[Sl. No. 32(para 1.124) of Appendix IV to 146th Report of the PAC  
(5th Lok Sabha) (1974-75)].

### **Action taken**

The contractor had asked for a compensation of Rs. 3,75,000 for the cinema building including furniture projectors, B&R and E&M fittings. The cost of the Projectors included in the total figure was approximately Rs. 60,000. The CPWD estimated the cost of the said property excluding projectors as Rs. 4,23,720. However, as a result of negotiations, the entire property including the projectors was taken over at a cost of Rs. 2.90 lakhs, of which only Rs. 1.70 lakhs was paid out of Public Funds. The balance amount was found by the Unit/Command out of their non-public funds. The Government decision to take over the cinema assets and of its running by the Unit PSI was taken on 25th November, 1974, and came into effect from 7th January, 1975. Since then the cinema is functioning under Unit PSI (local welfare arrangement).

2. DADS has seen.

[M/O Defence O.M. No. F.11(7)/75(D) (Budget) dt. 27-8-75].

### **CHAPTER III**

## **RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES OF GOVERNMENT**

### **Recommendation**

The Committee have noted with great concern that M/s. Kohli Industrial Corporation (Pvt.) Ltd., Kanpur were required to supply 84510 kgs. of rustless stud protectors after inspection by the Defence Inspectorate but only 65,561 kgs. could be offered for inspection and out of this quantity only 14,461 kgs. could be accepted by the Defence Inspectorate. The time taken for the inspection of studs varied from 19 days for one lot, 25 to 27 days for 13 lots; 113 days for one lot and 278—283 days for two lots, although the normal inspection time for such stores is stated to be 4 to 6 weeks for a lot. The Committee are surprised to be told that "When the delivery was about to be cleared, the inspector learnt that the consignee, had rejected, the entire acceptance against all the previous deliveries on block and only a quantity of some 13,000 kgs. had been accepted out of some 45,000 kgs. offered. With this development an impasse had been created in the face of which the inspection could not proceed further". The Committee would like the Defence Ministry to investigate and ascertain how the Defence Inspectors had, in the first instance, cleared the consignments which were, at a later stage, rejected by the consignee. The Committee apprehend that there may well have been collusion between the supplier and the Defence Inspectors, as otherwise large quantities of doubtful quality could not have been accepted in the first instance. It is regrettable that it took 20 weeks in resolving this issue, leading ultimately to re-inspection of the goods which also took another 12 weeks. The Defence Inspectorate is answerable not only for the acceptance of goods of doubtful quality in the first instance but also for the delays at all stages in accepting the consignments offered by the firm, thereby putting the indenter to considerable disadvantage.

[Sl. No. 14, Para 1.70 Appendix IV, 146th Report, (5th Lok Sabha)].

### **Action taken**

The case has been examined. It is not that COD had rejected 13,000 kgs. out of a quantity of 45,000 kgs. accepted after inspection. The inspec-

tors had accepted only a quantity of 13,000 kgs. out of 45,000 kgs. offered by the firm. But this quantity of 13,000 kgs. was rejected by the COD. This quantity was subsequently accepted by the COD. There is, therefore, no possibility of collusion between the inspection-staff and the supplier.

As regards delays in inspection, instructions has been issued to lower formations to avoid delays in various stages of inspection.

[M./O. Defence (Defence Production) O.M. No. F. 26(2)/75-D(PA),  
Dt. 15-7-75].

### Recommendation

It is all the more surprising that, when the firm had defaulted in the matter of supplies against the first contract, it was offered a new contract on the same terms of inspection as laid down in the first contract. The firm did not come out any better in the matter of supplies against second new contract 3752 kgs. had to be accepted with 3 per cent price reduction and 15835 kgs. were accepted with 5 per cent price reduction. Apart from compromising the quality of the studs required by the Defence Department, the DGS&D had shown undue leniency to the firm who did not tender supplies strictly according to specifications laid down, and the studs had been accepted because "the MGO had expressed urgency for the supply of this store in November, 1972 and had himself suggested acceptance of even slightly below specifications stores under price reduction". The Committee are surprised that no action has so far been taken against the supplier or the officials for these lapses.

[Sl. No. 16, Para 1.72, of Appendix IV, 146th Report. (5th Lok Sabha)]

### Action taken

Comments of the DGS&D on the recommendations made by the PAC are reproduced below:—

"It is not correct to say that any leniency has been shown against M/s. Kohli Industrial Corporation in the placement of risk purchase orders. Six firms had quoted against tenders enquiry. The lower offers were either not to specification or their capacity was adversely reported upon, and hence they could not be considered. The offer of the defaulting firm was technically acceptable. DGS&D have nothing further to comment upon in it."

[M./O. Defence (Defence Production) O.M. No. F. 26(2)/75-D(PA),  
Dt. 15-7-75].



### **Recommendation**

The Committee desire that the DGS&D before placing a contract should ensure that the terms and conditions are not so framed as to suit the supplier and that the firm on which the A/T is going to be placed has got the necessary expertise and capability for the production of the item in question. The Defence Inspectorate should issue instructions to the field staff in the matter of inspection of stores strictly according to specifications laid down and within the time-schedules fixed for the purpose.

[SI. No. 17, Para 1.73, of Appendix IV, 146th Report, (5th Lok Sabha)].

### **Action Taken**

Comments of the DGS&D on this recommendation are reproduced below:—

“Invariably, the orders are placed by the DGS&D as per terms and conditions, specification, etc. stipulated in the indent and the tender enquiry and no relaxations are allowed unless there is no alternative. Further, the technical capacity/capability as well as, financial standing of the firm are verified before placement of the orders by calling for their capacity report from the Inspectorate and ITCC as well as, bankers report on the financial standing.

In the present case, the firm M/s. Kohli Industrial Corporation were not allowed any pre-A/T relaxations and the contract was placed as per the terms and conditions of the tender enquiry, and the offer of the firm received in response thereto. It was found only at a later stage that the stores offered for inspection were not according to the specification and had to be inspected under deviations on the recommendation of the inspection”.

A copy of the instructions issued by Directorate General of Inspection regarding elimination of inspection delays and inspection as per specifications is enclosed.

[M./O. Defence (Defence Production) O.M. No. F. 26(2)/75-D(PA),  
Dt. 15-7-75].

## ANNEXURE

Telephone: 371422

BHARAT SARKAR,  
 RAKSHA MANTRALAYA,  
 RAKSHA UTPADAN VIBHAG,  
 DHQ DAKGHAR, NEW DELHI-11

11 June, 1975

No. 03511/324/DGI(Stores-2)

To

All Establishments as per Standard List 'C' of HQ DI(GS).

**ELIMINATION OF INSPECTION DELAYS AND FAITHFUL INSPEC-  
 TION AS PER SPECIFICATION**

In a case of inspection of 'Studs Protector Rustless' that came before the Public Accounts Committee last year, the Committee have had occasion to adversely comment upon:—

- (a) Delay in various stages of inspection; and
- (b) Inspection by the field inspection staff not conforming strictly to the specifications laid down in the contract.

2. As all establishments are aware, inspection procedures are laid down in the DGI Standing Orders. In addition to these, instructions have been issued from time to time regarding the elimination of delay at various stages of inspection.

3. Even so, all our Inspectorates are reminded once again that it will be necessary for them to impress on their inspection staff every now and then the need to remain constantly alert in this regard, i.e. to ensure that inspection proceeds strictly in accordance with contracted specifications and the time schedules fixed for the same and that any deviations that may be granted in certain cases, are strictly in accordance with the Standing Orders and specific instructions issued in this connection from time to time.

Sd/-

(HARBANS LAL),

BRIG.

Director of Inspection (GS).

Copy to:

As per Standard List 'D' of DIGS HQ.

### Recommendations

1.90. The Committee are surprised that, although the requirement of Navy was known, no firm arrangement had been made either by the Defence Department or the DGS&D for locating indigenous sources of supply of this item strictly according to laid-down standards.

1.91. The Committee are unable to understand why no specifications for the shoes meant for the Navy were laid down till August, 1971. Orders placed on M/s. Pioneer Leather Works, Bombay during January, 1970 to October, 1970 were according to stock sample selected by the stock holders from the earlier supply received from the BATAS. It was surprising that the Surveyor of Stores, Naval Dockyard, Bombay accepted the shoes supplied by M/s. Pioneer Leather Works, Bombay, on visual inspection only and no samples were sent to the Chief Inspector, Textiles and Clothing, Kanpur, because "no control samples are required to be sent to the Chief Inspector, Textiles and Clothing, Kanpur" in the case of local purchases.

1.92. Keeping in view the special nature of the shoes which were intended for use of Naval crews working in the engine rooms and also on board the ships, the Navy should have taken precautions to see that the shoes locally purchased conformed in all respects to the approved sample. Control samples, should have been sent to the Chief Inspector of Textiles and Clothing, Kanpur to obviate rejections. The Committee are unable to accept the views expressed by the Ministry that "no responsibility has been fixed, as there is no case for any malafides against any individual" although the Chief Inspector of Textiles and Clothing, Kanpur, had observed that the "the shoes were substandard and far inferior to prescribed specification". The Committee stress that responsibility for accepting sub-standards shoes should be fixed for taking appropriate action.

1.93. The Committee are surprised to note that two more orders for shoes of the same type were placed on the same firm, namely M/s. Pioneer Leather Works, Bombay, during March and September, 1971 and the supplies were accepted after inspection by the Surveyor of Stores of the Navy. When a ship which had received 100 pairs of shoes in March, 1972 reported that "the shoes were not non-slip and oil resistant, were heavy and inconvenient to wear, the leather was stiff and rough and the rubber sole opened out at joints after some use, "the Naval Headquarters asked the local authorities to investigate in the matter and the conclusions of the local authorities were the same as before, viz.; "there were no malafides on the part of any individual connected with the placement of the local purchase orders or the inspection of the shoes". This is a matter which should be further probed.

1.94. The Committee are **not convinced** with the argument advanced that there was only one source of supply and hence there was no option but to obtain the supplies from the source available.

[Sl. Nos. 10 to 23, Para Nos. 1.90 to 1.94 of Appendix IV of the 146th Report of the PAC (1974-75) (Fifth Lok Sabha)].

### **Action Taken**

The following para-wise comments are offered:—

Para 1.90.—In order to help appreciate the case, a chronological sequence from the time of introduction of these shoes and subsequent action for procurement, is given below:—

- (a) Originally shoes canvas brown with leather sole and heel were used as non-slip footwear in the Navy. These were not found very effective and therefore, five pairs of shoes with rubber sole and heel were obtained from M/s. Bata Shoe Co., through the Chief Inspector of Textiles & Clothing, Kanpur in February 1963 for trial purposes. The shoes were found to be satisfactory.
- (b) A case for the authorisation of these (Bata) shoes in lieu of shoes canvas leather sole was taken up with the Government in October 1963 which was finally sanctioned in 1964.
- (c) Procurement of these shoes was then initiated as per normal provisioning procedure through DGS&D and supplies obtained from M/s. Bata Shoe Co., till 67/68.
- (d) Thereafter, Messrs, Bata Shoe Co., did not respond to the tender enquiry made by DGS&D. The matter was not allowed to rest at that by Naval Headquarters, Personal discussions with the representative of Messers Bata Shoe Co., were held and it transpired that they were finding it difficult to obtain certain components which go to make the non-slip sole and heel, the same being an imported material from the U.S.A.
- (e) The DGS&D continued his efforts to establish alternate source of supply. In this connection, a copy of DGS&D letter TWL-4/106/64/389/20-2-70, dated 6th January, 1971 is placed at Annexure.
- (f) After the return of the Indent by the DGS&D in his letter mentioned at (e) above, immediate requirements were met by local purchase for which purpose also tenders were invited.

- (g) In July 1971, an indent was placed on Messers. TAFCO, a Government of India Undertaking, to manufacture these shoes. It would be of interest in this connection that one of the ships commented adversely even on this supply. The complaints were on the same lines as were made by one of the two ships against the impugned supply from Messers. Pioneer Leather Works. Para 17 of Annexure I refers.
- (h) In January 1972, Naval Headquarters requested the Defence Research Laboratory (Materials) Kanpur to undertake the development of these shoes from indigenous material. Prototype samples produced by DRL(M) were tried out on certain ships. Even here, conflicting reports on the quality of these shoes were received. As a result, further samples were sent for trials towards the end of 1974 and the second trial reports are awaited.

It is submitted that what needs to be appreciated in this case is that an indigenous material and know-how is yet to be developed for the production of fully satisfactory shoes of this type.

Para 1.91.—The question of drawing up a specification for these shoes was taken up by the Navy with the Chief Inspector of Textiles and Clothing, Kanpur soon after the introduction of the item. A draft specification received from the Chief Inspector of Textiles & Clothing in November 1965 was concurred in by Naval Headquarters in December 1965. Thereafter, the finalisation of this specification was resting with the Chief Inspector of Textiles & Clothing, awaiting comments from the trade and subsequent approval by the Director of Research & Development (General). It was thus only in August 1971 that the specification was finalised.

As regards the sending of a 'control sample' to C.I.T. & C., Kanpur, it is submitted that control samples are required to be sent only in such of the cases, where the Director General of Inspection Organisation is assigned the responsibility of inspection of stores. In the instant case, the responsibility for inspection was that of the 'Surveyor of Stores'.

Para 1.92.—Regarding acceptance of the stores by the Surveyor of Stores, it has been brought out by the Board of Enquiry that approval of the trade sample was not done by the Surveyor of Stores alone, but the same had been personally approved by the Admiral Superintendent, Naval Dockyard, Bombay, himself. The crux of the matter is that, whereas the Chief Inspector has analysed the item with reference to the specification finalised in August 1971, the Admiral Superintendent, Naval Dockyard,

Bombay, had approved earlier in February 1970 the best available trade sample by visual comparison with the stock sample. The approved trade sample was, it is re-emphasised, the best forthcoming from the trade. Further, the present Board of Enquiry also visually inspected samples of shoes non-slip supplied by the firm and found them to be satisfactory.

(Para 12 of Annexure I).

The observations of the Chief Inspector of Textiles & Clothing, Kanpur, given in para 1.92 refer only to the samples, taken out of the lot supplied to one unit. This was an odd report by an isolated unit from which alone it cannot be deducted that the inspection of the shoes by the Surveyor of Stores was neither adequate nor appropriate. It may be stated in this connection that the assumption that a substantial portion of the quantity of 4,431 pairs of shoes ordered should have been defective is not borne out by subsequent events. Out of these, 4,281 pairs of shoes were issued to 30 ships and establishments and complaints were received only from two ships involving only 150 pairs. Even out of these latter quantity, 100 pairs issued to one establishment have been put to use. The outright rejection of only 50 pairs constituting about 1.1 per cent of the total may not, it is submitted, be taken as a reliable basis to conclude that defective shoes were, by and large, procured. The Board of Enquiry constituted by NHQ have also found that there is no evidence of *mala fide* on the part of the personnel who inspected the trade sample and bulk supplies.

(Para 14 of Annexure I).

Para 1.93.—The circumstances in which orders were placed on the same firm even after the findings of the Board of Officers were made known in February, 1971 are further clarified below:—

The functions of Purchase of Stores, Inspection of Stores and Receipts of stores are carried out by three agencies independently of each other but under the overall control of the Admiral Superintendent, Dockyard, Bombay. These three agencies are—

- (a) the Depot headed by a Senior Naval Store Officer at Ghatkopar located at a distance of about 20 km. from the Naval Dockyard;
- (b) the Purchase Officer located at Naval Dockyard, Bombay; and
- (c) the Inspecting Officer viz.; the Surveyor of Stores.

The stores on receipt after acceptance by the Surveyor of Stores are received by the Depot and issued to dependent units. Normally, the units

make complaints, if any, to the supplying agency viz.; the Depot. In the present case also, the letter dated 23rd February, 1971 from the FOC-in-C, Eastern Command, conveying the findings of the Board of Officers was endorsed only to the Depot and not to the other two agencies. The latter were thus unaware of the supply of the defective shoes in question. In this connection paras 20 and 21 of Annexure I are also relevant. Naval Headquarters have, however, asked the ASD, Naval Dockyard in their letter No. CG/3306, dated 5th August, 1974 enclosed as Annexure III that in case of receipt of a complaint from any user by the Depot or the other two agencies, the same must be passed on to the other agencies dealing with local purchase also so that before further supplies are obtained greater caution could be exercised. The Board of Enquiry have also made certain recommendations in this regard vide para 22(b) of Annexure I. These recommendations are under examination with a view to implementing them.

Para 1.94.—What had been stated in this connection was not that there was only one source of supply but that it was the trade sample of only one tenderer which came nearest to the stock sample. All rules on the issue of opening and acceptance of tenders were fully observed by the purchasing authority. Paras 3 to 5 of Annexure I are relevant.

Para 1.95.—This point has been examined by the Board of Enquiry constituted by NHQ and their findings and recommendations may be seen in paras 22 (a), (b) and (c) of Annexure I. As already stated, these recommendations are under examination in detail with a view to their implementation as necessary.

[M/o Defence O.M. No. F. 10(2)/75/D(N-III), Dt. 16-8-75].

## ANNEXURE

Regd. No. TWL 4/106/64/389/20-2-70.

Directorate General of Supplies & Disposals,  
N. I. Bldg., Parliament Street, New Delhi-1:  
Dated 6-1-1971.

To,

The Chief of the Naval Staff,  
Naval Headquarters,  
New Delhi.

SUBJECT:—*Supply of shoes Non-Slip against NHQ Indent No. SQ3/  
E10C/SD/12/69, dated 30th January, 1970 and DGS&D  
Indent No. P/106/64/389/20.2.70.*

Against your subject indent, tenders were invited at the first time which were opened on 16th May, 1970 but the tender were scrapped as no valid offer was received.

The second tender enquiry was issued on 29th June, 1970 and tenders were opened on 22nd July, 1970. The rates received against this tender enquiry was from Rs. 25 to 81 per pair. M/s. Rajaraman Industries, Kanpur could only submit the tender sample alongwith the testing fee by the stipulated date as indicated in the tender enquiry but the same was rejected by the CIT&C, Kanpur vide their letter No. C/1573/70/TEN/TC-13/286 dated 27th August, 1970.

As all the firms who quoted against the tender enquiry, could not submit the tender sample, it was decided to give another chance to all the firms who quoted against the subject enquiry and thus they were asked to submit the tender sample alongwith the testing fee to CIT&C, Kanpur by 25th October, 1970. On request of the firms, the date for submission of tender sample was further extended to 1st November, 1970 as they were not able to submit the tender sample by the date stipulated earlier. M/s. Malik Co. Leather (P) Ltd., Kanpur and M/s. Indian Crafts and Industries, New Delhi could submit the tender sample but the same was rejected by the CIT&C, Kanpur.

M/s. Rajaraman Industries, Kanpur could only submit a sample each a sole and heel of shoes non-slip against the subject tender for visual inspec-



tion of the design only in piece-meal and not the complete sample. The test report of the tender in piece-meal cannot be issued by CIT&C, Kanpur as reported by them vide their letter No. IC/1573/70/TEN/TC-13 dated 19th December, 1970.

On the foregoing facts, it is clear that no firm could submit acceptable the tender sample for the supply of this store and hence it may be concluded that no firm have capacity to manufacture the store. Hence the above mentioned indent is returned to you. The indent is hereby treated as withdrawn from this office. However, if desired a fresh indent can be placed with this officer after specifying yourself that the firms have developed their capacity to manufacture this store.

Sd./- (R. P. SING)  
Asstt. Director (Supplies)  
for Director General of Supplies & Disposals,

### ANNEXURE III

Reply should be addressed to  
the Chief of the Naval Staff  
quoting CG/3306.

Naval Headquarters  
New Delhi,  
5th August, 1974

The Admiral Superintendent,  
Naval Dockyard, Bombay

### Supply of Shoes Non-slip

I am directed to refer to paragraph 4 of your letter DYCP/COORD/9577 dated 12th December, 1973 and to observe that the complaint received from the Flag Officer Commanding-in-Chief, Eastern Naval Command, VISHAKHAPATNAM regarding the quality of 50 pairs of shoes issued to INS KALVARI was not endorsed either to your office or to the Controller of Procurement, Naval Dockyard, Bombay.

2. In this connection, I am to observe that the Controller of Warehousing, Naval Store Depot, Bombay, who was the indenting officer for local purchase of this item should have passed on the details of the complaints to the Controller of Procurement, Naval Dockyard, Bombay/the Surveyor of Stores so that greater caution could have been exercised in ordering/accepting subsequent supplies. I am to request that suitable instructions be issued to all concerned so that in case of receipt of a complaint from any user by one agency, the same must invariably be passed to the other authorities dealing with the local purchase of stores so that before further supplies are obtained, greater caution is exercised by those entrusted with the responsibility of placing local purchase orders and inspecting the Stores.

By Order of  
The Chief of the Naval Staff.

### Recommendation

On the 3rd October, 1968 the Station Commander entered into an agreement with a private contractor, who was "known to be running cinema for the Defence units at....." for running a cinema at the Air Force Station on payment of Rs. 300 per month. Strangely enough tenders were not invited as the Air Force Commander could find that "Shri..... was the only person who was prepared to construct and run the cinema for the Station."

[Sl. No. 26 (Para 1.118) of Appendix IV to 146th Report of the PAC  
(5th Lok Sabha) (1974-75)]

### Action taken

No other person except Shri ..... who was known to be running a cinema for defence units was prepared to come forward to run a cinema for the Station. In its early years of development, the Air Force Station was rather isolated and its location was not such as could attract many people to come forward to run a cinema for the Station. In the circumstances, the Station Administration had no alternative but to accept the ready offer of Shri ..... to provide this much needed amenity.

2. DADS has seen.

[M/o Defence O.M. No. F.11(7)/75 (Budget) Dt. 27-8-75].

### Recommendation

Another disquieting feature of the contract was that the rebate given by the contractor was not to be credited to the Government but to the non-public fund which was operated for the welfare of service personnel by the President of the Service Institute. Before the first contract could run for the full period of three years, the Station Commander cancelled the same and concluded a revised contract on 15th March, 1969, with the same contractor for a period of five years from 1st April, 1969, permitting him to construct a semi-permanent cinema building on Defence land at his own cost. The amount of rebate payable by the contractor was reduced by a sum as large as Rs. 300 per month.

[Sl. No. 27 (Para 1.119) of Appendix IV to 146th Report of the PAC  
(5th Lok Sabha) (1974-75)].

### Action taken

It is a fact that the rebate given by the contractor was credited to the non-public funds, and not to the Government funds. This was because all

incomes from amenity ventures which are run under the aegis of Unit PSI are credited to the non-public funds which are primarily meant for the welfare of the service personnel.

2. It is a fact that the Station Commander cancelled the first contract even before it had run its full period of three years and modified its terms (a) authorised construction of a semi-permanent cinema building on Defence land at the cost of the contractor; (b) reduced the amount of rebate payable by the contractor from Rs. 800 to Rs. 500 per month; and (c) made the contractual period as five years. In this connection, it may be stated that the contractor was investing a sizeable amount of his money in the construction of a cinema and naturally expected certain concessions to enable him to continue to extend the facilities for which he was inducted into the campus. Since the initial contract did not involve any construction work at his own cost, the rebate was higher, but on his agreement to undertake construction at his own cost, the rebate was reduced and the period of contract also extended.

3. DADS has seen.

[M/o Defence O.M. No. F.11(7)/75(D)(Budget) Dt. 27-8-75]

### **Recommendation**

From the facts disclosed, the Committee are of the firm view that the Air Force Commander and the President of the Service Institute of the Air Force Station in total disregard of the Government orders extended pecuniary benefits to a private contractor and failed in their duty to safeguard Government's interest. The Committee are unable to accept the plea advanced by the Ministry that the action of the Station authority to authorise construction of a semi-permanent building and ancillaries on Government land was "unilateral and was promoted by their zeal to provide the minimum welfare amenity."

[Sl. No. 30 (Para 1.122) of Appendix IV to 146th Report of the PAC (5th Lok Sabha) (1974-75)].

### **Action taken**

As will be evident from submissions made in response to observations at Sl. No. 25—28, it is our view that the action of the two officers was motivated by their zeal to provide minimum welfare amenity. If this PSI venture had not come about, the welfare interests of the Unit personnel would have been totally denied and in retrospect looking at the financial stringency, perhaps, the amenity of the cinema would not have come about even today. The position then is that the orders on the subject unfortu-

nately had escaped the attention of the unit administration; had they known the existence of these orders, they would not have acted contrary to the laid-down instructions. We, therefore, still submit that the two officers were promoted by their zeal to provide the minimum welfare amenity to the unit personnel.

2. DADS has seen.

[Ministry of Defence O.M. No. F.11(7)/75(D) (Budget) Dt. 27-8-75]

**CHAPTER IV**

**RECOMMENDATIONS/OBSERVATIONS REPLIES TO WHICH  
HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND  
WHICH REQUIRE RE-ITERATION**

**NIL**

## CHAPTER V

### RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

#### Recommendations

As most of the orders were suitable for 190 mm container, the press was confronted—as pointed out by Audit—with a large accumulation of forgings of the value of Rs. 5.13 lakhs which could not be utilised. The Committee cannot but deplore the haphazard planning by the Department of Defence Production before the extrusion press was ordered and installed.

[Sl. No. 2 Para 1.16 of Appendix IV of 146th Report of PAC/5th Lok Sabha].

*The Committee desire that responsibility for this lapse should be fixed and the action taken intimated to them. The statement given by the Department to the audit that “the factory did not have any previous experience of extrusion of aluminium alloy and the assessment of requirements of forgings could not, therefore, be made on the basis of any actual experience” is not at all acceptable. Government should have conducted a survey of the anticipated load of the extrusion press by using the containers of all the three sizes before placing orders for the forgings on two different factories. And in any case Government should not have any difficulty in producing competent technical and expert advice before committing themselves to the large monetary expenditure.*

[Sl. No. 3 para 1.17 of Appx: IV of 146th Report of the PAC/5th Lok Sabha].

#### Action taken

The Comments of the PAC have been noted. A Board of Enquiry has been appointed by DGOF to investigate the circumstances leading to the accumulation of forgings; the basis on which the forgings were ordered and fixing of responsibility for the lapse in ordering, review and disposal of forgings are amongst the terms of reference.

[Ministry of Defence (Defence Production) O.M. No. F.26(2)/75/D(PA)  
Dt. 14-7-75]

### Recommendation

From the material made available before them, the Committee think that the concerned officers in the Directorate General of Ordnance Factories are answerable for the purchase of two machines (single spindle circular groove and shot milling) costing Rs. 2.62 lakhs for Factory 'B' when the letter had demanded two HMT M<sub>3</sub>V Vertical Milling Machines. Not only was the purchase affected in haste for which no satisfactory explanation has been advanced but it was thrust upon Factory 'B' who could not put it to any effective use. The result has been that there was a frantic search for a possible user of an unwanted machine among the various Ordnance Factories until it found a worth in Factory 'F' in 1973 *i.e.* about six years after its purchase. The Committee recommend that responsibility for various acts of omission and commission should be fixed and a report of the action taken intimated to them.

[Sl. No. 8, Para 1.48 146th Report/5th Lok Sabha]

### Action taken

A Board of Enquiry has been ordered to investigate the circumstances leading to the purchase of Milling Machines. Report of the Enquiry is awaited. Further action will be taken on receipt of the Report.

[Ministry of Defence (Defence Production) O.M. No. F.26(2)/75/D(PA)  
Dt. (14-7-75)]

### Recommendation

The Committee consider that the DGOF had failed to ensure the full utilisation of the two machines which had been purchased at considerable cost. Apart from this, the DGOF was totally ignorant of the actual requirements of the various Ordnance Factories and this is evident from the fact that circular letters had been issued to various Ordnance Factories enquiring whether they would accept one of the machine declared surplus by Factory 'B'. The Committee desire that individual responsibility for indenting the unwanted machines should be fixed and the action taken in this regard intimated to them. A report about the utilisation of the machines by Factory 'C' and Factory 'F' should also be furnished to the Committee for their information.

[Sl. No. 11, Para 1.51—146th Report 5th Lok Sabha]

### Action taken

Circumstances leading to the purchase of Milling Machines are already under examination by a Board of Enquiry. Further action will be taken

on receipt of the Report of the Enquiry. Both the machines are active in the factories to which these were transferred.

[Ministry of Defence (Defence Production) O.M. No. F.26(2)/75/D(PA), Dt. 14-7-75].

#### **Recommendation**

The Committee would like the Ministry of Defence to thoroughly examine the existing procedures for local purchases and also lay down a definite procedure for the inspection of items to be purchased locally. Every care should be taken to see that the items purchased locally conform as closely as possible to the commodities which are included in the Schedule of items.

[Sl. No. 24, Para No. 1.95 of Appendix IV of the Hundred and forty sixth report of the Public Accounts Committee (1974-75) (Fifth Lok Sabha)].

#### **Action taken**

This point has been examined by the Board of Enquiry constituted by NHQ and their findings and recommendations may be seen in paras 22 (a), (b) and (c) of Annexure reply to Para 1.89 of the 146th Report (5th Lok Sabha). As already stated, these recommendations are under examination in detail with a view to their implementation as necessary.

[Ministry of Defence O.M. No. F. 10(2)/75/D(N-III) Dt. 16-8-75]

NEW DELHI;

H. N. MUKERJEE,

*December, 17, 1975.*

*Chairman,*

*Agra, 26, 1897 (Saka).*



**Appendix**  
*Summary of Main Conclusions/Recommendations*

| Sr. No. | Para No. of<br>the Report | Ministry<br>Concerned  | Conclusions/Recommendations   |
|---------|---------------------------|------------------------|---|
| (1)     | (2)                       | (3)                    | (4)   |
| 1.      | 1.4                       | Ministry<br>of Defence | The Committee expect that final replies in respect of recommendations to which only interim replies have so far been furnished would be submitted to them expeditiously after getting them vetted by Audit.   |
| 2.      | 1.12                      | —do—                   | In paragraphs 1.16, 1.17, 1.33, 1.34, 1.48, 1.49 and 1.51 of their 146th Report (Fifth Lok Sabha) the Committee had, <i>inter alia</i> , examined various lapses in the procurement and utilisation of machines and equipment in different Defence installations and had recommended fixation of responsibility for them. The only response to these recommendations is that various 'Boards of Enquiry' have been constituted to investigate these cases. In respect of the purchases of shot blasting plants and milling machines, it is not clear from the replies of the Department whether fixation of responsibility has been included as one of the terms of reference of the Boards of Enquiry. Government's replies to the recommendations of the Committee require to be explicit and self-contained. In this connection, the Committee stress an earlier recommendation contained in paragraph 1.15 of their 5th Report (Fourth Lok Sabha), which is reproduced below: |

"In respect of a number of recommendations which have been included in Appendix IV, the Committee observe that the Ministries have replied as 'noted'. It is not clear from such

replies as to what **specific action Government have taken or intend to take to give effect to the Committee's recommendations in letter and spirit. The Committee desire that Government's replies should be explicit and self-contained. In particular where remedial measures are called for, the details of action taken should be specifically spelt out.**"

- |    |      |      |   |
|----|------|------|---|
| 3. | I.13 | —do— | The Committee also desire that the investigations by the <b>Boards of Enquiry</b> of these cases should be completed soon and a report on the <b>action taken on their findings submitted to the Committee without delay.</b>   |
| 4. | I.16 | —do— | While the Committee do not wish to pursue their recommendation relating to a further probe into the placement of the local purchase orders for shoes and their inspection, in view of the findings of the latest enquiry, the Committee note that the <b>Board of Enquiry have made certain recommendations in regard to the procedure for reporting substandard supplies, which are stated to be under examination. The Committee desire that these should be processed expeditiously and instructions issued accordingly to the lower formations.</b> |
| 5. | I.19 | —do— | The Committee note that the adequacy of the existing procedures for local purchases has been gone into by the <b>Board of Enquiry constituted for investigating the circumstances leading to the purchase of sub-standard shoes for the Indian Navy. Certain recommendations in this regard by the Board are stated to be under examination. The Committee urge early action in this matter under intimation to them.</b>   |

100

| Sl. No.            | Name of Agent  | Sl. No.        | Name of Agent  |
|--------------------|--|----------------|--|
| <b>WEST BENGAL</b> |  |                |  |
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| 23.                | Firma K. L. Mukhopadhyay,<br>6/1-A, Banchharam Akkur Lane,<br>Calcutta-12. | 34.            | Jayna Book Depot,<br>Chhapparwala Kuan,<br>Karol Bagh, New Delhi.                          |
| 24.                | Mrs. Manimala, Buys & Sells,<br>128, Bow Bazar Street,<br>Calcutta-12.     | 35.            | Oxford Book & Stationery Co.,<br>Scindia House, Connaught Place,<br>New Delhi.             |
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| 27.                | Sat Narain & Sons,<br>3141, Mohd. Ali Bazar,<br>Mori Gate, Delhi.          | 39.            | Book Well,<br>4, Sant Nirankari Colony,<br>Kingsway Camp,<br>Delhi-9.                      |
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| 29.                | J. M. Jains & Brothers,<br>Mori Gate, Delhi.                               | <b>MANIPUR</b> |  |
| 30.                | The Central News Agency,<br>23/90, Connaught Place,<br>New Delhi.          | 41.            | Shri N. Chaob Singh,<br>News Agent,<br>Ram Lal Paul High School Annex-<br>Imphal.—MANIPUR. |
| 31.                | The English Book Store,<br>7-L, Connaught Circus,<br>New Delhi.            |                |  |

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