

**PUBLIC ACCOUNTS COMMITTEE
(1967-68)**

FIFTEENTH REPORT

(FOURTH LOK SABHA)

**[Appropriation Accounts (Defence Services), 1965-66 and
Audit Report (Defence Services), 1967—]**



**LOK SABHA SECRETARIAT
NEW DELHI**

February, 1968/Magha 1889, (S)

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17.10.1967 (F.N.).

18.10.1967 (F.N.).

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(1967-68)

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Shri R. M. Bhargava—*Under Secretary.*

*Declared elected on the 30th November, 1967 *vice* Shri Mohammed Yunus Salem ceased to be a Member of the Committee on his appointment as Deputy Minister.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf, this Fifteenth Report on the Appropriation Accounts (Defence Services), 1965-66 and Audit Report (Defence Services), 1967.

2. The Appropriation Accounts (Defence Services), 1965-66 together with the Audit Report (Defence Services), 1967 was laid on the Table of the House on 25th July, 1967. Paras of the Audit Report (Defence Services), 1967 dealt with in this Report were examined by the Committee at their sittings held on 17th October, 1967 (forenoon) and 18th October, 1967 (forenoon). The Committee considered and finalised this Report at their sitting held on 3rd February, 1968. Minutes of each sitting of the Committee form Part II* of the Report.

3. A statement showing the summary of the main conclusions/recommendations of the Committee is appended to the Report, (Appendix V). For facility of reference these have been printed in thick type in the body of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the examination of these Accounts by the Comptroller and Auditor General of India.

5. They would also like to express their thanks to the officers of the Ministry of Defence for the co-operation extended by them in giving information to the Committee.

NEW DELHI;

February 13, 1968

Magha 24, 1889 (S)

M. R. MASANI,

Chairman

Public Accounts Committee.

*Not printed. One cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library.

I

ARMY

Quartermaster General's Branch

Failure to prefer claims in time for stores short landed or landed in a damaged condition—Para 15—Pages 20-21.

The Embarkation Headquarters are responsible for clearing and forwarding defence stores arriving through the port of Bombay.

1.2. During the period January, 1962, to December, 1965, there were 4876 cases of military stores short landed or landed in a damaged condition. Of these, in 419 cases valued at Rs. 37.25 lakhs, the Headquarters did not either prefer claims at all (155 cases), or in time (264 cases), against steamer agents within the prescribed time limit (24 months in the case of vessels flying commonwealth flags, and 12 months in the case of others, from the date of landing). The following is the year-wise break up of these time-barred claims.

Year	Number of claims			
	Claims due	Time barred claims		Total
		Not preferred at all	Not preferred in time	
1962	383	8	11	19
1963	1021	46	98	144
1964	1975	98	113	211
1965	1497	3	42	45
TOTAL	4876	155	264	419

1.3. Taking into account the fact that the carriers' liability per package is limited to a certain amount, the Ministry have roughly estimated that failure to prefer the 419 claims in time would entail a loss of about Rs. 11 lakhs.

1.4. An analysis of some of these cases* disclosed that there was considerable delay in obtaining delivery or shortlanding certificates from the Port Trust; in some cases there was also further delay in the despatch to the ultimate consignees.

*CP. Paras 4 (b), 10 (b) (i) and 16 (a).

1.5. The Ministry have stated that the delay was due to congestion in the ports due to a sudden and steep increase in imports after the declaration of the Emergency in October, 1962, on the one hand and the time taken in posting and training staff on the other; further, in a number of cases documents were either not received or received late adding to the complexity of the problem.

1.6. The Secretary, Ministry of Defence stated during evidence that claims could be preferred only after observing an elaborate and complicated procedure in regard to the collection of several documents and information. However, considering the fact that the Embarkation Headquarters had to handle all of a sudden an eight-fold increase in traffic (15.24 lakh packages) from the pre-Emergency load of 1.91 lakhs packages, the non-preference of claims in 391 cases out of 4,876 cases may not be considered excessive.

1.7. Further, the witness stated that the difficulties arose due to the following facts:

- (a) most of the cargo was Aid cargo, the responsibility for forwarding which rested with the foreign Governments.
- (b) vast area of about 20 square miles in which the packages, both defence and commercial, were scattered;
- (c) non-receipt of documents in time, necessitating taking over of the goods on indemnity bond; and
- (d) arrival of cargo on ships other than those by which they were booked.

1.8. The Additional Secretary, Ministry of Defence, while explaining the procedure for preferring claims stated that the bill of lading of the consignor and the packing account of the shippers were the documents required for checking the correctness of stores received. As regards the procedure for preferring claims for stores short-landed, the certificate of short-landing issued by the Port Trust authorities and the c.i.f. value of stores were required. The number of cases in which claims could not be preferred had now come down from 155 to 109. In these 109 cases the documents were not received and as such claims could not be preferred within the stipulated time.

1.9. Asked about the measures taken to ensure that the documents were received in time from the consignors, the Additional Secretary stated that the Ministry of Defence had impressed upon the India:

Supply Missions, in London and Washington and their military authorities in other countries the need for ensuring that documents were forwarded in time to the Embarkation Headquarters.

1.10. Elaborating the circumstances resulting in the claims becoming time-barred, the witness explained that during the period following the declaration of Emergency, there was a tremendous increase in the receipt of stores at the port. Unloading was done at the port round the clock and sometimes to make way for the cargo from the next ship, the cargo unloaded from the earlier ship had to be removed by the Port Trust authorities to warehouses where it got mixed up with other cargo. Due to the enormous quantity of stores it was not found possible easily to separate and segregate the Defence cargo for delivery to the Embarkation Headquarters.

1.11. Asked about the reasons for the failure to prefer claims in the case of stores received in damaged condition, the Secretary stated that the procedure for preferring claims was the same as in the case of stores short-landed. The question for consideration was whether the stores were damaged during transit on the ship or at the Port after landing. In these cases the damage was known only when the stores were handled over to the Embarkation Headquarters by the Port Trust authorities. Here too the congestion and confusion in the Port Trust area had contributed to the claims having become time-barred. Normally the carrying agencies stood firm on their legal rights and responsibilities and no concession about delay in preferring claims was allowed by them.

1.12. Asked why extra staff could not be provided in time, to cope with the increased load, the Secretary stated: "The Embarkation Headquarters was not in a position to handle such an abnormal sudden increase in the workload. Although we sanctioned additional staff from time to time, the dimensions of the problem, I think, were not sufficiently appreciated at the time and this you can judge from the fact that between May 1963, when the first staff was sanctioned and 1966, the staff has had to be increased to 4 times what it was at this particular time. As you know, in giving staff both the Defence Ministry and the Finance Ministry are more conservative than liberal. I think it took time before total dimensions of the problem could be assessed. After all in 1963, 15 lakh packages did not come suddenly. It was spread over the year. As they began to appreciate the increasing workload, the staff was sanctioned. We have had to deal with the problem in instalments more as a matter of caution than as a matter of assessment of the workload in strict terms."

1.13. The Committee feel that Government should have geared their machinery at the ports, particularly the Embarkation Head quarters, to cope with the expected increase in the imports of Defence equipment and machinery following the Chinese aggression in 1962. The Committee desire that the Ministry should now examine whether the Embarkation Commandant could not be delegated some more powers for deployment of additional staff upto a certain limit to meet with any sudden spurts in the number of packages received at the Port. The Committee also feel that it should have been possible for the Defence authorities, in consultation with the consignors and the Indian Missions abroad, to arrange matters so that all documents connected with imports were received without delay.

1.14. The Committee stress that there should be close co-ordination between the Embarkation Headquarters and the Port authorities in the matter of identification and delivery of Defence consignments so as to obviate any delay.

1.15. The Committee also feel that adequate warehousing facilities should be made available at Bombay and other major Ports where the Defence consignments could be stored in a secure condition pending their clearance by the Embarkation Commandant in order to avoid delay in tracing them and to save them from damage by rain. The Committee would like the Ministry to examine this further in consultation with the Port Trust authorities.

1.16. The Committee suggest that Government should make a comprehensive review of the arrangements for the handling of Defence goods, particularly machinery and other sensitive equipment required for Ordnance factories and the Armed Forces so as to ensure their expeditious and safe delivery and the prevention of any damage through rain or mishandling.

1.17. The Committee also recommend that the Defence authorities should keep a close watch on the preferring of claims and their settlement so as to ensure that claims do not become time-barred and that they are settled expeditiously.

Loss of, damage to, stores after landing—Para 16—Pages 21-22.

1.18. In the following two cases, stores were damaged during the long period which elapsed between landing at the port and despatch to the ultimate consignees. No claim was preferred against the Port Trust in either case.

(a) Machines for Research and Development

1.19. Four machines costing Rs. 0.91 lakh, required by the Research and Development Organisation in connection with the development of indigenous materials for aircraft construction, arrived at a port partly in March, 1963, (4 packages), and partly in July, 1964 (3 packages). The 7 packages were, however, received by the ultimate consignees in February, 1964 (3 packages), October, 1964 (2 packages), July, 1965 (1 package), and March, 1966 (1 package).

1.20. On being tested one of the machines (Rs. 31,000) was found to be completely unserviceable due to corrosion caused by exposure to weather for a considerable time.

1.21. It was observed in this connection that there was considerable delay in clearing the packages from the port and in their ages), July, 1965 (1 package), and March, 1966 (1 package).

No. of packages	Date of				Remarks
	landing at port	Clearing from port	despatch to consignee	receipt by consignee	
3	March, 1963	March, 1963	November, 1963	February, 1964	Delay of 8 months in despatch to the consignee was due to packages not being connected with documents.
2	July, 1964	August, 1964	September, 1964	October, 1964	
1	March, 1963	March, 1965	May, 1965	July, 1965	The delay of 18-24 months in taking delivery from the port has been attributed to the packages not being traceable.
1	July, 1964	January, 1966	February, 1966	March, 1966	

1.22. During evidence, the Secretary, Ministry of Defence pointed out that the date of clearance, from the port, of the first consignment was November, 1963 and not March, 1963 and this was brought out by the Court of Inquiry held in this case. He further stated that the first three packages were received on 18th February, 1964 and the last on 3rd July, 1965 and the consignee addressed the Embarkation Headquarters in June, 1964 followed by reminders at regular intervals. After testing of the equipment, a detailed discrepancy report was sent to Research and Development Organisation with a copy to the Director General, India Supply Mission. A

Court of Inquiry was held and the findings of the Court were that the deterioration was partly due to improper storage of cases by the Bombay Port Trust and partly due to delay in clearance by the Embarkation Headquarters. In regard to taking up the cases with the Bombay Port Trust, the witness stated that no claim could be preferred against the Port Trust under the law because the time limit had already expired. As under the Bombay Port Trust Act the responsibility of the Port for the loss, destruction or deterioration of goods was only that of a bailee, the Port Trust authorities had disowned any liability. In respect of the delay in clearance, he stated that the responsibility was that of the Embarkation Headquarters.

1.23. The Additional Secretary, Ministry of Defence, stated that there was only one shed in the Bombay Port Trust area where Defence cargo was stacked before being despatched to the consignees but this shed was not adequate for the enormous quantity of Defence Stores received. Further the Defence cargo was stored in this shed only after having been handed over to the Embarkation Headquarters by the Bombay Port Trust.

1.24. In reply to the question of providing proper covered accommodation for Defence cargo being taken up with the Port Trust authorities, the Secretary stated that the Embarkation Headquarters had been taking up the matter with the Port Trust authorities but due to paucity of covered accommodation and the frequency of unloading it was not possible to keep all the cargo in covered accommodation. He added, "But I think it would be possible to give instructions to Embarkation Headquarters that wherever they can trace at least the machine-goods which are liable to corrosion due to rain, particularly during the monsoon, they should take it up with the Bombay Port Trust frequently."

1.25. The Committee have already recommended in paras 1.15 and 1.16 that adequate shed facilities should be provided in Bombay Port and other major ports for ensuring the safe handling of machinery and other sensitive equipment imported for Ordnance Factories and Armed Forces and for their prompt onward despatch to the consignees. The Committee would like to know, in particular, the action taken to improve the handling and shed facilities for Defence consignments at Bombay Port.

(b) *Spares for generating sets*

1.26. A consignment of spares for diesel generating sets received on 30th April, 1963, was cleared from the port only on 11th September, 1963, after a period of over 4 months; it has been stated

that the packages could not be traced in the docks in the meantime. A regimental survey conducted a few days thereafter, on 19th September, 1963, found that the consignment was in a wet condition and that the contents were corroded. A Court of Inquiry convened in September, 1965, 2 years later, to investigate the case, found that the cases were lying in the open while in the custody of Bombay Port Trust resulting in ingress of rain water into the cases; it was of the opinion that the deterioration was due primarily to improper storage of the cases by the Bombay Port Trust and partially to the delay in clearance of the consignment by the Embarkation headquarters.

1.27. The consignment was received by the consignee Air Force equipment depot on 25th September, 1963. The serviceable items were, however, brought on charge by the depot only in March—June, 1964 (6 to 9 months later), and action in regard to "repairable" and "unserviceable" items was initiated in January, 1965 (after another 7 months); the loss statements amounting to Rs. 23,054 were prepared in March, 1965, for regularisation of the loss involved in respect of deficient and damaged items. The loss had not been written off till January, 1967.

1.28. The Secretary, Ministry of Defence, explained that the matter was also referred to a Court of Inquiry whose findings were:

- (i) timely action was not taken to obtain the accounts from the transportation section to check the items and bring them on charge;
- (ii) Non-observance of instructions regarding despatch of the stores to the equipment preservation officer;
- (iii) delay in initiation of action for categorisation of the items; and
- (iv) delay in raising discrepancy report.

1.29. The witness added that as the Court of Inquiry did not fix any responsibility, the Ministry of Defence had instructed that the disciplinary aspect should be gone into. The Court of Inquiry were considering now the disciplinary aspect of the case

1.30. The Committee are not able to appreciate the delay of two years in constituting a Court of Inquiry to investigate this case. The Committee consider that it should be incumbent in such cases for the Court of Inquiry to pin-point the responsibility for the lapses so that necessary action, may be taken against all those found guilty of dereliction of duty.

Unauthorised issue of rations on a higher scale—Para 27, Pages 36-38:

1.31. Until January, 1964, a certain Sector 'A' of the Northern Border was treated as a peace area. Troops stationed in this sector were, therefore, entitled to the following rations:—

Officers—Nil (No free rations at all)

Other Ranks—Rations on the peace scale; those posted at high altitude were also entitled to certain extra items.

In addition, all ranks (both officers and other ranks) were in receipt of a special compensatory allowance.

1.32. Troops in field service areas of the Northern Border were entitled to rations on the field scale (and certain other concessions). Those posted at high altitudes were, in addition, eligible for—

- (i) Some extra 'high altitude' rations which were the same as those admissible to troops in Sector 'A' till August 1962. In September, 1962, these were revised and additional items like oat meal, milk toffee etc. were also included;
- (ii) a high altitude uncongenial climate allowance, the amount of which was roughly equal to the special compensatory allowance payable in Sector 'A'.

1.33. Sector 'A' was declared to be field service area from 1st February 1964 and only from that date troops posted in that sector became entitled to same rations and allowances (as also other concessions) as those in other field areas.

1.34. Troops in high altitude in Sector 'A' were, however, supplied extra 'high altitude' rations on the scales admissible to those in field service areas from December 1962 to July 1963, although they were entitled to these rations on a lower scale and continued to receive the special compensatory allowance meant for Sector 'A'. In the result, during the period December, 1962 to July 1963, they received better rations than they were entitled to, as shown below, without any reduction in the amount of the special compensatory allowance:

Officers (at all locations)	Received free rations (and additional ration in the case of those stationed at high altitude), though they were not entitled to any free rations.
Other Ranks (at high altitude)	Received rations on the peace scale and additional rations at a scale higher than that to which they were entitled.

1.35. Unauthorized issue of oat meal and milk, to those posted at high altitude during December, 1962 to July, 1963, involved an expenditure of Rs. 1.20 lakhs.

1.36. Orders have since been issued in July, 1966 to recover the cost of unauthorized issues from officers. The matter regarding over issue to other ranks is stated to be under consideration of Government.

1.37. It has been stated that troops at high altitude in Sector 'A' were supplied 'high altitude' rations on the scales applicable to field service areas on the orders of the local Commander who felt that conditions in this sector were such as to warrant their issues pending Government sanction.

1.38. Consequent on stoppage of free issue from August 1963 (when they were deleted from the list of high altitude rations) certain stock of oat meal (Rs. 0.67 lakhs) and milk toffee (Rs. 0.31 lakhs) valued at Rs. 1.8 lakhs became surplus to requirements. This was disposed of by sale to private parties in July, 1964 for Rs. 0.77 lakhs involving a loss of Rs. 0.41 lakhs.

1.39. A comprehensive note furnished on the subject by the Ministry of Defence is reproduced below:—

"Vide Government of India letter dated 7th November 1960, troops located in Sector 'A' were sanctioned extra rations as were authorised to troops at high altitude in addition to the peace scale of rations that they were authorised to. The extra rations consisted of the following five items:—

- (a) Rum or substitute
- (b) Oil Hydrogenated
- (c) Sugar.
- (d) Almonds
- (e) Walnuts.

These extras were at par with the extras authorised to troops located above 9,000 ft.

In view of the medical opinion regarding the necessity for improving the extras for high altitude rations, a revised scale for high altitudes was approved by the Ministry in August 1962, vide Government of India letter dated 15th September 1962. The letter superseded all instructions issued on the subject of issue of extra

rations to troops located at/above 9,000 ft. and the high altitude rations were revised as given in Appendices to the said letter.

Since the letter of 15th September, 1962, was in supersession of all the previous instructions in regard to issue of extra rations, the Army Commander of Sector 'A' naturally interpreted it to apply to the troops in Sector 'A' as well. The Government of India letter dated 15th September, 1962, though mentioned AI 4/S/58 dealing with field scale of rations to troops and AI 11/S/58 dealing with field scale rations to officers did not mention AI/8/S/58 which deals with peace-scale of rations for troops, which was relevant so far as Sector 'A' was concerned. However, the intention of Government was to apply the high altitude rations to all the Sectors uniformly, as is borne out in the Notings on the file. This is also clear from the subsequent action of Government when a Corrigendum was issued to Government of India letter of 7th November, 1960 *vide* letter dated 5th January, 1963. *Vide* this Corrigendum, sub para (a) and para II of the letter of 7th November, 1960 which pertains to troops which are located above 9,000 ft., were sought to be deleted, as high altitude rations for these troops had already been included in the Government of India sanction of 15th September, 1962.

However, since there was some ambiguity in the Government of India letter of 15th September, 1962, in as much as AI 8/S/58 was not mentioned, Army Headquarters floated a proposal seeking to reintroduce portions that were deleted from the letter of 7th November, 1960 by issue of a Corrigendum on 5th January, 1963. Somehow or the other it was interpreted at this stage that the provisions of Government of India letter of 15th September, 1962 were applicable only to personnel drawing rations as per AI 4/S/58 and 11/S/58 and these were not meant for troops drawing rations as per 8/S/58. This was not a correct interpretation. But, however, a corrigendum was issued on 17th April, 1963 reintroducing retrospectively from 5th January, 1963 the extra rations that were authorised hitherto to troops located in Sector 'A'.

The Army Commander took up the matter with the Army Headquarters seeking an amendment of Government of India letter of 15th September, 1962 to include troops located at high altitudes in Sector 'A' as they were in receipt of high altitude rations at par with other troops in other theatres *vide* Government of India letter dated 7th November, 1960. He stated in his letter that since the Government of India letter of 15th September, 1962 was in supersession of all existing provisions, he had authorised high altitude rations to troops located above 9000 ft. under the said Government letter from

5th December, 1962 and he was issuing these rations in addition to the existing authorised peace ration scales. Under these circumstances, he felt that the letters of 5th January, 1963 and 17th April, 1963 were not in tune with the original orders of 7th November, 1960, under which extra rations were allowed to troops without any distinction of location. He had, therefore, requested for amendment of the Government letter of 15th September, 1962 so as to include troops deployed at high altitudes in Sector 'A'. On 20th June, 1963, Army Headquarters sent a signal to the Army Commander of Sector 'A' asking him to stop issue of high altitude rations to troops located in Sector 'A', to which the Army Commander replied on 3rd July, 1963 stating that he had stopped issuing high altitude rations as per directions of Army Headquarters. The audited accounts of the platoons concerned which have been verified indicate that the issue of high altitude rations were actually stopped from 7th July, 1963. He, however, reiterated his earlier view that the troops located in high altitudes of Sector 'A' should be brought under Government of India letter of 15th September, 1962 *even though they were drawing rations on peace scale.*

It would also be pertinent to point out that the existing records show that there was no issue of rations on field scale to troops located in Sector 'A'. In his letter of 3rd July, 1963, the Army Commander has also made it abundantly clear that the troops located in Sector 'A' were in receipt of rations as per 8/S/58, that is, peace scale of rations.

Thus, the irregularity, if it can be called an irregularity, is limited to the issue of high altitude rations from 5th December, 1962 to 7th July, 1963 to troops located in Sector 'A' at 9000 ft. and above. It would be pertinent to point out here that the question of replacing the compensatory allowance that the Army personnel received in Sector 'A' by field service concessions, was initiated by the Army Headquarters as early as in November, 1962.

The Ministry of Finance had accepted the extension of field service concessions to the personnel in Sector 'A' in December, 1962, but orders could be issued only on 1st February, 1964, as the question 2951(Aii) LS—2.

as to where the line of high altitude should be drawn, was under consideration between the parties concerned.

Note 5 of Ministry of Finance (Defence/AG) on the file quoted above runs as under:—

“We have no objection to the cancellation of the orders authorising the grant of Sector ‘A’ compensatory allowance and the extension of the field service concessions, as in operational areas in India, to the personnel in Sector ‘A’. It has, however, been proposed by the AHQ and the Ministry of Defence that the personnel in Sector ‘A’ should also be allowed the high altitude/uncongenial climate allowance and separation allowance *throughout* Sector ‘A’. We regret we cannot agree to this part of the proposals as it stands and have the following comments to offer.....”

Further in April, 1963, the decision to extend the field scale of rations to troops in Sector ‘A’ had been more or less finalised in a meeting in the office of Additional Secretary. However, this decision could not be implemented till 1st February, 1964. Non-issue of these orders has worked out to the advantage of the State in that the field scale of ration and field concessions for this period, that is, April, 1963 to February, 1964, would have cost the Government a lot more. This would show that the State has gained out of this omission and the troops have been denied a legitimate entitlement.

In so far as officers are concerned, the Army Commander had sought the permission of Army Headquarters *vide* his signal dated the 6th December, 1962, requesting that he be permitted to issue to officers rations as per 11/S/58, as local procurement of rations was not possible. He had clearly mentioned that if Government did not permit issue of free rations to officers, then the cost of rations would subsequently be recovered from them. A decision has been taken to recover the cost of rations issued to officers at a flat rate of Rs. 100/- per month in instalment *vide* Government of India letter dated 1st July, 1966.

It is thus abundantly clear that high altitude rations as authorised *vide* Government letter of 15th September, 1962, though it was

intended to apply to troops located in all Sectors and mention of Sector 'A' was inadvertently omitted, were issued to troops in Sector 'A' by the Army Commander through a *bonafide* misinterpretation thereof. It will also be seen from the above that Government have gained monetarily in this case.

Regularisation of the unauthorised issue

Officers

In so far as officers are concerned, as has already been explained above, the Army Commander had authorised issue of rations. These issues were being made subject to recovery in case the field service concessions were not extended to Sector 'A'. Thus the unauthorised issues upto 1st February, 1964 have been regularised under Government of India letter dated 1st July, 1966 by recovery in instalment from the officers.

Troops

In so far as troops are concerned the question of regularisation is limited to the issue of high altitude rations to those located above 9000 ft. from 5th December, 1962 to 6th July, 1963 and would be examined in due course."

1.40. To summarise the position, troops located at high altitudes in Sector A were allowed on 7th November, 1960, extra rations in addition to the peace scale rations. These extra rations were on par with those authorised for troops located above 9,000 feet. The Committee also note that the revised scale of issue of extra rations to troops for high altitudes was issued by the Ministry of Defence on 15th September, 1962. This letter superseded all instructions on the subject of issue of extra rations to troops located at/above 9,000 feet. Through an omission, however, no reference was given in the body of the letter to earlier orders which had allowed troops at high altitudes extra rations in addition to peace scale rations and which was pertinent to the case of troops stationed at high altitudes in Sector 'A'.

1.41. According to the Ministry's note: "The intention of Government was to apply the high altitude rations to all the Sectors uniformly as is borne out in the notings on the file".

1.42. The Army Commander requested Government to amend their letter of 15th September, 1962, so as to include within its purview troops deployed in Sector 'A' at high altitudes, while in the meantime he allowed extra rations to the troops at high altitudes in Sector 'A' in addition to their peace scale rations, till it was specifically stopped by the Army Headquarters in July, 1963. Government ultimately issued orders in February 1964 clarifying that the troops and Officers in Sector 'A' were entitled to field scale rations as per their orders of 15th September, 1962. According to the Ministry's note, "The Ministry of Finance had accepted the extension of field service concessions to the personnel in Sector 'A' in December, 1962, but orders could be issued only on 1st February, 1964, as the question as to where the line of high altitude should be drawn, was under consideration between the parties concerned."

1.43. The Ministry's note further points out: "This would show that the State has gained out of this omission and the troops have been denied a legitimate entitlement."

1.44. The Committee are unhappy that, due to a serious omission in Government's orders of 15th September, 1962, troops at high altitudes above 9,000 feet were issued extra rations in addition to peace scale rations from December 1962 to July 1963 while other troops in Sector 'A' stationed below an altitude of 9,000 feet were denied the benefit of field rations which were due to them. The Committee do not want to limit themselves purely to the question of the financial implications but feel that in such a vital matter affecting the morale of troops it is of the utmost importance that orders regarding the issue of rations are framed unambiguously and clearly and, that, where a mistake creeps in, it is rectified with the utmost expedition. The Committee would like Government to review the position regarding the issue of extra rations to troops and Officers in Sector 'A' from September 1962 to February 1964 in the light of the spirit and intention of the relevant orders so as to obviate any unintended hardship.

1.45. In regard to the loss due to disposal by sale of stocks of oat meal and milk toffee rendered surplus consequent on revision of high altitude scale of rations, disciplinary aspect and remedial measures the Ministry of Defence have stated in their note as follows:

"Consequent to the introduction of the revised high altitude ration scale authorised in the AHQ letter of 21st August, 1963 effective from 1st December, 1963, the following stocks of oatmeal and milk toffee became surplus to the requirements:--

(a) Oatmeal	23·550 tonnes
(b) Milk Toffee	33·617 tonnes

The provisioning for the extras for high altitude rations was based upon the optimum strengths considered likely to be posted at high altitude for operational requirements. When oatmeal and milk toffee were taken off the scale in the revised high altitude ration scales, the anticipated consumption of the available quantities of these 2 items was worked out on the likely strengths that might be deployed at high altitude and not on the then actual strengths at high altitude. Hence the indication was given that the available stocks were likely to be consumed by the 30th November, 1963. In actual fact, the build up at high altitude did not materialise. Hence the stocks available could not be consumed as per our earlier assessment.

Army Headquarters had cancelled the demand for 84 tonnes of oatmeal and 43·556 tonnes of milk toffee on the CDP against the previous demands which had not materialised. It will be appreciated that the demands for which the CDP had already concluded contracts, could not be cancelled.

The following action was taken to dispose of surplus stocks of oatmeal and milk toffee with the minimum loss to the State:—

- (a) Issue of milk toffee in lieu of raisins and copra was authorised. Milk toffee was also issued in lieu of boiled sweets to non-smokers.
- (b) Oatmeal was authorised in lieu of cornflakes to entitled personnel.
- (c) Issues to Air Force and Navy were also made and their future demands adjusted to the extent the estimated storage life of stocks permitted.
- (d) Transfer to other Commands was also considered but it was not found feasible on account of similar situation prevailing in Western Command due to non-authorisation of these items as part of high altitude rations consequent to the revision of ration scales in August, 1963.

As a result of action taken as indicated above, approximately 3·500 tonnes of oatmeal and 24·300 tonnes of milk toffee were consumed, leaving a balance of 20 tonnes of oatmeal and 9·300 tonnes of milk toffee for disposal. The balance stocks had by then limited residual storage life and had, therefore, to be disposed of to avoid total loss to the State.

Instructions were, therefore, issued by Army Headquarters with the prior concurrence of Ministry of Finance (Defence) to dispose of the shortlife stocks in question by auction or negotiation at rates approved by the Ministry of Finance (Defence). The total quantity of oatmeal and milk toffee disposed of, amount realised and the loss involved are as under:—

Item	Quantity KGs	Cost at free issue rates	amount realised	Loss involved
	Rs.	Rs.	Rs.	Rs.
Oatmeal	20,008·800	87,038·28 at Rs. 4·25 per Kg.	63,027·72 at Rs. 3·15 per Kg.	24,010·56
Milk toffee	9,300·000	31,155·00 at Rs. 3·35 per Kg.	13,764·00 at Rs. 1·48 per Kg.	17,391·00
				41,401·56

From this it will be seen that the total cost of stocks disposed of is Rs. 1,18,193·28 at the free issue rate and the total amount realised by disposal is Rs. 76,791·72. This works out to approximately 65 per cent of the total cost, which appears to be very satisfactory percentage for stocks of limited residual storage life.

These facts indicate that maximum possible efforts were made to consume the surplus stocks. Only such stocks, which could not be consumed within the residual storage life were disposed of in the best possible interest of the State, in accordance with the instructions issued by Army Headquarters with the prior concurrence of Ministry of Finance (Defence), and the maximum possible amount has been realised.

Disciplinary Aspect

No disciplinary aspect is involved in this case.

Remedial Measures

Instructions have been issued to the QMG's Branch to the effect that whenever proposals are initiated by them for deletion of any item from the existing ration scales, the measures proposed to be taken for consumption of the stocks already provisioned are planned in advance so as to ensure that the existing stocks are consumed before they become unfit for consumption and that no surplus stocks are left which may have to be disposed of by auction resulting in loss to the State. Further, delegation of powers to local Commanders for issue of shortlife stocks of any item having a storage life of only 45 days or less, in lieu of any other authorised item of ration, in consultation with medical authorities, is also under active consideration."

1.46. The Committee understand that the Ministry of Defence have issued instructions in September 1967 to the QMG's Branch to the effect that whenever proposals were initiated by them for deletion of any item from the existing ration scales, the measures proposed to be taken for the consumption of the existing stocks should be so planned that the existing stocks were consumed before they became unfit for consumption and that no surplus stocks were left which might have to be disposed of by auction resulting in loss to the State.

1.47. The Committee feel that Government should have issued these instructions about the disposal of existing stocks of rations which became surplus to requirements on a revision of the scales of rations in 1963 when radical changes were made in the ration scales so as to obviate loss to the State.

1.48. The Committee understand that the question of the delegation of powers to local Commanders for the issue of shortlife stocks of any item having a storage life of only 45 days or less in lieu of any other authorised item of ration in consultation with medical authorities is also under active consideration of Government. The Committee hope Government will take an early decision in the matter.

Air dropping supplies for troops in isolated posts—Para 28 Pages 38—40.

1.49. Certain isolated posts on the Northern Border are supplied (solely or partly) by air. While most articles which are sacked or baled are free dropped, i.e. without the aid of a parachute, boxes and tinned articles are generally parachuted down. The supplies are dropped in specified dropping zones.

1.50. Some of the supplies dropped by air do not reach the consignees due to mis-dropping, non-opening of parachutes, damage to containers, etc. Government have not laid down the permissible percentage of such losses.

1.51. A test check of losses in air-drops made in April-May, 1965, in one Sector 'A', and whole of 1965-66 in another Sector 'B', disclosed that the losses amounted to the following; the figures exclude losses in abortive sorties.

TABLE 1

Unit of account of the commodities air-dropped	Loss per cent			
	Free drop		Para drop	
	Sector 'A'	Sector 'B'	Sector 'A'	Sector 'B'
KG	7.9	10.4	10.3	7.3
Number			1.5	1.7
Litre			11.4	8.1

1.52. Taking both the sectors together, about 3/5th of the stores accounted for in weight were free dropped and the remaining 2/5th para dropped; all the stores accounted for in number, or unit of capacity, were dropped by parachute.

1.53. While the losses in free drop were higher in Sector B, the losses in para drop were generally higher in Sector 'A'.

1.54. Analysing the losses commodity-wise, it is observed that there was a wide variation in the extent of loss in comparable commodities in (i) the same sector and (ii) same commodity in different sectors.

1.55. Details in respect of principal commodities follow:

TABLE 2

Commodity air-dropped	Unit of account	Loss per cent	
		Sector 'A'	Sector 'B'
1	2	3	4
<i>Free dropped</i> (sacked or baled)			
A. 1. Dal	Kg.	11.6	20.9
2. Sugar	"	10.6	15.3
3. Gram	"	9.9	13.6

1	2	3	4
4. Rice	Kg.	9.2	27.7
5. Salt	"	7.7	8.0
6. Tea	"	7.4	17.8
7. Atta	"	5.8	12.0
8. Barley	"	4.7	10.0
B. 1. Hay baled	"	9.2	4.7
2. Clothing baled	No.	0.7	..
C. 1. Fruits Fresh	Kg.	24.1	20.4
2. Vegetables fresh	"	14.9	7.3
3. Meat fresh	"	4.2	4.4
4. Fish fresh	"	..	3.6
5. Butter fresh	"	..	2.9
D. 1. Oil hydro tinned	"	12.9	21.0
2. Vegetable tinned	"	11.6	4.6
3. Fruit tinned	"	10.6	7.3
4. Milk tinned	"	6.9	0.3
E. 1. Potatoes	"	7.7	4.4
2. Onions	"	6.9	6.3
F. Meat on hoof mutton towl	"	4.8	12.3
G. 1. Multi-vitamin tablets	No.	5.4	2.4
2. Matches	"	1.3	13.4
3. Cigarettes	"	1.1	0.2
H. Ammunition	"	Nil	..
I. 1. Kerosene	Litre	9.7	7.0
2. Rum	"	11.7	18.2
3. Petrol/73 NL gas	"	9.7	9.6

1.56. The losses in respect of (i) dal, sugar, gram and rice in both sectors, and tea and atta in Sector 'B' among free dropped commodities, and (ii) Oil hydro tinned, and fresh fruits in both sectors, vegetables and multi-vitamin tablets in Sector 'A', and matches, rum and petrol in Sector 'B', out of the commodities para dropped, were much higher than the average shown in Table 1.

1.57. The Committee desired to know why losses in respect of commonly consumable articles in one sector were higher than those in another sector though both the sectors of the Northern border were solely or partly maintained by air and why there were variations in losses in respect of free-dropped and para-dropped items. The Secretary stated during evidence, "So far as losses are concerned, of course,

It is, I think, impossible to achieve or even aspire to achieve any mathematical calculation between loss in one sector or loss in the other sector. Conditions would vary with the type of the craft used with the efficiency, with the organisation of the dropping zones, with the weather conditions and with the period that is selected for the statistical analysis. Sector A may be taken for instance. In Sector A, April-May was taken, which I think, is one of the worst periods of turbulence in that sector, while in sector B the whole year has been taken out and there is more possibility of an averaging out."

1.58. In respect of Sector 'A' the witness stated that the percentage of losses on three different types of aircraft were varying due to the location of dropping zones. But this Sector was better organized as the air-dropping operations had been going on for a number of years while in Sector 'B' the airdropping operations had started only in 1962-63. Losses in Sector 'A' were less than losses in Sector 'B' as the selection of dropping zones and packing etc. had been improved through experience in Sector 'A'.

1.59. Explaining the procedure for air-dropping operations the witness stated that when stores were loaded into aircraft a load manifest was prepared and the manifest was checked with the load. The pilot of the aircraft had to account for the items he could not drop. Where the dropping zone was on a hill, if there was a slight mistake, the items dropped would go down the valley.

1.60. In a note furnished to the Committee the Ministry of Defence have intimated that constant watch was being maintained by the Army Air Transport Organisation on the incidence of losses in all airdrops and that average percentage of losses in terms of weight sanctioned during 1966 was 3.84 in Sector 'A' and 3.4 in Sector 'B'. It was mentioned therein that variations in losses were bound to occur *inter alia* for the following reasons:—

- (i) different types of aircraft used. The faster the aircraft the greater are the chances of error, particularly in free drops;
- (ii) different climatic conditions i.e., the velocity of wind, the presence of fog or mist affecting the visibility and the period of the year, particularly Monsoon or non-Monsoon period;
- (iii) the size and type of the Dropping Zone and the terrain surrounding it. If the drops cannot be retrieved because

of the surrounding area being inaccessible or if the free drops are likely to hit the boulders or rocks present on or around the Dropping Zone, the losses will be comparatively heavier; and

- (iv) the losses will vary from one type of aircraft to the other and for different months by the same aircraft depending upon the mission assigned to it.

1.61. In regard to reducing the losses the witness stated that what was material in this case was the training of the pilot and the crew and their ability to manoeuvre the aircraft to ensure the drop only on the dropping zone. The packing of the stores also needed improvement and they were trying to improve the packing. Further due to the fast moving aircraft used in Sector 'B' the drop was to be made from big heights and the loss was inevitably much more. The witness further stated that use of the older and slower type of aircraft in Sector 'A' was actually not safe. Again the maintenance was more difficult and the number of aircraft of this type was limited. Compared to this the faster type of aircraft used in Sector 'B' carried more weight and was also safer. Considering the hazards involved, safety should be the criterion rather than the meticulous calculation of losses.

1.62. Asked whether any guidelines had been evolved by the Brigade Commanders for assessing the losses in free/para drop operations the witness stated that it was a matter of discretion and judgment under varying conditions which prevailed from zone to zone.

1.63. In the written note the Ministry of Defence have amplified:

"It is not practicable to evolve any rigid guidelines for sanctioning losses in free drop/para drop of the various commodities in the various sectors as the losses depend on various factors which cannot all be pre-judged.

The Brigade Commanders, who are authorised to investigate the losses, are senior and responsible officers and being on the spot know the conditions under which air dropping takes place and are in the best position to judge the merits of each case in the light of prevailing conditions at the time of actual dropping and the various attendant circumstances. As senior officers, they could be expected to apply their best judgment to the proper investigation of cases and the taking of suitable measures to minimise the losses as far as possible."

1.64. The Committee understand that the question of air-dropping of supplies for troops has been reviewed by the Secretary, Ministry of Defence, in consultation with the Chief of Army Staff and the Chief of Air Staff and that it has been decided to constitute a Committee under the chairmanship of the Deputy Quartermaster General, Army Headquarters, to conduct a comprehensive enquiry into the air-dropping operations in the Eastern and Western theatres with a view to ascertain the precise reasons for variations in losses, suitability of aircraft used, training of pilots, packaging methods adopted and improvement thereof, suitability of dropping zones, their improvement or re-location and the feasibility of laying down guidelines for the acceptance/investigation of losses by Brigade Commanders in the light of past experience.

1.65. The Committee would like the comprehensive enquiry on air-dropping operations to be completed at an early date so that in the light of the findings Government may lay down suitable guidelines for acceptance/investigation of losses and take other measures to reduce such losses to the minimum and to dispel all apprehensions about contrived losses or misappropriation of supplies.

Military Farms—para 29—pages 40—42

1.66. The results of the working of the Military Farms during the year 1965-66 are given at pages 89—91 of the Appropriation Accounts, Defence Services.

(a) Cost of producing raw milk

1.67. The following table shows the weighted average cost of production and purchase of raw milk by the Military Farms during the year 1965-66.

Raw milk produced—Rs. 1.85** per litre.

Raw milk purchased—Re. 0.97 per litre.

1.68. The cost of production includes pasteurisation charges, roughly estimated at Re. 0.04 per litre, while the purchase price does not include this element. Further butter fat content of buffalo milk (which comprises about 2/3rd of the milk produced/purchased) is approximately 7.2 per cent in the case of milk produced by the Military Farms against 6.2 per cent in the case of milk purchased from the market. Even allowing for these differences, however, the cost of production of milk in the Military Farms is about 1½ times the cost of purchase.

**Excludes the cost (Rs. 2.73 lakhs) during 1965-66 of rearing surplus calves upto one month.

(b) Loss arising from delay in revision of sale rates

1.69. Bulk (about 92 per cent) of the milk was issued free to military units, hospitals, etc. The remaining part (about 8 per cent) was sold on cash payment mainly to entitled personnel.

1.70. The entitled customers are supplied milk at concessional rates which are generally lower than the free issue rates. The sale on concessional rates was introduced in 1957 with a view to increasing the sale of milk as, prior to that date, surplus milk in winter was being disposed of at a loss after conversion into ghee.

1.71. The table below shows the total amount of the loss incurred on these sales, which represents the total amount of the concessions granted to entitled personnel, during the last four years.

Years	Rs. (in lakhs)
1962-63	5.51
1963-64	6.59
1964-65	15.46
1965-66	28.45

1.72. The increase in loss in 1964-65 (Rs. 8.87 lakhs) and again in 1965-66 (Rs. 21.86 lakhs) over that in 1963-64, aggregating Rs. 30.73 lakhs, was due to increase in cost of production/purchase of raw milk on the one hand, and delay in revision of sale rates on the other.

1.73. The last general revision of sale rates was effected in October, 1962. Under the rules, sale rates are required to be revised from time to time, as and when necessary, taking into account the cost of production, market price etc. The sale rates were, however, generally not revised again till January—March, 1966, in spite of increase in costs from April, 1964, onwards. It has been explained that the revision was not effected earlier in anticipation of early implementation of the revised pricing policy based on the recommendations of the Expert Accounting Committee. It is, however, observed that orders laying down the new pricing formula were issued only on 28th December, 1965.

1.74. Timely revision of sale rates in 1964-65 and 1965-66 would have appreciably reduced the losses in these years.

1.75. The Ministry of Defence have furnished a compensive note on the Audit para which is reproduced in Appendix I.

1.76. During 1965-66, the gross expenditure on milk production worked out to Rs. 1.85 as against the average purchase rate of 97 paise per litre. The total quantity of milk produced in the Military Farms during 1965-66 was 143.65 lakhs litres (including milk fed to

calves) and milk purchased was 312.32 lakh litres. The Military Farm produced milk contained 7.2 per cent butter fat content and standard non-fat content was over 8.5 per cent as compared to 6.5 per cent of butter fat content in the buffalo milk purchased. The average butter fat content of Military Farm cow's milk was 4.7 per cent whereas the butter fat content of purchased cow milk was between 3.7 per cent and 4 per cent. The production cost of Rs. 1.81 (Rs. 1.85 less 4 paise for pasteurisation) for raw milk was equivalent to Rs. 1.56 per litre of 6.2 per cent of butter fat content milk.

1.77. About the pasteurisation cost, the Ministry's note mentions however, "Though the rate of 4 paise per litre has been adopted as the cost of pasteurisation for the fixation of sale/free issue rates of milk, the Military Farms Directorate estimate that the actual cost is about 6.5 paise per litre with reference to the issues from the cattle holding farms."

1.78. It has further been stated, ".....the gross expenditure of Rs. 254.87 lakhs on milk production during 1965-66 includes an amount of Rs. 19.27 lakhs on account of the write-down of the value of young stock animals held in the capital inventory books of military farms. Since this amount of Rs. 19.27 lakhs does not represent any actual expenditure but merely an accounting liability for book adjustment due to the change over to the new system of valuation and depreciation, it should be excluded for the purpose of arriving at the real production cost of comparison with the rate of local purchase. This works out to nearly 13 paise per litre and the production cost would then be even below Rs. 1.43 per litre."

1.79. In regard to the high cost of production of milk at Military Farms, the Ministry have reiterated the reasons furnished to the Committee earlier which were appended to the 48th Report (Third Lok Sabha) as Appendix IV. With a view to improve the operational efficiency and working results of Military Farms, the following measures have *inter-alia* been taken:—

- (a) culling out uneconomical low-milk-yielding cattle;
- (b) artificial insemination, in the interests of economy and better breeding;
- (c) selective rearing of animals for improving future stock;
- (d) closing down or conversion of losing military farms in areas where milk is available throughout the year;
- (e) recategorisation of personnel of the military farms for maximal job output; and

- (f) improvement of agriculture by provision of greater irrigation facilities, better seeds etc.

1.80. The Ministry have stated that under the old procedure prior to January, 1966, the sale rates were fixed taking into account—

- (a) financial results of the farm indicating profit/loss;
- (b) production cost of milk which was a cumulative index of the combined efficiency of all section of the Farm viz. cultivation, cattle yard, stackyard and dairy; and
- (c) local market rate of milk.

1.81. In pursuance of the recommendations of the Public Accounts Committee contained in their 17th Report (Third Lok Sabha) and in the light of the report of the Expert Accounting Committee, proposals for revision of the system of pricing of milk issues were made by the Director, Military Farms, in December 1963. After discussion with the Controller General, Defence Accounts and the Ministry of Finance (Defence) on various issues, a new decentralised system of fixing half-yearly the free and payment issue rates by a Station Board of Officers based purely on the local market rate for equivalent quality of milk plus an all-India average rate of 14 paise per litre for pasteurisation and delivery charges, was decided upon. In view of these discussions and consultations with various authorities, the final orders could be issued only on 28th December 1965 for introducing the new system.

- (b) *Loss arising from delay in revision of sale rates*

1.82. The Committee pointed out that about 8 per cent of milk produced in Military Farms during 1965-66 was sold on cash payment to entitled personnel and desired to know why, though the cost of production had been going up over the years, payment issue rates in these cases had not been increased. The Secretary stated, "So far as the first question is concerned, the rates that were given to entitled categories were as a matter of concession. They were evolved partly with a view to encourage more sales and partly as a welfare measure for the defence personnel and their families. I submit that in a matter of welfare, particularly, the cost increase is all the more reason for its impact on these personnel. I think that it is not only here but also in other spheres we have taken the view that the prices need not be raised where an element of concession or subsidy is involved. I know, for instance, that from the fair-price shops our costs of procurement and handling have gone up. But, still, we have not increased the prices."

1.83. In the note, the Ministry have stated:

"The concessional rates for entitled categories of customers were introduced from the 1st February, 1957. Apart from encouraging the purchase of milk by entitled personnel, this concession was intended to serve as a welfare measure for the Defence personnel and their families. When this decision was taken, it was considered that the losses on sale of milk at lower concessional rates would be neutralised to a considerable extent by the saving that would accrue by the utilisation of surplus milk during winter.

The non-entitled customers were charged for cow and Standard milk at free issue rates applicable to troops and hospitals, with a surcharge of 64 paise per litre for buffalo's milk.

The extent of concession in rates for entitled customers as compared to rates of free issue is indicated below:—

	Less/more than free issue rates			
	Cow/Standard Milk		Buffalo milk	
<i>Entitled Category I</i>	<i>Summer</i>	<i>Winter</i>	<i>Summer</i>	<i>Winter</i>
Commissioned Officers and Gazetted Officers paid from Defence Services Estimates and their families.	6 to 8 paise less per litre	20 to 24 paise less per litre.	6 to 8 paise more per litre.	6 to 8 paise less per litre
<i>Entitled Category II</i>				
ICOs, other ranks and non-gazetted civilians paid from Defence Services Estimates and their families.	20 to 24 paise less per litre	28 to 36 paise less per litre.	Same as free issue rate	14 to 16 paise less per litre.

The Stations of India were divided into six distinct groups and separate sets of rates were prescribed for each."

1.84. In respect of losses on account of payment issues, the Ministry have stated that the bulk of payment issues was in the form of cow's milk and to offset the deficiency, buffalo milk was purchased and issued after blendings; the cost of blended milk being approximately 64 per cent of the purchase rate of buffalo milk. As such, the losses on payment issues worked out on the basis of difference between purchase rates plus overheads on pasteurisation and delivery and the payment issue rates would be Rs. 10.36 lakhs and not Rs. 28.45 lakhs. If no payment issues were made, the loss to Military Farms

would be reduced by this amount provided the element of delivery and pasteurising charges in payment issues was taken into account at the average rate of 14 paise per litre. Since delivery to the units in the Cantonment area has to be made in any case, no additional delivery cost in respect of payment customers located *en route* would be necessary. If pasteurising and delivery charges are excluded, the loss would have been only 6 paise per litre i.e. approximately Rs. 4 lakhs."

1.85. The representative of the Ministry of Defence stated that "The complaint of Audit is, that since 1962, a general revision of the free issue rates was not made. To that, we pointed out that although a general revision was not made, periodic classification of farms between seven categories was made from time to time and the payment issue rates have been revised upwards from time to time. To illustrate this point, I will point out that, for example, in 1964-65, the payment issue rate was 77 paise—I am talking of the average weighted rate. During 1965-66, the payment issue rate was raised to 83.3 paise, a raise of 6.3 paise. So it is not quite correct that the payment issue has not been revised. It has been revised."

1.86. The representative of the Ministry of Defence further explained that in 1966, the payment issue rates were linked to free issue rates through the following mathematical formula:

"The free issue rates are derived from the local market rates for equivalent quality of milk by adding a flat rate of 14 paise per litre for pasteurisation and delivery charges. The payment issue rate for non-entitled customers was fixed by adding a surcharge of 10 paise per litre and for the entitled customers by reducing the free issue rate by 5 paise for Category I personnel (Officers) and 10 paise for Category II personnel (JCOs, OR and non-Gazetted staff).

Since free issue rates are required to be revised every six months the payment issue rates are also automatically revised."

1.87. The Ministry have further stated that the introduction of the new accounting procedure with effect from 1st April 1966 and the adoption of various economy measures have had an impact on the production cost of milk in military farms. According to the unaudited figures of annual accounts of military farms, the All India average 2951 (Aii) LS—3.

production cost and purchase rate of whole milk in 1966-67 as compared with 1965-66 were as follows:—

	Average production cost per litre	Average purchase rate per litre
	Rs.	Rs.
(a) 1965-66 (Audited)	1.85	0.97
(b) 1966-67 (Unaudited)	1.11	1.00

If due credit is given for the fact that the farm produced milk is richer in fat content and SNF as compared to purchased milk, as already indicated, the production cost for 1966-67 would work out to less than the average market purchase price.

1.88. According to the Ministry of Defence, overall profit/loss on military farms during the past seven years has been as follows:

Year	Overall Profit/loss Rs. (in lakhs)
1959-60	(—) 0.89
1960-61	(—) 16.15
1961-62	(+) 12.99
1962-63	(—) 8.80
1963-64	(+) 43.11
1964-65	(—) 21.66
*1965-66	(—) 77.37
*1966-67 (Unaudited)	(—) 66.37

1.89. The working of the Military Farms had been commented on by the Committee in their 17th, 40th and 48th Reports (Third Lok Sabha).

1.90. While the Committee are glad to note the improvement in the financial position of Military Dairy Farms in 1966-67 after the introduction of the new decentralised system, they feel that there is no room for complacency in view of the fact that the profits made earlier from 1961-62 to 1963-64 were followed by two years (1964-65 and

*The expenditure on (i) interest on capital, (ii) rearing of unwanted calves upto one month, and (iii) delivering of milk which was being included in the production cost upto the year 1964-65 has been excluded while working out the production cost for 1965-66 and 1966-67.

1965-66) of heavy losses. The Committee stress that the large land resources available with the Military Farms should be put to the best and most remunerative use in consultation with the Indian Council of Agricultural Research who have the requisite expertise not only in field of foodgrains, horticulture, and fodder grasses, but also in animal husbandry. The Committee feel that the Ministry, in consultation with the Ministry of Food and Agriculture and State Governments, should examine the desirability of converting the Military Farms into extension farms of the Indian Council of Agricultural Research Agricultural Universities to demonstrate to the neighbouring areas the advantages which flow from adoption of modern techniques of intensive cultivation with high yielding varieties, irrigation, fertilizers, insecticides and pesticides.

1.91. The Committee would like Government to keep a close watch on the production and price of milk in the Military Dairy Farms as compared with other leading Dairy Farms such as the Aarey Milk Colony and the Kaira District Co-operative Milk Producers Union. Similarly they would like Government to keep a close watch on issues on a concessional basis which are made to entitled personnel so as to ensure that losses on this account are kept within the intended margin. The Committee hope that every effort will be made by Government to ensure that Military Farms do not again incur losses.

Tardy execution of "urgent" work—para 38—pages 52-53.

1.92. In August, 1963, Government accepted the necessity for a subsidiary ammunition depot for a Command and, due to "urgent military reasons", authorised commencement of the work in anticipation of administrative approval. Up to February, 1967, however, "go ahead" sanction has been given for Rs. 101 lakhs out of the rough estimated cost of Rs. 246 lakhs. In the meantime,

(i) 1,052 acres, out of 1,745 acres of land requisitioned, at an annual rent of Rs. 1.86 lakhs, for the project have been encroached upon by the villagers and are under unauthorised cultivation; the Deputy Commissioner has expressed his inability to evict them until the lands are acquired permanently and full compensation paid to the villagers concerned;

(ii) the imported|indigenous ammunition which the depot was to hold is lying elsewhere under tents.

1.93. The incurrence of expenditure of Rs. 101 lakhs was authorised in three stages as shown below:

	Lakhs of rupees		
	August, 1963	June, 1965	July, 1966
(a) Magazines for storing ammunition		42	..
(b) (i) Domestic and technical buildings (in- cluding furniture)	4
(ii) External sewage works		1	..
(c) Roads, water, external electrification, area drainage	22	13	5
(d) Other items	4	4	6
	30	60	11

1.94. The design for the magazines is stated to have been finalised in September, 1963, itself. The "go ahead" sanction for expenditure on magazines was, however, given in June, 1965. Some time later it was found necessary to re-examine the design in the light of the latest experience; the design was not finalised upto December, 1966.

1.95. While the construction of office accommodation and quarters for the construction staff was sanctioned in August, 1963, sanction for provision of sewage was accorded in June, 1965; the work on electrification and water supply to the quarters was also taken on hand only in January, 1966. The quarters which were completed in January, 1965, at a cost of Rs. 2.85 lakhs were, therefore, occupied only in August, 1966, when the sewage and other facilities were provided; in the meantime, the construction staff continued to stay in a nearby city, which entailed an expenditure of Rs. 19,000 on house rent allowance and use of government transport between the city and the work site.

1.96. The Committee desired to be furnished with a note on the case which has since been received.

1.97. The Ministry of Defence have stated in their note that the approximate estimate of Rs. 245.75 lakhs for the project was received by the Army Headquarters in January, 1964. The revised estimates for the project because of Government orders for improved specifications being adopted for projects of a long term nature were forwarded in March, 1964 and were under Government scrutiny. In

the meantime because of the increase in prices and consequent increase in the cost of construction, the detailed estimates were for a sum of Rs. 290.99 lakhs, necessitating fresh acceptance of necessity by Government as the cost had gone up more than the permissible limit of 20 per cent.

1.98. Further in the light of operational experience and conflicting tactical and technical requirements, the design of the magazines was evolved after long deliberation and finalised on 29th December, 1966. Administrative approval to the project would be issued on completion of the scrutiny of the revised estimates received in the Engineer-in-Chief Branch, on the basis of the revised design of the magazines.

1.99. Out of 1,710 acres of land taken over, the villagers who were allowed to tend and harvest the standing crops on the land, continued to cultivate the land measuring 1,088 acres. The remaining requisitioned area came under the active occupation of the Army authorities. The District Collector was requested not to pay rental in respect of this land but was stated to have replied that since the land was formally requisitioned, there was no law under which he could refuse payment of the compensation. The Ministry have further stated that for the years 1964-65 and 1965-66, rent at the rate of Rs. 1,32,234.08 per annum had been paid in respect of this area, and that rent for 1966-67 is yet to be paid.

1.100. The Committee also find from the note that the total permanent land requirement had now been estimated at 1,788 acres and that a proposal was under consideration for the acquisition of additional area.

1.101. As regards the buildings, the Committee find from the note that the Military Engineer Service construction staff for whom construction of office and residential accommodation was sanctioned in August 1963 did not move to Station 'A' as no arrangements for accommodating them there could be made until the accommodation sanctioned for them was completed in January, 1965 for which sewage and other facilities were completed only in August, 1966. From 27th September 1965 to 1st August 1966, the buildings were used by two units and from 2nd August 1966 onwards for residential and storage accommodation. Since August 1966, the construction staff including the Garrison Engineer and his office are accommodated, at Station A. Until they could be accommodated it has been stated that they had to remain in another station nearby and claim house rent allowance. The Ministry have submitted that the buildings remained unutilised for 8 months only from January to September, 1965.

For the better planning and co-ordination of building, programme detailed instructions have been issued by the Army Headquarters vide letter No. 61279/03W (Policy) dated the 9th August, 1967 (Appendix II).

1.102. The Committee are not happy that the land for the Subsidiary Ammunition Depot was requisitioned in 1963-64 long before the detailed blue-print for the Depot had been finalised, with the result that the land remained unutilised for more than three years and entailed payment of rent at the rate of Rs. 1,32,234 per annum.

1.103. The Committee note that Army Headquarters have since issued on 9th August, 1967, instructions for avoiding the recurrence of such cases due to un-coordinated planned in the requisition/acquisition of land. The Committee stress that Government should review the position about the utilisation of requisitioned/acquired land every year and amplify their instructions, as necessary, to ensure that productive land which is not really required within a reasonably short time for defence use is not unnecessarily acquired/requisitioned.

1.104. The Committee also reiterate the recommendations contained in para 3.21 of their 71st Report (Third Lok Sabha) regarding the proper planning, coordination and provision of external services, e.g., sewage, roads, electricity and water supply, so that the buildings on completion are brought into effective use without delay. The Committee regret that, due to the failure to provide external services in time, the quarters built for the staff remained unutilised for eight months. The Committee hope that the Army authorities will take suitable measures to implement the instructions issued in the letter of 9th August, 1967, for the planning and coordination of the building programme so that such instances do not recur.

Operational Works—Para 41—Pages 55—57.

1.105. In areas specified as operational, Commanders of field formations; sectors are empowered to order the execution of operational work which are "works of temporary nature actually needed for the prosecution of operations or for formations directly assisting in such operations"; only works which cannot be undertaken under the normal procedure "without risk to the progress of operations" can be regarded as operational works. Since the declaration of Emergency in October, 1962, large sums, aggregating about Rs. 22 crores, have been spent on such works.

1.106. The powers of the Commanders to order operational works are unlimited. No estimates are required to be prepared for these works. The only account kept is the imprest account in which all cash payments are entered; the imprest account (supported by vouchers) is submitted to the Controllers of Defence Accounts but there is no local audit. Thus, in the nature of things, expenditure on operational works is incurred without detailed planning and normal technical and financial control.

1.107. The following point of interest was noticed in a review of the expenditure on the operational works.

Works not conforming to the spirit of the rules.

1.108. Operational Works Procedure was introduced to enable Commanders to get, at short notice, temporary works needed for urgent operational requirements and is intended for areas and conditions in which it is impracticable to adopt the Normal or Emergency Works Procedure. It was, however, observed, that the operational work ordered included also.

- (a) works of a permanent nature, such as all weather roads, which took 2 or more years to complete;
- (b) shelters, etc., located in the rear areas (away from the forward areas) of the operational theatre;
- (c) pre-fabricated shelters required a year or more after the Commanders' orders and not for immediate use; some of these were stocked in Engineer Parks outside the operational areas.

1.109. The Army Headquarters have stated that suitable remedial action has been taken. This includes orders that where, as in the cases referred to in (b) above, adequate Military Engineer Services cover is available works should ordinarily be carried out under the Normal or Emergency Works Procedure.

1.110. The Additional Secretary, Ministry of Defence stated during evidence that the main criterion for classifying the work as operational was the operational requirement and not the duration of its execution. The witness further stated, "Audit has merely said that operational works procedure should not have been invoked for certain works. It does not say that these works cannot be covered by the "operational works". Audit simply says that this procedure should not have been invoked and normal procedure should have been adopted, because of the time taken. Our contention is that if we had adopted the normal procedure, it would have taken longer."

1.111. When it was pointed out that inclusion of a work executed in four years as an operational work was stretching the rule too far, the Secretary, Ministry of Defence, submitted that what was primarily important was the operational requirement which might arise not only as an operational need but also because of the absence of any other military agency for its execution.

1.112. As regards the question of misuse of authority, by local Commanders for operational works, the witness stated that though in theory the power conferred was unlimited, as a matter of practice, these works were scrutinised by the supervising authorities.

1.113. The Committee feel that the procedure laid down for operational works should be invoked by the Army Commanders only where it is imperative to undertake the speedy execution of work in the overall interest of military operations. Now that the Emergency has been lifted by Government, the Committee feel that the present is an opportune time to review the whole procedure for operational works in the light of the experience obtained and to omit from its scope long term works which should more appropriately be carried out under the Normal Works Procedure.

1.114. The Committee would also like to stress that all the tangible assets which have been created out of the Rs. 22 crores expended on operational works should be properly accounted for and maintained.

Derequisitioning surplus land—Para 47—Page 65.

1.115. In June, 1948, Government ordered that 43 acres of land in Greater Bombay (originally requisitioned in May, 1944), be returned to the owners as it was surplus to requirements, and the buildings standing on 4 acres thereof disposed of. However, an area of 0.1 acre only was derequisitioned in May, 1953.

1.116. In March, 1956, an Inter-Services Committee recommended the release of 21 acres of land and the temporary retention of the remainder and Government approved this in December, 1956; nevertheless, even these 21 acres continued to be retained.

1.117. The position was again reviewed by the Inter-Services Committee which recommended, in October, 1959, that

(i) 9 acres be acquired for a new butchery,

(ii) 16 acres be released, and

(iii) the remaining 18 acres (15 Navy + 3 Army) be retained temporarily.

1.118. 6 acres (against 9 recommended) were acquired for the butchery in 1961-62 (but are still lying unutilised). No decision was, however, taken regarding derequisitioning of the 16 acres. In January, 1962, the Army desired that no land should be released till its future requirements were worked out finally in view of the impending expansion of the Army; Government accepted the proposal and agreed to hold the derequisitioning in abeyance.

1.119. In November, 1964, the Inter-Services Committee recommended that the whole area of 37 acres still under requisition be retained for a long time. Government, however, decided in July, 1966, to derequisition 33 acres and retain the remaining 4 acres (in which some buildings existed) temporarily; the 33 acres have, however, yet to be derequisitioned (February 1967).

1.120. The period of over 18 years (commencing from June, 1948), taken in derequisitioning the 33 acres of the land now proposed to be released, which have not been put to any use in the meantime, has resulted in an unproductive expenditure of Rs. 1.92 lakhs by way of recurring rent charges.

1.121. The Secretary promised to furnish a comprehensive note on the case which has since been received and is reproduced in Appendix III.

1.122. The following points are noticed from the note:

- (a) an area of 45 acres 14 gunthas and 4 annas was requisitioned in May 1944 for an Air Force project at an annual compensation of Rs. 13,389 and Defence assets worth Rs. 8.02 lakhs were created thereon;
- (b) in October 1946, the Inter-Services Committee of Quartermaster General for Land and Buildings declared the project as surplus and recommended its disposal;
- (c) Sanction for disposal was, however, issued only in June 1948, as Government desired the Air Force to reassess their requirements, after Independence and confirm that the project was surplus to requirements;
- (d) After the issue of the sanction for disposal in June 1948, the Headquarters Southern Command informed the Army Headquarters that the buildings on this requisitioned

land were under occupation of Army and that the land was being utilized by Ordnance personnel and Navy.

- (e) an area of 11 gunthas and 8 annas only was released and handed over to the owner in March 1950;
- (f) in view of the continued occupation of the Project and Land by the Ordnance and Navy units the Inter-Services Committee recommended in October, 1953 their retention temporarily for long period;
- (g) in the meanwhile the Ministry of Works, Housing & Supply wanted 5 acres of land in Colaba or in Greater Bombay for the Government Test House;
- (h) in March 1956, the Inter-Services Committee again recommended that 21 acres of land be disposed of, and the orders for disposal were issued in December 1956;
- (j) the disposal of these 21 acres was kept in abeyance since Headquarters Southern Command had intimated Army Headquarters in June, 1957 that they had a proposal for setting up a Butchery on the land;
- (k) in view of the changed circumstances, the project was again considered by the Inter-Services Committee twice. The Committee recommended at their meeting on 29th October, 1959—
 - (i) 8 acres and 20 gunthas be retained for the butchery;
 - (ii) 3 acres and 4 gunthas be retained by Army temporarily for long period;
 - (iii) 15 acres be retained by Navy temporarily for long period; and
 - (iv) 16 acres 4 gunthas and 7 annas be disposed of.
- (l) the disposal of the area of over 16 acres was not made because Headquarters Southern Command desired final decision on the butchery;
- (m) sanction of the butchery proposed in June, 1957 was not communicated till April, 1960 as it required clearance of Bombay Corporation, Civil Aviation authorities and preparation of detailed estimates and concurrence of Finance.
- (n) in 1962, the Chief of General Staff directed that in view of the expansion of the Army no land should be released.

- (p) again in September 1964 the Inter-Services Committee recommended that the lands be retained for a long period;
- (q) an overall review of the land requirements was made in 1966 and it was decided on 16th July, 1966, that the entire surplus land except an area of 4 acres required by the Army, be derequisitioned.

1.123. The present position with regard to the release or retention of the land is as follows:—

	Acres	Gunthas	Annas
(i) Total area requisitioned in 1943-44	45	14	4
(ii) Area released :			
(a) upto 1957	5	23	1
(b) in June, 1966	11	17	4
(iii) Acquired :			
(a) by Atomic Energy Commission in November, 1957	7	26	..
(b) for Butchery in December, 1961.	6	11	12
(iv) Area to be retained			
(a) by Army	3	29	12
(b) falling in Cheeta camp.	5	..
(v) Area for which derequisitioning orders were issued by the Collector in October, 1967	7	37	15
(vi) Area to be released after removing encroachments.	2	23	8

1.124. In summing up, the Ministry have stated that "the matter has all along been under the active consideration of the Government. The orders issued originally in 1948 had to be reviewed in the circumstances mentioned above in the light of the possible requirements which emerged from time to time. It will also be appreciated that it is not always possible to get back land once derequisitioned and particularly so in a place like Greater Bombay. It would also appear from the facts mentioned above that orders issued on 3rd June, 1948 to dispose of the Air Force project did not take into account the requirements of and the actual use of the land by other defence users. The position had, therefore, to be re-examined. It will also be seen from the table given above that 5 acres 23 gunthas 1 anna were actually released before 1958. As regards the recommendation of the 29th October, 1966 of the QMG's Inter-Service Committee to the effect that 16 acres 4 gunthas 1 appas be

disposed of, the same was not a Government decision, and the recommendation was examined as mentioned in detail above. The decision regarding the butchery was taken on 16th April, 1960, when administrative approval was accorded to the project and the further developments have been indicated above. As regards the Government decision of 16th July 1966 in pursuance of Defence Minister's order, the same has been expeditiously implemented and only a small area now remains to be released."

1.125. The Committee are not able to appreciate why an overall review of the land position in Bombay was not undertaken earlier than 1966. The Committee suggest that Government should carry out without delay an over-all review of the land position for Defence purposes in other big cities like Calcutta, Madras, Delhi, Kanpur, Hyderabad and Bangalore so that Government have a clear picture of the land available vis-à-vis the requirements. The Committee also feel that there should be greater co-ordination between the three Services and the QMG's Branch which looks after the land requirements of the Defence Services. Similarly, there should be greater co-ordination between the Defence Services and other Union Ministries/Departments, particularly the Ministry of Works, Housing & Supply, so that the over-all requirements of Government are fully taken into account before re-requisitioning land. The Committee need hardly point out that consultations between the various wings of the Armed Forces and Government Departments should be carried out in a business-like and expeditious manner so that decisions can be reached promptly.

1.126. The Committee would also like to stress on Government the need for exercising every care to see that land is requisitioned/ acquired only after the most careful consideration of requirements so that it does not remain unutilised for long periods after requisition.

II

AIR FORCE

Incorrect assessment of requirement of aircraft spares—Para 11—pages 15—17.

(a) Due to difficulties anticipated in importing a spare part of certain aircraft from time to time, it was decided to manufacture the life-of-type requirement indigenously.

2.2. In November, 1962, Air Headquarters assessed the life-of-type requirement at 4378 numbers. The Department of Defence Production entered into the necessary licence agreements with foreign manufacturers in May, 1964, for manufacture of this quantity.

2.3. While the Department of Defence Production were negotiating licence agreements with the foreign manufacturers, Air Headquarters re-examined their re-equipment plan. In July, 1964, it was finally decided that the aircraft should be phased out of service earlier than previously envisaged, which reduced the life-of-type requirement of the part. Further examination, conducted on receipt of an enquiry from the Department of Defence Production in August, 1964, disclosed that the requirement will be still less due mainly to the following:—

- (i) the life-of-type requirement worked out in November, 1963, was based on the mean flying effort and manufacturer's recommendations regarding frequency of replacement of the part. Actually, however, there was persistent short-fall in the flying effort (due to delay in placement of orders for other spares), wastage being less than that envisaged in the manufacturer's recommendations; and
- (ii) certain repairable stocks, which were available, had not been fully taken into account while working out the life-of-type requirement.

2.4. In December, 1964, Air Headquarters worked out the revised life-of-type requirement of the part at only 328. This quantity being very small, it was considered uneconomical to manufacture the part in India. The licence agreements were, therefore,

fore-closed in January, 1965, on payment of Rs. 1.52 lakhs (post devaluation) to licensor firm as compensation.

2.5. During evidence, the Secretary, Ministry of Defence giving the background of the case, stated that the first assessment of the requirements was made in November, 1963. On the basis of that assessment, the Department of Defence Production went ahead with the planning for indigenous production and entered into an agreement with a foreign firm in May, 1964 for the manufacture of life-of-type requirement. The witness added that in the meantime, the Defence Plan was being revised and on that account the 'life-of-type' was curtailed and the provisioning was based on 24 months requirements.

2.6. Asked whether the Department of Defence Production was not aware of the decision, taken in July, 1964, to phase out the aircraft from service earlier than previously planned, the witness replied that the change in the plan was not known to them and the decline in requirement was consequential to the revision of the plan and the basis on which provisioning was to be done.

2.7. When asked whether the decision in July, 1964 was taken suddenly and that there was no co-ordination and no communication between Air Headquarters and the Department of Defence Production, the witness replied "the difficulty was that until the plan was finalised, Air Headquarters could not have intimated any change in the assessment." The plan was finalised towards the end of May and after that, the matters were being discussed with the foreign authorities in regard to the aids; "the implications of the plan could not then be assessed either by Air Headquarters or by the Department of Defence Production."

2.8. In response to a question, it was stated that the discussion to phase out the aircraft first originated in February or March, 1964. Asked in that case Air Headquarters could have known that there was a possibility of reduction in the requirement and they should have postponed the agreement which was signed in May, 1964, the Secretary, Ministry of Defence stated "I agree; perhaps an earlier indication of the provision could have been given. But Air Headquarters naturally did not wish to take the risk of intimation of the reduction. Assuming that the plan was not approved in the manner in which it was discussed, then they would have to remodify. There was a position of uncertainty and suspense at that time." The witness further stated that it was very difficult to anticipate the final shape of the Plan and perhaps if a word of

caution had been given, the Department of Defence Production would themselves have taken a little more time. The witness admitted that "the matter could have been better assessed between Air Headquarters and the Ministry of Defence Production" and that "there was lack of co-ordination in this particular case"

2.9. Asked when the department knew that the aircraft were not being flown for the required number of hours, and why this fact was not taken into consideration while assessing the requirement of spares, the witness replied that the question of difference between the authorised hours of flying and actual hours of flying had been a thorny one. The assessment was based on the assumption that the spares would be available according to the requirements and not that it would not be available throughout.

2.10. Explaining further, the witness stated that monthly flying effort adopted for computing requirement for one type of the engines was 15 hours and for another type 16.5 hours. The total flying effort for the life-of-type for the two types of engines were 1,07,150 hours and 1,44,784 respectively and the requirements were assessed for the balance of flying efforts—34,452 hours and 40,365 hours. But in December, 1964 the monthly flying effort of the aircraft was accepted as 10 hours based on actual experience. Consequently there was reduction in the total hours to be run and the balance of flying effort.

2.11. The witness also stated that the percentage of actual flying hours to authorised hours had been varying from year to year. In 1964-65, higher figures were taken into account because of events that had supervened in 1962. He however, added that "keeping in view the spares that were likely to be made available on the basis of provisioning, I think, they were entitled to take a more optimistic attitude than what was strictly justifiable."

2.12. The Committee had asked for certain additional information from the Ministry. The information furnished by them is at Appendix IV. From that the Committee note that during the years 1961 to 1964 the flying hours assumed for calculating the requirements of spares of these two types of air-craft were 15.0 and 16.5

respectively. As against this, the average monthly utilisation of the two types of air-craft, was as under:—

Year	Type—A	Type—B
1961	6.9 Flying hours.	10.1 Flying hours.
1962	8.8 Do.	9.6 Do.
1963	7.1 Do.	9.5 Do.
1964	6.9 Do.	9.3 Do.

2.13 It has also been stated in the Ministry's note that till 1964 provisioning of spares had been related generally to the authorised rates of utilisation for different aircraft and only thereafter a different method for calculating the spares was worked out which *inter alia* also took into consideration the actual flying effort and the plans to phase out older types of aircraft. The Ministry's note also states, "It is difficult to claim that incorrect assessment of requirements of spares could be eliminated altogether but the measures mentioned in the note and the internal correctives applied from time to time should help in reducing the instances of such incorrect assessment."

2.14. The Committee regret to note that in this case there was incorrect assessment of requirements of aircraft spares mainly due to the fact that (i) the life-of-type requirements were worked out on the basis of mean flying effort and not on the average of actual flying effort; (ii) repairable stocks were not taken into consideration. What is more distressing is the fact that, even when the discussion to phase out the air-craft first originated in February-March, 1964, no indication was given by Air Headquarters to the Department of Defence Production of the possibility of a reduction in the requirements of these spares so that it could be kept in view when the Department of Defence Production entered into an agreement with foreign manufacturers in May, 1964. There was lack of coordination between Air Headquarters and the Department of Defence Production and this, the Committee feel, resulted in an avoidable expenditure of Rs. 1.52 lakhs.

2.15. The Committee find from the note furnished by the Ministry of Defence that a number of steps have now been taken to avoid over-provisioning of spares. They hope that the system of provisioning of spares in the Air-Force will be kept under constant review

and correctives applied, where necessary, so that cases of this type do not recur.

Para 11 (b).

2.16. On the basis of an indent received from Air Headquarters, India Supply Mission, London, entered into a contract in December, 1963, for supply of 184 numbers of a spare part of a certain type of aircraft.

2.17. The quantity 134 had been worked out by an Air Force depot in January, 1963, on the basis of cent per cent replacement, although.

- (i) in July, 1961, the repair agency (Hindustan Aeronautics Limited) had assessed the requirement, in consultation with the manufacturers of the aircraft at only 12 per cent; and
- (ii) till December, 1962, it had not been found necessary to replace the part in any of the 19 aircraft repaired.

2.18. Air Headquarters also failed to make a technical verification of the requirements before placing the indent in March, 1963. Incidentally, the estimated unit cost indicated in the indent was Rs. 150 as against Rs. 4,883 at which the contract was eventually placed.

2.19. It was only in September, 1964, that Air Headquarters noticed that the Hindustan Aeronautics, Ltd., had not found it necessary to replace the part in any of the aircraft repaired. On being consulted, Hindustan Aeronautics, Ltd., advised in October, 1964, that their revised recommendations were 20 for 100 aircraft to be repaired; in April, 1965, they cut down the requirement further to 6 numbers only, as they had "not come across any rejection" of the part in the aircraft "so far repaired".

2.20. It was finally decided to obtain only 6 numbers to meet the life-of-type requirements; accordingly, in May, 1965, the Air Headquarters requested the India Supply Mission to cancel the order for the remaining 128. The manufacturers agreed to the cancellation, but on payment of a compensation of Rs. 1 lakh as the production was in an advanced stage.

2.21. In November, 1966, after Audit had drawn the attention of Government to the matter, Air Headquarters set up a Court of Inquiry. The Court of Inquiry found that an officer and an airman

in the depot which submitted the indent had not exercised due care in working out the requirements. The officer has been conveyed the severe displeasure of the Chief of Air Staff; the airman had already left service.

2.22. During evidence the Committee enquired how the requirement of 134 spares, initially estimated, had finally come down to 6. The Defence Secretary replied, "Actually this was due to an error on the part of the Air Force Depot, (Hindustan Aeronautics Ltd.). He added that a court of Inquiry was set up which held Squadron Leader and a Sergeant responsible for the lapse. The Squadron Leader had been served with severe displeasure of the Chief of the Air Staff.

2.23. In reply to a further query it was stated by the Defence Secretary that "there was some mistake in assessing the information given by H.A.L. What had happened was that H.A.L. had given their assessment as 6 for 50 whereas when they transmitted information to Air Headquarters it was 1 for 1." He also stated that Air Headquarters did not scrutinise the requirement properly, which was their duty to do.

2.24. Asked whether no inquiry was made in this regard, the witness stated that the person who handled the case left service on 16th September, 1963.

2.25. The Committee enquired how it was that inquiry in the case was held in November, 1966, after the Audit had pointed out the lapse. The witness stated that, "the fact of the matter was that this was never taken cognisance of earlier than the Audit Report." The witness further added that it had already been pointed out to Air Headquarters that "there must be some tightening up of the procedure for scrutiny," and that efforts were being made to streamline the machinery.

2.26. In response to Committee's written query "why it was not considered necessary to hold Court of Inquiry into this case before Audit pointed out the loss suffered by Government," the Ministry have stated as under:—

"The point raised by the P.A.C. has been examined in consultation with Air Headquarters. It appears that adequate consideration had not been given earlier to determine the responsibility for the lapses committed in this case, prior to the receipt of the draft Audit Para i.e. October, 1966. Soon after its receipt, a Court of Inquiry was

ordered (18th November, 1966) by Air Headquarters for investigation into the disciplinary aspect of the case. It may, however, be stated that the lapse which led to over-provisioning in this case was detected by Air Headquarters as early as September, 1964 and efforts have been made soon after to reduce the incidence by cancellation of the earlier order . . ."

2.27. In response to the Committee's query the witness stated that a Committee headed by Air Marshal P. C. Lal was appointed to go into the question of provisioning the spare parts for aircraft. Recommendations of that Committee, the witness stated, were in the process of implementation. The witness, however, admitted that approach to the matter in Air Headquarters was even today not quite on the lines on which it should have been.

2.28. The Defence Secretary further stated, "I myself have had a very close look into it and, in consultation with Air Headquarters and I.A.C., we are evolving a system which would be an adaptation of the commercial system, taking into account two things. First, Air Headquarters had to provide for certain contingencies for which commercial airliners do not provide. Secondly, Air Headquarters have a multiplicity of types, some of which are not in current production." Even the components required for them were difficult to be procured. The witness also added that unfortunately it was due to our dependence on foreign markets, where the particular aircraft had also gone out of use.

2.29. Explaining the procedure followed at present for the provisioning of spares, the witness stated that due allowance was not made in the estimates for actual experience of operations in India. He added that the behaviour of an aircraft was different in temperate and tropical climates for various reasons. He disclosed that 'the system that we are devising now would take into account not so much the recommendations on a theoretical basis but more on the basis of practical experience.'

2.30. In response to a query, the representative of Air Headquarters said that in 1963 when the life-of-type requirements were worked out they came to about Rs. 22 crores. But due to foreign exchange difficulties, the requirement was drastically cut down and brought down to Rs. 8 crores—the amount of foreign exchange available. The witness also disclosed that nearly 2,000 items were still outstanding against orders placed in 1963. He added that Air

Headquarters were still short of certain items due to that cut in requirements.

2.31. The Defence Secretary, explaining the availability of foreign exchange further, stated that the Ministry of Defence had been representing to the Ministry of Finance from time to time whenever foreign exchange budget was allocated. But the Defence Ministry were restricted to a foreign exchange ceiling due to its shortage. The Defence Secretary had an authority to spend up to Rs. 8 lakhs in any one case, which was considered, by and large, enough to meet urgent requirements. The witness revealed that the powers had also in turn been delegated to Air Headquarters and in critical cases they could place orders on their own.

2.32. In spite of this arrangement, the witness stated that the items ordered from abroad were not received in time from the manufacturers particularly in the case of spares required for aircraft, as it took time to locate the source of supply.

2.33. The Committee are constrained to note that this is yet another case (see also para. 2.14) where an incorrect assessment of the requirements of aircraft spares was made and this resulted in an avoidable expenditure of Rs. 1,00,000. If Air Headquarters had scrutinised the indent properly, this infructuous expenditure could have been avoided.

2.34. It is also disquieting to note that, even though the lapse which led to the over-provisioning was detected by Air Headquarters in September, 1964, a Court of Enquiry was ordered only in November, 1966, after Audit had drawn the attention of Government to the matter. The Committee feel that the Court of Enquiry should have been set up immediately the lapse was detected.

2.35. As regards the general procedure of provisioning for spares for aircraft, the Committee are left with the impression that the procedure for the scrutiny of indents at Air Headquarters requires to be tightened. The Committee hope that the Ministry of Defence will take suitable measures to streamline the procedure prevalent in this respect at Air Headquarters.

2.36. The Committee also stress that, in the estimates of provisioning of spares, due allowance should be given to the actual experience of operations in India as that would indicate the behaviour of the aircraft under Indian conditions and the necessity of replacement of

different parts. The Committee hope that the Ministry of Defence would be able to evolve a system for the provisioning of spares which will be an adaptation of the commercial system taking into consideration the special requirements of the Air Force.

Aircraft accidents in January-June 1966, para 17, page 23.

2.37. During the half year January-June, 1966, the Air Force aircraft were involved in a certain number of accidents. 88 per cent of the accidents occurred while the aircraft were in operational or training flight; the remaining 12 per cent occurred while the aircraft were on ground.

2.38. As required by the rules, each accident was investigated by a Court of Inquiry. The Court of Inquiry proceedings have been completed in all the cases.

2.39. In 6 per cent of the cases, the aircraft were damaged beyond economical repairs; in a little less than half of these, one or more members of the crew lost their lives. These accidents involved a loss of about Rs. 84 lakhs.

2.40. The remaining 94 per cent of the accidents were relatively minor. The cost of damage had been assessed in 77 per cent of these cases and this amounted to Rs. 12 lakhs in all; in 17 per cent of the cases the damage was to be assessed by the repair agency.

2.41. Only 8 per cent of the accidents (1 per cent serious and 7 per cent others) were found to be due to neglect or culpable default; disciplinary action has been or is being taken against the persons concerned. Of the remaining 92 per cent of the accidents, 80 per cent were attributed to bird hits, technical failure/malfunctioning, tyre bursts, weather, etc., which are stated to be usually unavoidable, and 12 per cent to inexperience/error of judgment of the crew.

2.42. The Ministry stated in March, 1967, that accidents are inherent in an operational service like the Air Force but every possible endeavour is being made to minimise the accidents. In connection with the latter, it has been stated that recommendations of the Indian Air Force Accidents Committee (April—November, 1964), which examined the adequacy of regulations for flying safety, clearing of aircraft as fit for flying and standards of training pilots, have been accepted and that necessary action is in hand to implement the same.

2.43. The Committee were informed during evidence that out of the air accidents that took place during January-June, 1966, 88 per cent were in operational or training flights. The Defence Secretary promised to furnish a statement indicating the action taken on recommendations made by the Indian Air Force Accident Committee in 1964.

2.44. The statement has been furnished by the Ministry. The Ministry have also furnished the following figures in regard to the number of accidents in operational flights, loss of men etc.

Year	Accidents in operational flights	Lives lost	Estimated loss (Rs. in lakhs)
January to June 1965	34	15	27.62
January to June 1966	31	8	23.68
January to June 1967	45	20	76.92

2.45. The Committee are pained to note that during the half year ending June, 1967 the number of accidents has increased along with the loss of human life and equipment. Every effort, the Committee feel, should be made to reduce the frequency of accidents. The Committee hope that, with the implementation of the recommendations made by the Indian Air Force Accidents Committee, it will be possible to reduce the number of accidents. The Committee also suggest that an analysis of the reasons for accidents in operational and non-operational flights should periodically be made with a view to taking timely corrective measures.

Loss of an Air Force plane by fire due to neglect or default, para 18—page 24.

2.46. An aircraft costing Rs. 70 lakhs was destroyed by fire while on the ground in February, 1964.

2.47. The fire occurred during the process of charging oxygen in portable bottles in the aircraft as part of daily maintenance and servicing. It was accentuated by the flow of oxygen under pressure, as the valve was left open; the resultant flame spread rapidly to the other portable bottles in the accompanying compartment which further accentuated the fire and consequently destroyed the aircraft. A Court of Inquiry found that the two ground crews who were charging the portable oxygen bottles were blameworthy and recommended disciplinary action against them. The Court also

found that personnel detailed for crash tender duties were not fully conversant with their duties and recommended that they be given adequate training.

2.48. The Ministry have stated in March, 1967, that disciplinary action against the airmen held to blame is in progress and instructions have since been issued to ensure that personnel manning the crash tender are thoroughly conversant with their duties.

2.49. The possibility of restoring the aircraft back to service is being examined in consultation with the manufacturers; the question of regularisation of the loss has been kept pending till a decision is arrived at to put back the aircraft in service or not.

2.50. At the time of evidence, the Committee referring to the findings of the Court of Inquiry, enquired, how inexperienced men came to be employed on such vital jobs. The Defence Secretary replied that there was shortage of trained personnel and the accident was due to that reason. He also added that the persons employed were trained ones, but they were not sufficiently experienced. The witness stated that there was shortage of technicians not only in Air Force, but in other branches of the Defence Services. He added, "The training facilities were also not upto the requirement for sometime because of the expansion of both Air Force and Army in recent years." The training facilities had, however, been increased and were being brought in line with requirement.

2.51. Pointing out the finding of the Inquiry Committee that 'the personnel detailed for crash fire fighting tenders were not conversant with the duty' and that they be given adequate training, the Committee asked why such persons were detailed for that job. The Defence Secretary stated that "the trained fire-fighting personnel are quite short of requirement" not only in Air Force but in Civil Aviation as well. He added that efforts were being made to improve upon the fire-fighting arrangements. The availability of crash fire-tender was not upto the mark. Only recently it had been possible to make up the deficiency and there was shortage of only 2 crash fire-tenders at present. The crash fire-tenders were not available in India and had, therefore, to be imported. But the import was subjected to foreign exchange restrictions.

2.52. Replying to a query, the representative of Air Headquarters stated that the safety regulations followed in this country had been adopted from what other countries followed and were also improved from time to time on the basis of experience. He also stated that there was no difficulty about foreign exchange re-

quired for the safety equipment, as in most of the urgent cases it was sanctioned when required.

2.53. A representative of Air Headquarters explaining further stated that in this particular case, the oxygen was set aflame because of the presence of a very small amount of grease in the area. Asked if it would not be better if a technician did his grease duties and oxygen duties separately, the witness stated, "The fact is that instructions are in force that grease should not come in contact with liquid oxygen." He added that this was a solitary instance where accident had taken place.

2.54 In reply to another query, the representative of Air Headquarters stated that initially the aircraft was categorised as involving uneconomical repairs; subsequently it was felt that, as such aircraft was not available abroad the repairs should be undertaken even though they are uneconomical. A list of spares required had now been drawn up and sent to the manufacturers. The witness, however, stated that there were certain difficulties in obtaining the spares. He added that a reply was being awaited from the manufacturers and on receipt of information from them further move in the matter would be made.

2.55. In response to Committee's written query in regard to the total requirements of Air Force for trained personnel for fire fighting, the actual number of persons employed and when the deficiency was likely to be made up, the Ministry have stated that "the approved cadre strength of Airfield Safety Operators (which includes trained personnel for crash fire-fighting) is 1606. In February, 1964, when the accident in question took place, the total sanctioned establishment in the Air Force for this trade was 1,298 and the actual men in position were 760. During 1967, the actual strength has, for the first time, exceeded the sanctioned establishment. The cadre requirements are expected to be completed by July, 1969."

2.56. The Committee are distressed to note that an aircraft costing Rs. 70 lakhs was destroyed by fire. The Committee view with concern the fact that the personnel detailed for the maintenance and servicing of the aircraft were not sufficiently experienced and that this was one of the contributory causes of the fire. The Committee hope that, with the increase in the activities of the Air Force, greater attention will be paid to recruiting, training and giving sufficient experience to the men before they are asked to handle independently such important and delicate jobs.

2.57. The Committee desire that fire fighting arrangements at the Air Fields should be improved by providing an adequate number of crash fire tenders and by giving adequate training to the personnel handling the crash fire tenders.

*Damage to aero-engines due to improper storage, etc., Para 20—
Pages 25-26.*

2.58. One helicopter engine costing Rs. 1.08 lakhs was rendered completely unserviceable, and two air plane engines costing Rs. 2.19 lakhs were considerably damaged, due to improper storage, etc. Details are given below:—

(a) *Helicopter engine*

2.59. A new helicopter engine costing about Rs. 1.08 lakhs, allotted to a helicopter unit in May, 1961, as a "reserve", was stored in a hangar without proper protective cover and remained unused and unattended till June, 1964, though it had been given storage treatment effective up to only January, 1963.

2.60. The unit left the engine at the original station 'A' when it moved to another station 'B' in June, 1962, for want of bay facilities at the new location; the engine continued to remain at station 'A' even after the unit moved to a different station 'C' towards the end of 1963. In all the engine lay unattended in a hangar at station 'A' for over two years till the hangar was required to be cleared in early 1964. In June, 1964, the engine was despatched to station 'D' which provided second line servicing facilities to the unit.

2.61. On receipt at station 'D', the engine was found to be damaged and also deficient of a number of parts. A Court of Inquiry, convened one year later in June, 1965, found that the engine had sustained external damage while it lay unattended at station 'A' and also during transit; the extent of internal damage due to long storage could not, however, be assessed as it needed strip examination of the engine. Further, it had also been cannibalised of a number of items while it was held in storage. The engine was, therefore, found unfit for installation on a helicopter. No individual was, however, held responsibility by the Court.

2.62. The manufacturer's representatives, who inspected the engine later in September, 1965, stated that it would be inadvisable to send the engine abroad for repairs as it was beyond economical repairs due to excessive corrosion.

2.63. Another Court of Inquiry has been convened in September, 1966, at station 'A' by Air Headquarters to assess the cost of damage to the engine and to fix responsibility for the loss. The findings of this Court are awaited (February 1967).

2.64. The representative of Air Headquarters explaining the background of the case stated during evidence that the engine was given to a unit as a 'reserve' and was kept by the unit in storage. The unit had for certain reasons moved to another station, and as there were no storing facilities at that station, they did not carry the engine with them. As the unit moved further on, it was decided to move the engine back to the parent base, where on arrival, it was found that the plastic cocooning had been opened by unauthorised persons. A court of inquiry was, therefore, appointed, which did not blame anyone and said that it had been done by some unknown persons.

2.65. The witness further stated that there had been three courts of inquiry in that case. But as enough detailed analysis of the problem had not been found to have been done, a fourth court of inquiry had been ordered. That inquiry was still in session.

2.66. Asked why successive courts of inquiry had been constituted, the Defence Secretary replied "First court of inquiry proceedings were sent to the Western Air Command and from them to Air Headquarters. It was found in Air Headquarters that findings of the first court were inadequate and incomplete in many respects. Second court of inquiry was ordered by Air Headquarters. The proceedings indicated that Air Headquarters wanted a reconvening of the first court of inquiry with list of points on which further investigation was required. Obviously there were some incomplete enquiries by different boards of inquiry in this case."

2.67. The Committee pointed out that "in the case of helicopter engine, the preservation treatment was effective upto January 1963, while it lay unattended till June, 1964," and enquired why no attempt was made prior to the date of expiry to go into the matter. Even if the unit was moving from place to place, it should have known that the treatment was effective only upto January, 1963. The Secretary, Ministry of Defence stated "It is a valid point, but this point....., would have to be gone into by the Court of Enquiry". The witness further stated that there were instructions to look into these things. He also informed the Committee that the warranty period in this case was one year or 200 flying hours, but

if the damage was caused due to mishandling in transit, then it was the responsibility of the shippers and not of manufacturers.

2.68. The Committee pointed out that the Court of Enquiry had found that the engine had been cannibalised of a number of parts and enquired if this was done under orders of any competent authority. The representative of Air Headquarters stated that cannibalisation was authorised by Command Headquarters, but in this case whether this was done or not, required checking.

2.69. As regards cannibalisation of a number of parts of the engine and whether the same was done under the orders of the competent authority, the Committee have subsequently been informed in a written note that "the matter is under investigation by the Court of Inquiry which is in progress. It will be possible to supply the exact information only after the finalisation of the Court of Inquiry proceedings which is likely to take some more time." The Committee have also been informed that a fresh Court of Inquiry was ordered by the Air Headquarters in June, 1967 and that this Court of Inquiry was in progress.

2.70. The Committee are unhappy to note that a helicopter engine costing Rs. 1.08 lakhs was rendered completely unserviceable due to improper storage. Even when the engine was given storage treatment effective upto January 1963, no action appears to have been taken till June 1964 to check its condition and the engine lay unused and unattended. The Committee feel that the unit in question should have made adequate arrangements for the proper custody of this engine when it was moving from one station to another.

2.71. The Committee note that a fresh Court of Inquiry was ordered in this case by Air Headquarters in June 1967. The Committee have no doubt that, based on the findings of this Court of Inquiry, adequate action will be taken against the persons responsible for this loss. The Committee would like to be informed of the findings of the Court of Inquiry and the action taken in this case.

2.72. The Committee desire that the Ministry of Defence should issue suitable instructions, if none exist at present, that units while moving from one station to another should make adequate arrangements for the proper custody of the costly equipment lying with them so that cases of this type do not recur.

(b) *Air plane engines—para 20—Page 26.*

2.73. Two spare aero-engines valued at about Rs. 2.19 lakhs were got overhauled from the manufacturers abroad in March, 1961, at

a cost of Rs. 0.62 lakh (including transportation); the overhauled engines were warranted to have the second life of not less than 75 per cent of life of the new engines.

2.74. On receipt back in December, 1961, the cases were allowed to lie in the open exposed to rain due, it has been explained, to shortage of covered space in the unit. The cases were opened in June, 1963. (18 months after receipt by the unit and 3 months after expiry of the period for which the engines had been given storage treatment) when the engines were found to be corroded due to ingress of fresh water; they had, therefore, to be downgraded from 'Serviceable' category to 'Republic' category.

2.75. The full extent of damage would be known only when the engines are examined after strapping, at the time of repairs, for which facilities are yet to be established in the country. In the meantime, the corroded engines are lying unrepaired—5 years after receipt.

2.76. A Court of Inquiry was held in June, 1963, to April 1964, but the proceedings were received in Air Headquarters only in January, 1965. Air Headquarters found that the inquiry was "not complete and it has been carried out in a very haphazard manner"; a further enquiry was held only in March, 1966—14 months after receipt of the proceedings of the first inquiry. The Court held that no one was to be blamed for the damage and its findings have been approved.

2.76. The representative of Air Headquarters admitted that the aero engines mentioned in the audit para, had been kept in the open, but, he added, in normal conditions they could not be damaged. They were cocooned in metal or wooden cases with metal lining. The cases were also protected by tarpaulines and they could not be damaged by air or rain. The witness added that externally the cases showed no signs of damage but on opening, it was found that the inner metal lining had cracked. From that crack the moisture had got into the case and damaged the engine.

2.77. In response to a query, the witness stated that instructions had been issued that every case should be subject to internal and external check. The Defence Secretary stated that at the time when this case happened instructions were that these engines when they came back in proper casing could be left untouched for a period of two years'.

2.78. The Secretary, Ministry of Defence, further stated "As a result of the experience in this case, we have issued instructions

that when engines come here in Indian conditions they should now be inspected in six months time." The Committee pointed out that in this case inspection was done 18 months after the receipt and 3 months after the expiry of the period, for which the engines had been given storage treatment and enquired if the outer cover was intact when the engines were received after overhaul. The Secretary, Ministry of Defence stated, "In this case the finding of the court was that damage occurred due to percolation of fresh water through the crack. If the crack had been there at the time of loading then it might have been sea water and not fresh water." Asked as to why there was delay in finalising this case, the Secretary, Ministry of Defence stated, "There was delay. The engines were opened in the middle of 1963. When it was found that the engines had been corroded, the Court of Inquiry assembled on 27th June, 1963. The proceedings were submitted on 10.7.1963. The final statement was made on 2.4.1964 after the Court had cleared a number of clarifications asked by Chief Technical Officer." Asked on what basis the first Enquiry was considered to have been conducted in a haphazard manner the witness stated "mainly the procedure was found unsatisfactory by Air Headquarters ..."

2.79. The representative of Air Headquarters was of the view that when the covering etc. was in order, damage to the engine might not be an act of individual. It might have been due to transportation or jolt or defect in the original manufacture. To the Committee's query that 'the impression is that there is a tendency on the part of Court of Inquiry to say that no human being at least in that organisation is responsible for any mistake,' the Defence Secretary replied: "I have already noticed this and I have brought it to the notice of Air Headquarters. In 3 or 4 cases, I have asked for further investigation." He further added: "I feel that, in Air Headquarters, the system of court of inquiry requires a little more attention."

2.80. Asked whether any improvements had been suggested in this regard, the witness replied: "I think what is required is that when the Court of Inquiry is constituted, the points of reference should be properly and adequately spelt out." He added that it was being done now.

2.81. The witness also informed the Committee that on the courts of inquiry there were mixed personnel and generally officers not connected with the cases were kept on them. After pointing out the dates of constituting, the different courts of inquiry, in this case, the Committee asked: "Is it the practice to appoint courts of inquiry years after the incidence." The Defence Secretary replied:

"Actually, the delay was due to the fact that before the Court of Inquiry could be properly constituted, Air Headquarters had asked the Headquarters, Western Command, for certain information on points connected with this engine."

2.82. Asked whether the lapse of time did not stand in the way of getting the evidence and proving the cases, the witness admitted that 'it is certainly a lapse' and added that it was due only to delay that the first Court of Inquiry could not hold any one responsible, as they could not get full material. He also added that the court of inquiry wanted clarification on some points which took them nearly a year to get.

2.83. When asked if the Ministry thought of issuing instructions for appointing the courts of inquiry in time, the witness stated that normally it was constituted fairly quickly. It was only rare that a case like this happened.

2.84. The Committee have also been informed by the Ministry of Defence that in the Air Force during the last 3 years Courts of Inquiry had to be constituted more than once in 10 cases.

2.85. The Committee are distressed to note that, due to defective storage conditions, two aero engines (value Rs. 2.19 lakhs) which were got over-hauled at a cost of Rs. 0.62 lakh got considerably damaged. It is strange that the cases containing the engines were opened in June, 1963, i.e., 18 months after the receipt by the unit and 3 months after the expiry of the period for which they had been given storage treatment. The Committee feel that, if the officers concerned had been a little more vigilant, this loss could have been avoided.

2.86. The Committee note that instructions have now been issued that when engines come in to Indian conditions, they should be inspected within six months' time. The Committee desire that, in addition to this, suitable instructions should be issued for proper storage under covered sheds of costly equipment like aero engines, so that they are not exposed to rain.

2.87. The Committee find that, in ten cases, Courts of Inquiry had to be reconstituted during the last three years and that in this case alone there were two Courts of Inquiry. The Committee feel that the system of constitution of Courts of Inquiry in Air Headquarters requires a little more attention. They agree with the Secretary, Ministry of Defence, that when a Court of Inquiry is constituted the points of reference should be properly and adequately spelt out. Further the Courts of Inquiry should be constituted in time so that their

serve a useful purpose. The Committee hope that suitable instructions will be issued by the Ministry of Defence in this regard.

Air Force repair and maintenance depot—Para 22(b)—Pages 28-29.

2.88. A jig and drill boring machine costing Rs. 5.80 lakhs, imported from abroad, was received at an Air Force Repair and Maintenance Depot in August, 1964. The machine was upto February 1967 lying in the original packing due to non-availability of the separate airconditioned accommodation required for it.

2.89. The depot worked out its requirements of civil works (including airconditioning) estimated to cost Rs. 2.51 lakhs, in July, 1964, only a few days before the machine was received; sanction was accorded in October, 1966, over 2 years later. The work is now expected to be completed in January, 1968, and the machine commissioned thereafter.

2.90. In November, 1964, the depot had stated that it did not have "full time utility" for this machine and that it may be allotted to any other defence organisation which had "enough load of work" for it. Air Headquarters have, however, stated in November, 1966 that the machine was required by the depot, and explained that "at present all ground equipment Mod kit parts fabricated in Repair and Maintenance Depot are being machined, drilled and bored without using drill jigs and fixtures that can ensure interchangeability. It is a standard engineering practice, for the sake of interchangeability, to use drilling plates fitted with hardened drill bushes and drilling fixtures where holes on two or more faces are required. In fact for all ground equipment and aircraft components production work, Repair and Maintenance Depot requires jigs and fixtures which can only be manufactured on this Jig Boring Machine. Since Repair and Maintenance Depot has so far not pointed out these lapses in the manufacturing processes, the utility of this machine has not been appreciated by them."

2.91. Under the terms of the contract, final 10 per cent payment was to be made after the supplier had erected the machine in the depot and handed it over in running condition. However, as the machine could not be erected for want of the separate air-conditioned accommodation required, the final (10 per cent) payment was made after "visual inspection". In October, 1966, Air Headquarters requested the Director General, Supplies and Disposals, to request the supplier to make available the services of an engineer at the time of installation and functional test of the machine; the firm's reply was awaited.

2.92. The Committee referred to the audit para and inquired if the discrepancies in the planning both as regards use of the machine and construction of the building and air conditioning be treated as normal deficiencies. The Secretary, Ministry of Defence, replied that he had noticed that and had asked Air Headquarters to investigate the matter in detail. They were going into it and their report was awaited. The Committee then inquired if it would lead to proper co-ordination in future, the witness stated: "This is precisely what I have indicated."

2.93. The Committee were also informed that according to the contract 90% payment was to be made after inspection and proof of despatch and balance 10% on the receipt of stores or alternatively 100% on inspection and receipt of stores by the consignee in good condition.

2.94. In reply to a query it was stated that the suppliers agreed to provide an engineer for the erection of the machine. It was also stated that it had wrongly been assessed earlier that the machine was not required, as the machine was actually needed and was being installed. In reply to another question, the representative of Air Headquarters stated that the packages had been opened and that there was no deficiency in it.

2.95. The Committee regret to note that, due to lack of co-ordination, a jig and drill boring machine costing Rs. 5.80 lakhs has not been put to use. The Committee feel that action for the provision of civil works (including air-conditioning) should have been taken immediately the order for the purchase of the machine was placed. The Committee hope that this lack of co-ordination regarding the undertaking of civil works and the acquisition of machinery will be investigated and suitable remedial measures will be taken.

Recovery of rent for Bulk Petrol installations—Para. 48—Page 66.

2.96. 30 bulk petrol tanks at an airfield owned by the Air Force were leased out to an oil company in October, 1962/January, 1963, to enable it to refuel Air Force planes.

2.97. No agreement laying down the terms of the lease was entered into with the company before the installation was handed over.

2.98. Bills for the rent of the installation were submitted to the company only in August, 1966, when the refuelling arrangement was terminated; payment of rent totalling Rs. 6.34 lakhs was awaited till

December 1966. The bills could not be issued earlier as it was only in May, 1966, that Government decided the agency (Air Force or the Military Engineer Services) which would be responsible for collection of rent.

2.99. Delay in the recovery of rent has resulted in an unintended financial benefit to the company; as measured by the interest charges (calculated at, say, 6 per cent per annum on the over-due amount of Rs. 6.34 lakhs), this would work out to Rs. 0.80 lakh approximately upto December, 1966.

2.100. The Committee referring to the audit para asked why Government took about four years to decide the agency which should collect the rent. The Defence Secretary stated, "This is an inter-services dispute which goes on sometimes, and I have really no justification or explanation for it."

2.101. He added that this dispute was going on between the two services, Air Headquarters and Engineer-in-Chief's branch till the end of December, 1965. The witness informed that the company had agreed to pay Rs. 3.24 lakhs on the basis of first assessment.

2.102. The Committee regret to note that, due to an inter-services dispute, it took a period of about 3½ years for the Government to decide about the agency which would be responsible for the collection of rent from the oil company. The Committee desire that suitable instructions should be issued to avoid such inter-services disputes. In case of doubt, a reference should be made to the Ministry of Defence, without loss of time, for suitable instructions. The Committee would also like to be informed of the recovery of dues from the oil company in question.

NEW DELHI;
February 13, 1968.
Magha 24, 1889 (Saka).

M. R. MASANI,
Chairman,
Public Accounts Committee.

APPENDIX I

(Vide para 1.75 of this Report)

MINISTRY OF DEFENCE/D(QS)

AUDIT REPORT, DEFENCE SERVICES, 1967

Pages 40-42—Para 29—Military Farms

A comprehensive note on the Military Farms including information on the following points:—

- (a) Percentage content of fat in buffalo milk obtaining in AAREY MILK SCHEME and other leading State Milk Schemes as compared to the practice obtaining in Military Dairy Farms;
- (b) Please state the economy achieved as a result of implementation of measures indicated in the Ministry of Defence note No. 10(12)/63/D(Budget) of 10 September, 1964 on S. No. 8 of Appendix VII to the 17th Report of P.A.C. (1963-64) (Third Lok Sabha);
- (c) Revision of rates for free and payment issues over the years since the Expert Accounting Committee submitted its Report in November, 1962;
- (d) Reasons for delay in implementation of the recommendations of the Report Accounting Committee;
- (e) Reasons for the increase in losses; and
- (f) It was stated during evidence by the representative of the Ministry of Defence that the losses would have been greater if milk had not been issued to entitled personnel. Please amplify.

Military Farms function as a quasi-commercial organisation. Their main functions are to provide a reliable and hygienic supply of dairy produce to the Defence Services and to provide fodder to the animals. The Military Farms maintain proforma Trading and Profit and Loss Accounts and Balance Sheet in accordance with the accepted concept of commercial system of accounts. During 1965-66, the organisation comprised of 25 main and three branch cattle holding farms, five dry and youngstock cattle farms, thirty-eight milk purchasing and processing depots and fourteen hay baling depots.

Trading Accounts—1965-66

2. Relevant Statistics pertaining to the trading and profit and loss accounts of military farms for the past seven years are given below to facilitate a proper appreciation of financial results:—

Year	Overall Profits/loss Rs. lakhs.
1959-60	(—) 0.89
1960-61	(—) 16.15
1961-62	(+) 12.99
1962-63	(+) 8.80
1963-64	(+) 43.11
1964-65	(—) 21.66
1965-66	(—) 77.37
1966-67 (Unaudited)	(+) 66.37

3. The deterioration in the finances of the Military Farms was arrested and the farms brought on profit during 1961-62. This was due *inter alia* to various measures taken including economy measures indicated in the Ministry of Defence note No. 10(12)/63/D (Budget), dated the 10th September, 1964, on S. No. 8 of Appendix VII of the 17th Report to the Public Accounts Committee (1963-64) (Third Lok Sabha), rationalisation of the feed scales for farm animals, introduction of cheap but nutritive local feeds to provide balanced food at less cost, and reduction in the procurement cost of gram and barley by purchasing the entire requirements during the harvesting season when prices are low.

4. The losses during 1964-65 and 1965-66 were due to increased expenditure under various heads as indicated in the Notes at pages 100 to 101 and 106 to 107 in the Appropriation Accounts of Defence Services and Commercial Appendix thereto for the years 1964-65 and 1965-66 respectively, without corresponding proportionate increase in the income/receipt. The increase in expenditure under the various main heads was due to reasons over which the military farms had no control.

Cost of Production of Milk during 1965-66 and its analysis.

5. During the year 1965-66, the cattle holding military farms produced a total quantity of 137.91 lakhs litres of raw whole buffalo milk and cow milk. This was the net production excluding the

quantity fed to the calves. The gross expenditure on milk production worked out to Rs. 254.87 lakhs, the production cost per litre being Rs. 1.85 as against the average purchase rate of 97 Paise per litre.

6. The bulk of raw milk produced at the military farms is buffalo milk of 7.2 per cent butter fat content and SNF content much higher than 8.5 per cent. The total quantity of milk produced in the military farms during 1965-66 was 143.65 lakh litres, including milk fed to calves and milk purchased 312.32 lakh litres. The butter fat content in buffalo milk purchased by the farms is about 6 to 6.5 per cent. Thus, the average cost of raw milk produced at the farms would require to be reduced proportionately before comparing it with the local purchase rates. The production cost of Rs. 1.81 (i.e. Rs. 1.85 less 4 Paise on account of pasteurisation) for raw buffalo milk is equivalent to Rs. 1.56 per litre of 6.2 per cent BF content milk. The SNF content of the farm produced cow and buffalo milk is much richer than in purchased milk. The butter fat content of purchased cow milk is about 3.7 to 4 per cent only whereas the average BF content of produced cow milk is 4.7 per cent.

7. Though the rate of 4 Paise per litre has been adopted as the cost of pasteurisation for the fixation of sale/free issue rates of milk, this is only a rough estimate of the cost of pasteurisation as mentioned in the Audit Para itself. The Military Farms Directorate estimate that the actual cost is about 6.5 Paise per litre with reference to the issues from the cattle holding farms. This calculation is based on the actual milk issues, bulk of which is in the form of blended milk. If the cost of pasteurisation is calculated *vis-a-vis* the milk purchased/produced, it will be substantially more than 4 Paise per litre and this will correspondingly reduce further the cost of production. However, w.e.f. 1-4-1966 under the new account system, the cost of pasteurisation is not included among the elements going into the calculation of the cost of production of raw milk.

8. It may also be pointed out that the gross expenditure of Rs. 254.87 lakhs on milk production during 1965-66 includes an amount of Rs. 19.27 lakhs on account of the write-down of the value of youngstock animals held in the capital inventory books of military farms as a result of the adoption of the new valuation and depreciation system of livestock w.e.f. 1st April, 1965 according to the recommendation of the Expert Accounting Committee. Since this amount of Rs. 19.27 lakhs does not represent any actual expenditure but merely an accounting liability for book adjustment due to the change over to the new system of valuation and depreciation,

it should be excluded for the purpose of arriving at the real production cost for comparison with the rate of local purchase. This works out to nearly 13 paise per litre and the production cost would then be even below Rs. 1.43 per litre.

9. Further, though the production cost of milk in military farms was Rs. 1.86 in 1964-65 and Rs. 1.85 in 1965-66, the average purchase price of milk during these two years was 83 paise and 97 paise, respectively. It will thus be seen that while the market price of milk increased by 14 paise per litre during 1965-66 as compared to the preceding year, the production cost in the military farms during the same period calculated in the same manner decreased by 1 paise. Thus the farms efficiency improved by 15 paise per litre.

Percentage content of fat in buffalo milk obtaining in AAREY MILK SCHEME and other leading State Milk Schemes as compared to the practice obtaining in Military Dairy Farms.

10. It is understood that the fat content in the AAREY MILK SCHEME's own production of buffalo milk is 7 per cent and over, while the fat content in the milk purchased by the scheme ranges between 6 and 7 per cent. Different rates are paid for the milk purchased by the AAREY MILK SCHEME as indicated below:—

A—Rs. 140.16 per hundred litres

- (i) January—June 7% BF.
- (ii) July—December 6.8% BF.

B—Rs. 128.16 per hundred litres

- (i) January—June 6.2 to 6.9% BF.
- (ii) July—December 6.5 to 6.7% BF.

C—Rs. 115.16 per hundred litres

- (i) January—June 6 to 6.4% BF.
- (ii) July—December 6 to 6.4% BF.

The butter fat content in buffalo milk purchased by the Delhi Milk Scheme ranges between 6.5 and 7.1 per cent. In the case of Ahmedabad and Baroda Milk Schemes the butter fat content is about 6.5 to 7.2 per cent and in the case of Anand it is about 6.5 to 7.5 per cent.

As already stated above the average butter fat content in raw buffalo milk produced in Military Farms is 7.2 per cent.

Reasons for high cost of production of milk at Military Farms

11. The main factors which tend to increase the production cost at Military Farms *vis-a-vis* the local market rates are briefly as under:--

- (a) High establishment cost due to the emoluments of farms staff being governed by the Central Government scales of pay and allowances and the service conditions of the farms labour being subject to the Minimum Wages and Labour Acts.
- (b) Stall feeding of animals in the absence of well developed pastures and paying high prices for concentrates.
- (c) High maintenance cost of animals under scientific and hygienic conditions in proper sheds with proper water arrangements and adequate veterinary cover.

12. It may not be realistic to compare the cost of production of milk at the Military Farms with the local market rates. In the private sector, organised dairies owning cattle are almost non-existent. Bulk of milk supply comes from petty gwalas and farmers holding individually a small number of cows and buffaloes. Dairying is a side line for an average farmer who owns a few milch animals for which no extra staff is employed by him. He maintains cattle under primitive conditions, uses very little concentrates to supplement the feeding of his cattle and has a large family to assist him. Thus, he is able to produce milk with very little expenditure. During the past two years, however, the local market rates of milk have been rising rapidly. The percentage of increase in production cost each year is much less than the increase in local purchase rates.

Measures adopted to bring down cost of production of milk

13. Prior to 1st April, 1966, the accounts of Military Farms were being maintained collectively for all sections of the farms *viz.*, cultivation, cattle yard, stackyard and dairy. The cost of production was a cumulative index of the combined efficiency of all the sections. Under the old system, it was difficult to analyse properly the working economics of each section separately. With the switch over to the new system of cost accounting with maintenance of separate accounts for each section with effect from 1st April, 1966, it will now be possible to analyse the production cost of milk in a scientific manner. With a view however to improve the operation effi-

ciency and working results of military farms, a number of measures have recently been taken. These include:—

- (a) It was observed that Military Farms were having animals which had low actual/potential milk yield and were, therefore, uneconomical to maintain with the rising cost of feed and keep. Orders were accordingly issued on 11th July, 1966 prescribing the minimum standard of economical animals. Cattle adjudged below standard are being culled out in three phases. Approximately, 8000 animals were estimated to be below the minimum standard. By 30th June, 1967, 2,529 adult animals and 2,090 Young stock and calves had already been culled and the process is on.
- (b) To improve the future stock, selective rearing and revised rearing standards have been introduced. Orders on the point have issued on 18th August, 1966.
- (c) In the interests of economy and better breeding, artificial insemination centres have been started vide orders dated 24th May, 1966. Three semen collecting and despatching centres have accordingly been already established at the Military Farms of Meerut, Kirkee and Jabalpur.
- (d) In areas where milk is available locally throughout the year, the losing farms have either been closed or converted into milk purchasing and processing depots. The following farms have accordingly been closed down/converted into milk purchasing Depots:—
 - (i) Delhi
 - (ii) Kasauli
 - (iii) Pachmarhi
 - (iv) Shahjahanpur
 - (v) Panagarh
 - (vi) Wellington
 - (vii) Kirkee

} Closed.

} Converted into milk purchasing depot.

To be converted into a Branch of MF Pimpri.
- (e) 32 categories of Class IV employees have been amalgamated in one category of farm hands so as to ensure full utilisation of their services on different jobs according to seasonal requirements. These orders were issued on 20th September, 1967 and will facilitate better utilisation of Class IV employees and greater economy.
- (f) Improvement in agriculture by provision of greater irrigation facilities, better seeds, etc.

14. The introduction of the new accounting procedure w.e.f. the 1st April, 1966 and the adoption of various economy measures have had an impact on the production cost of milk in military farms. According to the unaudited figures of annual accounts of military farms, the All India average production cost and purchase rate of whole milk in 1966-67 as compared with 1965-66 were as follows:—

	<i>Average production cost per litre</i>	<i>Average purchase rate per litre</i>
	Rs.	Rs.
(a) 1966-67 (Audited)	1.85	0.97
(b) 1966-67 (Unaudited)	1.11	1.00

If due credit is given for the fact that the farm produced milk is richer in fat content and SNF as compared to purchased milk, as indicated in para 6 above, the production cost for 1966-67 would work out to less than the average market price.

Action taken for revising the sale rate

15. The issues of milk to troops and hospitals against ration entitlement are termed as free issues. For the purpose of trading accounts, the free issues are treated as sales and priced at predetermined rates in the books of military farms for proforma adjustment. In addition to free issues of milk, the farms also supply milk, cream and butter to customers on cash payment. These entitled customers include Service Officers, Other Ranks and Civilian employees paid from the Defence Services Estimates and their families. When diary produce is surplus to the requirements of troops and hospitals as per scales and entitled customers, the same is sold to non-entitled customers.

16. The concessional rates for entitled categories of customers were introduced from the 1st February, 1957. Apart from encouraging the purchase of milk by entitled personnel, this concession was intended to serve as a welfare measure for the Defence personnel, and their families. When this decision was taken, it was considered that the losses on sale of milk at lower concessional rates would be neutralised to a considerable extent by the saving that would accrue by the utilisation of surplus milk during winter.

17. To implement the aforesaid decision, the payment customers of milk at the military farms were divided into the following three categories and separate rates prescribed for each category:—

(a) *Entitled customers under Category I*

Commissioned Officers/Civilian Gazetted Officers paid from Defence Services Estimates and their families and Officers' Messes.

(b) *Entitled customers under Category II*

Junior Commissioned Officers, Other Ranks, non-Gazetted Civilian employees paid from Defence Services Estimates, Farm Staff and their families, Nursing Sisters of Armed Forces Hospitals, unit run canteens, Junior Commissioned Officers, Other Ranks and Nursing Sisters' Messes.

(c) *Non entitled customers*

Customers other than entitled category.

18. The non-entitled customers were charged for cow and Standard milk at free issue rates applicable to troops and hospitals, with a surcharge of 64 paise per litre for buffaloes milk. The extent of concession in rates for entitled customers as compared to rates of free issue is indicated below:—

	<i>Less more than free issue rates</i>			
	<i>Cow Standard Milk</i>		<i>Buffalo milk</i>	
	<i>Summer</i>	<i>Winter</i>	<i>Summer</i>	<i>Winter</i>
<i>Entitled Category I</i>				
Commissioned Officers and Gazetted Officers paid from Defence Services Estimates and their families	6 to 8 paise less per litre.	20 to 24 paise less per litre.	6 to 8 paise more per litre.	6 to 8 paise less per litre.
<i>Entitled Category II</i>				
JCOs, other ranks and non-gazetted civilians paid from Defence Services Estimates and their families.	20 to 24 paise less per litre.	28 to 36 paise less per litre.	Same as free issue rate.	14 to 16 paise less per litre.

The Stations of India were divided into six distinct groups and separate sets of rates were prescribed for each.

Old procedure of fixing sale rates prior to Jan-Mar 1966.

19. As per Rule 423 Financial Regulations Part II, the sale rates of Dairy Produce were required to be fixed by the QMG with the concurrence of the Ministry of Finance (Defence) and revised from time to time as found necessary. Under the old system, the following factors were taken into account while fixing the sale rates:—

- (a) Financial results of the farm i.e. figures giving profit/loss sustained by the farms.
- (b) Production cost of milk.
- (c) Local market rate of milk.

20. The first revision of rates was initiated by the Director of Military Farms in September 1960 after obtaining the relevant data from the lower formations through the Controllers of Defence Accounts and after detailed discussion with the Ministry of Finance (Defence) the revised grouping of the various stations was published on 24th January, 1961. The rates for various groups were not changed but only the stations were rearranged under the various groups with a view to conforming to the latest financial position of the farms, and local market rates. The second review was carried out in 1962 and further regrouping of stations was promulgated on 11th September, 1962.

21. In pursuance to the recommendations of the PAC contained in their 17th Report (1963-64 S. No. 9 appendix VII) that the present system of pricing of milk was unrealistic and also in the light of the report submitted by the Expert Accounting Committee, proposals for revising the system of pricing of milk issues was submitted by the Director, Military Farms in December, 1963. Various issues connected with the method to be adopted for fixing the sale rates, the charges to be levied for pasteurisation and delivery, the concession in payment issues to be given to the entitled categories of personnel, etc. had to be discussed and sorted out in a series of meetings with the CGDA and the Ministry of Finance (Defence). Eventually it was decided to introduce a new decentralised system for fixing the rates for free issues and payment issues half-yearly for each station by a Station Board of Officers based purely on the local market rate for equivalent quality of milk plus an All India average rate of pasteurisation and delivery charges. The basis and method of calculation of rates with reference to the local market rates for equivalent quality of milk to be adopted were also got checked and approved by the Chief Cost Accounts Officer in the Ministry of Finance. These discussions and consultations with various authorities naturally took some time and it was, therefore, possible to issue final orders only on the 28th December, 1965 for introducing the new system.

22. Under the new system, the sale rates, both for free issues and payment issues are fixed by a Station Board of Officers, including the Local Audit Officer, after taking into account the local market rates. The other two factors previously prescribed namely the profitability of the farm and the production cost of milk were discarded. The free issues rates are derived from the local market rates for equivalent quality of milk by adding a flat rate of 14 paise per litre for pasteurisation and delivery charges. The payment issue rate for non-entitled customers is fixed by adding a surcharge of 10 paise per litre and for the entitled customers, by reducing the free issue rate by 5 paise for Category I personnel (Officers) and 10 paise for Category II personnel (JCOs, OR and non-Gazetted staff).

23. Each farm had to set up a Station Board of Officers for fixing the sale price under the new system and this process also took time as they had to associate a representative of the ASC, the local Audit Officer, and, where necessary, a suitable representative of the civil administration on the Board. The revised pricing policy was, therefore, introduced in the different farms from different rates during January to March, 1966. As a result of these orders, the payment issue rate increased at all the places, and the increase has been as high as 69% in some places.

24. It would, however, be pertinent to point out that even though there was no major revision of sale rates during 1963-64, 1964-65 and 1965-66, stations were shifted from lower rate group to higher rate group taking into account the milk rates and financial position of the military farms concerned. The comparative figures of weighted averages of free issue rates, payment issue rates and purchase rates during the financial years 1963-64, 1964-65 and 1965-66 are as under:—

	Free issue rate (Blended/ Standard/ cow/homo- genized milk)	Payment issue rate (Buff. cow/ standard milk)	Purchase rate raw (Buff. cow milk)
1963-64	89.1	76.4	73
1964-65	90.0	77.0	83
1965-66	92.7	83.3	97

Reasons for abnormal increase in losses on payment issues

25. The abnormal increase in losses on payment issues during 1965-66 was due to the fact that whereas the cost of purchased milk and produced milk showed marked increase due to rising spiral of prices, no corresponding general increase in the rates of payment issues was made while the market rate of milk increased from 83 paise to 97 paise per litre during 1965-66, the overall weighted payment issue rates increased from 77 paise to 83.3 paise. It will be appreciated that even within the orbit of the orders then in force, there must be some time lag between the rapid rise in market rates and the revision in payment rates to be made in accordance with the three factors mentioned in para 19 above. Had there been no abnormal increase in market rates during 1965-66, the difference between the market rates and payment issue rates would have been less. Since it had been decided to change the very basis of fixing payment issue rates, no general revision of payment issue rates was made but substantial increases by adjustment of farms in Zones were effected. The orders regarding revision of basis of fixing rates were issued on 28th December 1965. The new system of fixing sale/issue rates on the basis of local rates could not be introduced earlier than Jan.—March 1966 due to various matters which had to be sorted out first. The delay was unexpected and unforeseen as detailed consideration disclosed complexities requiring time to tackle the same.

Loss presumptive and not real

26. In recent years there had been an abnormal increase in the milk requirements of troops at all stations. Milk production in the cattle holding farms even during the flush winter months is inadequate to meet the requirements and the farm production has had to be supplemented by large purchases. The payment issues constituted only 8.54 per cent of the total quantity of milk issued by the farms in 1965-66. This resulted in corresponding increase in the quantity of milk purchased in order to meet the payment issues. The losses would not have been reduced by Rs. 28.45 lakhs during 1965-66 if no payment issues had been made. Details of payment issues of milk during 1964-65 and 1965-66 are given below:—

	1964-65 in lakh litres.	1965-66 In lakh litres.
Buffalo milk	12.81	19.33
Cow milk	22.49	27.18
Standard milk.	5.10	5.04
	<u>40.40</u>	<u>51.55</u>

27. The payment issues were only a small fraction of the total purchases during these two years. The bulk of the payment issues was in the form of cow milk. The deficiency caused by the issue of farm produced cow milk to payment customers was made up by purchases of buffalo milk from the market and issuing it after blending. The blended milk actually issued cost the military farms approximately 64 per cent of the purchase rate of buffalo milk. As such the losses on payment issues should appropriately be worked out only on the basis of the difference between the purchase rates plus other overheads on pasteurisation and delivery on the one hand and the payment issue rates on the other. On this basis the net loss on payment issues during the year 1965-66 has been worked out and a statement giving the details is attached. It will be seen therefrom that the real loss to military farms during 1965-66 as a result of making payment issues was only Rs. 10.36 lakhs and not Rs. 28.45 lakhs. This loss works out to 20 paise per litre and includes the element of pasteurisation and delivery charges worked out on the overall rate of 14 paise per litre. Even according to the orders in force prior to 28th December, 1965, the entitled payment issue customers were entitled to a reduction below the free issue rate ranging from 6 paise to 36 paise per litre depending upon the season the type of milk and the category of entitled customer. In accordance with the revised orders in force from 28th December, 1965, the reduction permissible is 10 paise per litre in respect of JCOs and below and 5 paise in the case of Officers as mentioned in para 22 above.

28. As mentioned above, the real loss to the military farms in respect of payment issues as worked out in the accompanying statement amounts to Rs. 10.36 lakhs. If no payment issues had been made, the loss to the military farms would have been reduced by this figure provided the element of delivery and pasteurising charge in payment issues is taken into account at the average rate of 14 paise per litre. Since delivery to the Units spread out in the Cantonments has to be made in any case, there would not be additional delivery cost in respect of payment customers located *en route*. If pasteurising and delivery charge are excluded, the loss would have been only 6 paise per litre i.e. approximately Rs. 4 lakhs.

ANNEXURE TO APPENDIX I

Statement showing the Real Loss involved in Payment Issues during 1965-66

Qty. of milk produced			Qty. of milk purchased			Average purchase rate		Total Quantity Issued					Payment issues of milk				Cost of milk issued on payment based on average purchase rate plus 14 paise per litre on account of pasteurisation & delivery charges	Total cost to the Military Farms on milk issued on payment	Total sale realisation	Revised net loss on payment issue	Loss on payment issues originally worked out and exhibited in the Annual Account			
Buff Lts.	Cows Lts.	Total Lts.	Buff Lts.	Cows Lts.	Total Lts.	Buff Rs.	Cow Rs.	Buff Lts.	Cows Lts.	Std. Lts.	Blended Lts.	Homogenised Lts.	Total Lts.	Buff Lts.	Cows Lts.	Std. Lts.						Total Lts.		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
872078	561571	1433649	2195088	957699	3122187	1.03	0.81	1932687	1361232	1017682	3355430	940455	6056666	195268	2718341	904048	5155076	1.17	0.95	0.97	5332594.30	4596692.69	1035993.61	*244006.58

*Subsequently amended to read Rs. 255986.97.

APPENDIX II

(Vide para 1.101 of this Report)

No. 61279/Q3W (Policy)

ARMY HEADQUARTERS

QUARTERMASTER GENERAL'S BRANCH

DHQ PO NEW DEDHI-11

9th August, 1967.

To
Headquarters
Southern Command
Eastern Command
Western Command
Central Command

} 15 copies.

SUBJECT:—*Planning and coordination of building programme.*

Instances have been brought to our notice of un-coordinated planning and execution of building projects. Some instances are as follows:

- (a) Constructions being sanctioned without ensuring availability of land in time for the projects.
- (b) Buildings being completed without external services and therefore remaining unutilised for a considerable period.
- (c) Changes in requirements being proposed after the project has been administratively approved.

The points requiring attention are given in the succeeding paragraphs.

2. (a) Normally approximate estimates for a project should be prepared only when land is actually made available or is irrevocably committed.

(b) Projects which entail acquisition of land should be sanctioned in phases. The first phase could include acquisition of land and site clearance. In such cases, a rough cost or an indication of cost, for the entire project would be submitted alongwith the approximate estimate for phase I. Approximate estimates for the remaining phase or phases would be initiated only after the notification under Section 8 of the Land Acquisition Act 1894 has been issued and objections by land owners have been cleared. Projects involv-

ing requisitioning a land may however be sanctioned in one phase where the Collector has indicated that there is no objection to such requisitioning and that the land will be made available.

Sanction of a project and Co-ordination of various items of it

3. (a) For expeditious completion of a project, all the items involved i.e. various sub-items under external services must be sanctioned alongwith the main project, and no item in respect of external services should be made 'provisional at the time of Administrative Approval. In case of large projects, Administrative Approval for services should be accorded as phase I of a project, as planning, contract action and execution of services takes considerable time. Contracts for various items of works should be so co-ordinated that the completion of water, supply sewerage and sewage disposal works, roads E/M service and furniture synchronise with the completion of the buildings.

(b) The time factor involved in the procurement of stores for external services needs to be fully considered and where necessary, action to procure stores and commence work on external services taken well in advance of the commencement of the building work.

Changes in requirements.

4. Instructions have been issued from time to time that Users requirements will be definitely settled before initiating a project. However, subsequent changes are sometimes necessitated due to the following:—

- (a) Revision of strengths, change in Government policy or locations of units.
- (b) Changes in requirements by the Users.

5. In case of (a) above, the Engineers will, where feasible, take immediate action to restrict the scope of the project. If these changes necessitate provision of additional accommodation items prior sanction of the CFA will be sought.

6. No changes other than those given in para 5 above will be permitted in any approved project without the prior approval of the CFA who sanctioned the project.

Sd./-

Quartermaster General.

Copy to:—

EinC's Branch (E2A)—20 copies.

DFA (W)—20 copies.

Q3W (East).

APPENDIX III

(Vide para 1.121 of this Report)

Further information desired by the Lok Sabha Secretariat in connection with para 47 on page 65 of the Audit Report Defence Services 1967 pertaining to derequisitioning of surplus land.

The Lok Sabha Secretariat has desired the following further information:—

(I) A comprehensive note on the history of the de-requisitioning of land in Greater Bombay, including information on the following points:—

- (a) who was responsible for not carrying out the orders of Government for derequisitioning the land, which were issued in 1948, 1959 and 1966;
- (b) has this case been thoroughly inquired into; and
- (c) if so, the findings of the inquiry and the follow up action taken thereon.

(II) A note on the policy and procedure of acquiring/requisitioning and derequisitioning of land by Defence Services.

I. Note regarding the history of the derequisitioning of the land in Greater Bombay mentioned in para 47 of the 1967, Defence Audit Report.

In May, 1944, land measuring 45 acres 14 gunthas and 4 annas was requisitioned for the Air Force in respect of the project known as "Flying Boat Base (now ME Lines Trombay)" at an annual compensation of Rs. 13,389. Ministry of Defence assets costing Rs. 8,02,022.00 were created on this land.

2. At its 42nd meeting held on 10th October, 1946 QMG's Inter-Service Committee for land and buildings declared the project as surplus and recommended its disposal on 11th April 1947, Air HQrs. submitted a draft Government letter to the Ministry of Defence sanctioning disposal of the Flying Boat Base, Trombay. On 6th August, 1947, Ministry of Defence informed Air HQrs. that the draft Government letter should not be issued till 15th August, 1947 and

asked them to reconsider the case and confirm that the project would remain surplus to the needs of the Indian Dominion even after 15th August, 1947. On 25th August, 1947, Air HQrs. confirmed that the project was surplus to the Air Force requirements. Again on 7th May, 1948, Ministry of Defence desired to know from Air HQrs. whether or not the project could be declared surplus to Defence Services requirements in the light of the revised requirements of Airfields. On 13th May 1948, Air HQrs. confirmed that the project was surplus to the Air Force requirements. In view of this, Government sanctioned disposal of the project *vide* letter No. AHQ/O1145/69/Ord/1/AF, dated the 3rd June, 1948.

3. A copy of the letter dated 3rd June, 1948, was forwarded to the DDLH&D HQrs. Southern Command, Poona, under Ministry of Defence (LH&D) letter No. 145/SC/LH&D/48, dated the 16th June 1948. DDLH&D HQ Southern Command, Poona forwarded the letter dated the 3rd June, 1948, to the DAD Bombay Area for necessary action under his letter No. SC/BOM/T-410/2, dated 22nd June, 1948. Almost simultaneously HQrs Southern Command forwarded a copy of the same letter dated 3rd June, 1948 to HQrs. Bombay Area with a copy to LH&D Bombay under their letter No. 71261/Q3 dated the 28th June, 1948.

4. On 15th August, 1948 DLH&D issued a reminder to DDLH&D HQrs. Southern Command, Poona under his letter No. 145/SC/LH&C/48, dated the 5th August, 1948. On 17th August 1948, DDLH&D issued a reminder to the LH&D Service Bombay *vide* his letter No. SC/BOM/T/410, dated the 17th August 1948.

5. DAD LH&D Bombay Area informed DDLH&D HQrs. Southern Command *vide* his letter No. BOM/1354/91, dated the 23rd August 1948, that the buildings in the subject project were occupied by an Army Unit and the same were therefore, not available for release at the time. DDLH&D HQ. Southern Command thereupon informed DLH&D *vide* his letter No. SC/BOM/T/410/7, dated the 26th August, 1948, that the buildings were occupied by an Army Unit and could not be released for the time being; Actually it appears that the area in question was being utilised for the accommodation of personnel of Ordnance Depot Sewri and by the Navy for Indian Naval Armament Depot.

6. On 16th September, 1948 DAD LH&D Bombay Area informed DDLH&D HQrs. Southern Command *vide* his letter No. BOM/1354/93, dated the 16th September 1948, that it had been ascertained from the local staff that the buildings of the subject project which were

at the time occupied by Ordnance Depot were not likely to be vacated before the end of 1949. On 8th November, 1948 DDLH&D HQ. Southern Command informed DLH&D *vide* his letter No. SC/BOM/T/410/10, dated the 8th November, 1948 that it had been ascertained from HQ Bombay Area that the buildings were not likely to be vacated before the end of 1949.

7. In September, 1949, on being asked to state the position of the case, DAD LH&D Bombay Area informed DDLH&D HQ Southern Command under his letter No. Bom/1354/111, dated the 16th September, 1949 that the buildings were still occupied by Ordnance Depot and were not likely to be vacated by them in the near future. Thereupon DDLH&D HQ. Southern Command informed DLH&D under his letter No. SC/BOM/1354/15, dated the 23rd September, 1949 that the buildings were still occupied by the Ordnance Depot and were not likely to be vacated by them in the near future.

8. On 15th November, 1949 DAD LH&D Bombay Area informed DDLH&D HQ Southern Command in his letter No. BOM/1354/113, dated the 15th November 1949 that it was understood from the DQ Bombay Area that unless alternative accommodation for the Ordnance personnel who were occupying the project was found, it would not be possible to release this project. He stated that the project had always been occupied and was still fully occupied by Ordnance Units. A copy of this letter was endorsed to the DLH&D.

9. On 10th January, 1950 DAD LH&D Bombay Area informed DDLH&D HQ. Southern Command *vide* his letter No. BOM/1354/125, dated the 10th January, 1950 that the buildings were still occupied by the Ordnance Unit.

10. On 18th February, 1950 DDLH&D HQ. Southern Command wrote to the DAD Bombay Area, that Survey No. 1-B of the project measuring 11 gunthas 8 annas was sanctioned for release at QMG's Inter-Service Committee Meeting held on 28th December 1949. He desired to know if the property had been released and if not the reasons for the delay. On 22nd March, 1950 DAD LH&D Bombay Area wrote to the Collector BSD that Survey No. 1-B, measuring 11 gunthas and 8 annas had been released and handed back to the owner on 11th March, 1950. On 29th March, 1950 he informed DDLH&D Southern Command regarding this *vide* letter No. BOM/1249-9/20, dated the 29th March 1950.

11. On 1st June, 1950 DLH&D wrote to DDLH&D HQ. Southern Command *vide* his letter No. 145/SC/LH&D/45, dated the 1st June, 1950 enquiring whether the subject project had since been vacated

by the Ordnance authorities. A copy of this was endorsed to the DAD Bombay Area. On 17th June, 1950 DAD LH&D Bombay Area informed the DDLH&D HQ. Southern Command and DLH&D *vide* his letter No. BOM/1354/129, dated the 17th June, 1950 that the project was still occupied by the Ordnance Depot and it was not known when it was likely to be vacated.

12. On 8th August 1950, DLH&D once again enquired of DDLH&D HQ. Southern Command and DAD Bombay regarding the position *vide* his letter No. 145/AF/LH&D/48, dated the 8th August, 1950. In reply, the ALH&DO Bombay intimated *vide* his letter No. BOM/1354/131, dated the 11th August 1950, the subject project was still in the occupation of the Ordnance Authorities. The DDLH&D thereupon informed the DLH&D *vide* his letter No. SC/BOM/1354/51, dated the 24th August, 1950 that the project continued to be in the occupation of the Ordnance authorities.

13. A part of the Defence assets at the subject project costing Rs. 18,476 were disposed of by public auction held on 25th July, 1951 for Rs. 1,000 *vide* financial sanction accorded by DDLH&D under his letter No. SC/BOM/1354/53, dated the 31st July 1951. On 3rd June, 1954 DDLH&D conveyed approval to the Collector BSD to the payment of a sum of Rs. 6,731.4 annas being terminal compensation to the owners of Survey No. 119-B, out of the subject project which was derequisitioned.

14. The necessity for release or retention of the project, reviewed by the QMG's Inter Service Committee for Lands and Buildings from time to time. At its meeting held on 12th June, 1953, the QMG's Inter Service Committee for Lands and Buildings recommended retention of the project temporarily for a long period. Again in October, 1954, the QMG's Inter Service Committee reviewed the project and at its 17th meeting held on 29th October, 1954, recommended its retention temporarily for long period.

15. On 28th December, 1955, Ministry of Works, Housing and Supply requested the Ministry of Defence for release of about 5 acres of land in Colaba or anywhere in Greater Bombay for putting up an additional Government Test House in Bombay. The case was examined by Army Headquarters in consultation with HQ Southern Command. On 16th January, 1956, HQ. Bombay Sub-Area informed that 21 acres of land at ME Lines Trombay was surplus to their requirements. Details of the above surplus land were, however, received by Army Headquarters on 25th January, 1956. The project was again considered at the 23rd Meeting of the

QMG's Inter Service Committee for Lands and Buildings held on 15th March, 1956, and it was recommended that an area of 21 acres be disposed of. The remaining land was reported to be used as under:—

- (a) Married accommodation for the personnel of Ordnance Depot, Sewri.
- (b) Partly living and partly as storage accommodation by Navy.

16. In November, 1956 HQ. Southern Command were asked to indicate separately the areas of land used by the Army and the Navy and how the same was being utilised. On 21st December, 1956, Headquarters, Southern Command reported that:—

- (a) Approximately 15 acres was used by Navy for accommodation of MDSC personnel attached to the Indian Armament Depot, Trombay. This included 4 acres used for storage of empty containers; and
- (b) Approximately 6 acres was being used for married accommodation for personnel of Ordnance Depot, Sewri.

As regards the surplus area of land, viz. 21 acres, Government sanction for its disposal was accorded vide Ministry of Defence letter No. 83272/Q3(H)/5794/Q/D(Qtg. & LHD), dated the 27th December, 1956. Before disposal of the surplus area of 21 acres could be proceeded with, it was reported by HQ Southern Command on 9th June, 1957, that there was a proposal to locate an Army butchery on a portion of surplus area of 24 acres of land sanctioned for disposal. The release of land could not however be made until the extent of land, requirement for the butchery and the location thereof were determined. Construction of the butchery required clearance as follows:—

- (a) Acceptance of the Civil Aviation Department for the site of the proposed butchery as it was within the 10 miles prohibited radius and within the danger zone of aircraft.
- (b) Approval of the Bombay Municipal Corporation to the construction of a butchery.

In addition indication was required from the Ministry of Works, Housing and Supply as to the quantum of land required by them for the erection of a Test House and the exact location thereof.

17. A User-cum-Costing-cum-Siting Recce Board assembled at HQ Bombay Sub Area on 18th and 19th July, 1957, for the purpose of providing permanent accommodation for Halal and Jhatka Butcheries at Trombay, recommended construction of the butchereries and acquisition of land measuring 7 acres and 1½ acres therefor. This proposal was received at Army HQrs. on 5th October, 1957, for obtaining Government sanction. On 11th November 1957, HQ. Southern Command were asked to obtain the approval of the Bombay Municipal Corporation to the construction of the proposed butchereries. Ministry of Transport and Communications whose approval was also sought for, asked the Ministry of Defence on 23rd January, 1958, to furnish the layout plan of the proposed butchereries for their approval. In the meantime, HQ Southern Command who were asked to indicate the details of land being used by the Army and the Navy and the area of land lying vacant, reported on 24th February, 1958, as follows:—

(a) Area of land in use by both Army and Navy.			
	Acres	Gunthas	Annas
(i) Navy	15	0	0
(ii) Area consisting of married accommodation in occupation by JCOs/OR of Ordnance Depot, SEWRI and the other units nearby	4	24	0
TOTAL	19	24	0
(b) Area of land planned for future requirements for both Army and Navy.			
(i) Required by Navy for storage of package/cylinders/fittings and for MDSC personnel attached to Indian Naval Armament Depot, Tromby till alternative arrangements were made	15	0	0
(ii) Land required for construction of butchereries (out of (b)(i) above)	7	0	0
(iii) Land required for domestic accommodation for the personnel of ASC Butcheries (out of (a)(ii) above)	1	20	0
(iv) Land consisting of married accommodation required to be retained till alternative accommodation was provided (out of (a) (ii) above)	3	4	0
TOTAL	26	24	0

18. On 27th February 1958, HQ Southern Command reported that BOMBAY Municipal Corporation had confirmed that they had no objection to the proposed construction of a butchery. Acceptance of the Ministry of Transport and Cummunications to the proposed construction was also received on 4th July, 1958. The proposal had however stil to be accepted by Government and the exact location decided.

19. In view of the changed position with regard to release or retention of the land, this project was again considered at the 28th and 30th meetings of the QMG's Inter Service Committee for Lands and Buildings held on 28th April, 1958 and 29th October, 1959. The Committee recommended as under:—

- (a) 8 acres and 20 gunthas to be retained permanently for butchery.
- (b) 3 acres and 4 gunthas to be retained by Army temporarily for long period.
- (c) 15 acres to be retained by Navy temporarily for long period.
- (d) 16 acres 4 gunthas and 7 annas to be disposed of.

20. In June, 1958, it was decided that no landed property should be released without the prior approval of Government. In pursuance to the QMG Inter Service Committee's recommendation of 29th October, 1959, HQ Southern Command were asked on 4th November, 1959 to forward disposal documents for obtaining Government approval to the disposal of the surplus land. In reply HQ Southern Command reported on 22nd December, 1959, that disposal documents for the surplus land could not be furnished till a final decision on the location of the ASC butchery at ME Lines, Trombay was taken by Government. The decision regarding the construction of Halal and Jhatka butcheries at TROMBAY could not, however, be taken earlier than April, 1960, due to the following reasons:—

- (a) Acceptance of BOMBAY Municipal Corporation for the construction of the butchery was required. Their 'no objection' was received through HQ Southern Command on 27th February, 1958.
- (b) Acceptance of Ministry of Transport and Communications was received on 4th July, 1958.
- (c) The user Directorate and the Ministry of Defence and Ministry of Finance (Defence/Q) were required to accept the necessity for the proposed construction in view of the fact that the previous arrangement to meet the requirements of Halal and Jhatka meat through a contractor's butchery at KURLA and BYCULLA was unsatisfactory and

unhygienic. The user Directorate accepted the necessity on 30th July, 1958, Ministry of Defence and Ministry of Finance (Defence/Q) accepted the necessity in September, 1958.

- (d) Scales of accommodation for butcheries were also to be specified by the Government. This was done *vide* Ministry of Defence letter No. 56006/Q3W (iii) /2350/SOII/D (Works), dated the 4th September, 1959.
- (e) Approximate estimates for the construction of butcheries were to be re-checked. This was done by the Engineers on 20th January, 1960.
- (f) Necessity was accepted by all concerned in March 1960 and finally the proposal was concurred in by the Ministry of Finance (Defence/Works), on 22nd March, 1960.

The butcheries constructed under the authority of Government of India, Ministry of Defence letter No. 42651/Q3W (South)/381-S/D (Works I), dated the 16th April, 1960 still exist and are in use by the Defence Services.

21. On 9th May, 1960, HQrs. Southern Command were asked to forward disposal documents for the area of land then found surplus. The details in respect of the surplus land measuring 16 acres 4 gunthas and 7 annas were received on 2nd January, 1961. On 17th January, the user Defence Services were addressed with a view to ascertaining their interest in the surplus land. All the user Defence Services with the exception of Naval HQrs. confirmed that they were not interested in it. Naval HQrs. intimated on 27th December, 1967 that the land was not required by the Navy and could be disposed of but subject to the condition that after disposal, it should be utilised exclusively for agricultural purposes and not for construction of buildings.

22. A state of Emergency was declared in October, 1962 which necessitated not only retention of the existing holdings of lands and buildings but also requisitioning and hiring of additional accommodation to cater for the expanding needs of the Army. Chief of General Staff had directed that in view of the expansion of the Army and possibility of our acquiring more land, no land should be released till our future requirements were worked out finally. In view of the foregoing, the case was submitted to the Ministry of Defence recommending that the disposal of the surplus land be held in abeyance. This recommendation was accepted by the Ministry of Defence. The entire project was again reviewed at the 36th meeting

of QMG's Inter Service Committee for Lands and Buildings held on 21st September, 1964 and recommended to be retained for a long period.

23. Government, however, decided to take an overall view of the land position in BOMBAY. Accordingly, the position of all requisitioned and hired lands in Greater BOMBAY was reviewed and it was decided on 16th July, 1966 with the approval of the Defence Minister that the entire surplus land except an area of 4 acres required by the Army, be de-requisitioned. The above area of 4 acres is to be released as soon as alternative accommodation at KANDIVILI was completed.

24. According to the advice of the Ministry of Law, the de-requisitioning of a portion of requisitioned land entails liability for a fresh assessment of compensation in respect of the residual land under requisition. It was accordingly decided to derequisition immediately the vacant portion if the owner is prepared to accept proportionate reduction in the rent. In case the owner does not accept such proportionate reduction, we may have to continue the entire land under requisition if the same is financially more advantageous. Further the Atomic Energy Establishment had indicated interest in the land and they were invited to requisition or acquire the land required by them as soon as it is de-requisitioned by Defence Services. The position with regard to the release or retention of the Land of ME Lines, TROMBAY, is as follows:—

	Acres	Gunthas	Annas
1. Total area requisitioned in 1943-44	45	14	4
2. Area released/acquired			
(a) Released upto 1957	5	23	1
(b) Released on 6th June, 1967	11	17	4
(c) Acquired			
(i) By Atomic Energy Commission on 4-11-1957	7	26	0
(ii) By Defence Ministry for Butchery on 6-12-1961	6	11	12
3. Area for which de-requisitioning order has been passed by the Collector on 27-10-67	7	37	15
4. Area to be retained			
(a) By Army	3	29	12
(b) Falling in Checta Camp	0	05	0
5. Area to be released after encroachments are removed	2	23	8

25. It will be seen from the foregoing that the matter has all along been under the active consideration of the Government. The orders issued originally in 1948 had to be reviewed in the circumstances mentioned above in the light of the possible requirements which emerged from time to time. It will also be appreciated that it is not always possible to get back land once de-requisitioned and particularly so in a place like Greater Bombay. It would also appear from the facts mentioned above that orders issued on 3rd June, 1948 to dispose of the Air Force project did not take into account the requirements of and the actual use of the land by other defence users. The position had therefore to be re-examined. It will also be seen from the table given above that 5 acres 23 gunthas 1 anna were actually released before 1958. As regards the recommendation of the 29th October, 1966 of the QMG's Inter-Service Committee to the effect that 16 acres 4 gunthas 7 annas be disposed of, the same was not a Government decision, and the recommendation was examined as mentioned in detail above. The decision regarding the butchery was taken on 16th April, 1960 when administrative approval was accorded to the project and the further developments have been indicated above. As regards the Government decision of 16th July, 1966 in pursuance of Defence Minister's orders, the same has been expeditiously implemented and only a small area now remains to be released.

II. Policy and Procedure of Acquiring/Requisitioning & De-Requisitioning of Land by the Defence Services.

26. Land required for Defence Services is either obtained by negotiation or is requisitioned under the provisions of RAIP Act 1952 or the Defence of India Act 1962. Land permanently required is acquired under the LAA 1894. Where already requisitioned, land is also acquired under the provisions of RAIP Act 1952 or the Defence of India Act 1962 where applicable.

27. So far as acquisition of land is concerned, the authority to grant Administrative Approval has not been delegated and is vested solely in Government.

28. So far as requisitioning is concerned, local Commanders have been given administrative powers to sanction requisitioning/hiring subject to the financial ceilings indicated herein below:—

	Rs.
(a) General Officer Commanding-in-Chief Equivalent Naval Commander/ AOC-in-C	50,000
(b) Commander of a Corps, Division, Area Independent Sub Area or Independent Brigade Group/equivalent Naval/Air Force Commander	25,000
(c) Commander of a Brigade, Brigade Area or Sub Area/equivalent Naval/ Air Force Commander	5,000

29. The broad policy is to requisition only those lands which are required for Defence purposes. Where land requirement constitutes a part of a work project, the same is taken into account by the competent financial authority while sanctioning the work project. Where the land requirement is not a part of a work project, even then the financial authority has to satisfy himself about the need for getting the land in the context of the lands already available and the deficiencies existing in order to meet the essential defence requirements. While selecting the land, the suitability thereof for the purpose in view is taken into account. Also considerations such as the fertility of the land, the inconvenience likely to be caused to the owners affected, the use to which the land is already been put and all other relevant considerations are taken into account. The representatives of the local revenue authorities are always associated, and the requisitioning/acquisition is done through the agency of the State Government and the local revenue authorities.

30. So far as the acquisition of land is concerned, the first essential ingredient is that it must be a long term requirement. Until recently the policy was to continue requisitioned lands under requisition even though required on a long-term basis so long as the economics of requisition were more favourable *vis a-vis* the economics of acquisition. In May, 1967 Government has, however, taken a decision that the properties required on long term and permanent basis should be acquired by stages irrespective of the economics of acquisition *vis-a-vis* requisition, preference being ordinarily given to lands longest under requisition.

31. So far as de-requisitioning is concerned, the policy is to de-hire/de-requisition lands no longer needed for defence purposes. The power to declare land surplus and approve the de-requisitioning has been delegated to the extent indicated below subject to the condition that no defence assets have been created on the said lands:—

	Annual rental or recurring compensation in each case not exceeding
	Rs.
(a) Comdr. of Brigade etc.	5,000
(b) Comdr of a Corps	25,000
(c) GOC-in-C	1 lakh

32. Proposals in respect of de-requisitioning of lands on which Defence assets have been created and proposals involving land of which the annual rental/compensation exceeds Rs. 1 lakh, come up to Government for approval. On the Administrative approval of the competent financial authority approving the de-requisitioning/de-hiring, the actual release is done through the agency of the local revenue authorities who have originally requisitioned the same.

33. It is primarily the function of the local Army authorities to examine from time to time what lands are surplus to their requirements and either release the lands within their competence and submit proposals to the higher authorities for de-hiring/de-requisitioning of surplus lands where Government approval is required. Requests made by individuals for de-requisitioning/de-hiring are also examined on merits.

APPENDIX IV

(Vide para 2.12 of this Report)

MINISTRY OF DEFENCE

SUBJECT:—Public Accounts Committee—Consideration of the Audit Report (DS), 1967—Further information desired in respect of Audit Paras 11 (a) and (b).

Public Accounts Committee has desired to have further information on the following points:—

- (i) The actual flying hours done by the aircraft, mentioned in the Audit para, during the years 1961-62, 1962-63 and 1963-64 and how they compare with the figures of flying taken into consideration while assessing the requirements of spare parts in November, 1963;
- (ii) The action taken or proposed to be taken avoid recurrence of such cases involving incorrect assesment of requirements of aircraft spares; and
- (iii) Why it was not considered necessary to hold court of inquiry into this case before Audit pointed out the loss suffered by Government.

In respect of (iii) above, the required information has been furnished separately vide M of D u.o. No. F. 4(11)/67/D(A.I) dated 15-11-1967.

2. As regards (i) above, a statement is attached (Annexure-A). This shows the average actual monthly utilisation per aircraft of the two types of aircraft involved during the years 1961 to 1964, and also gives the monthly rate of flying hours assumed for the purpose of calculating the requirements of the spares in question.

3. As regards (ii) above, it may be stated that provisioning of spares had been related till 1964 generally to the authorised rates of utilisation for different aircraft. Having regard to the instances of lower actual utilisation and plans of phasing out some of the older types of aircraft, it was decided in 1964 that future requirements of

spares might be calculated on the basis of 75% of the approved rate of flying as the actual flying was about 50% of the approved flying. If, however, actual flying in future exceeded 75%, provisioning to meet the actual flying effort was to be done. In regard to older types of aircraft expected to be phased out according to the Plan formulated in this regard, it was decided in December, 1964 to restrict future provisioning in a more critical manner. The two types referred to in the Audit Para fall under this category. It was agreed that unforeseen critical requirements should be provided only on the basis of 60 and 50% respectively of the approved rates of flying. The above decisions were taken deliberately to avoid over-provisioning as a rule.

4. Having regard to later developments (conflict with Pakistan), it was decided in October, 1965, that even at the risk of over-provisioning, front line aircraft should be provided the full quantity of spares. This position was again reviewed in September 1967 and it has been decided that while provisioning will continue at the full approved rate of effort for front line aircraft (even if it means over-provisioning), in other cases, provisioning will be based on a flying effort 25% in excess of the average previous achievement. Such a cushion is necessary to provide the essential material back-up to make improvement in the rate of utilisation possible. This formula will, however, not be applicable during the last three years of the life of an aircraft, the idea being that the cushion should be adjusted during this period.

5. A special study has also been made of the problem of provisioning of rotables, namely, items which can be repaired and used again. An attempt has been made to arrive at reasonable levels of floats of rotables for the current aircraft having regard to the average life achieved on each item, the average failure rate, the average time taken for repair and other relevant factors. Such complicated exercises, though time consuming, have led to a more rational assessment of the requirement of rotables and restrict provisioning level. It is expected that with the adoption of the above method of determining rotables requirement, instances of incorrect provisioning would be reduced.

6. It may be recalled that the system of provisioning in Air Force was reviewed by a Committee called "Supply System Review Committee" in 1963 and action on its recommendations had been reported to the P.A.C. in 1964 and again in 1967. It is difficult to claim that

incorrect assessment of requirements of spares could be eliminated altogether but the measures mentioned above and internal correctives applied from time to time should help in reducing the instances of such incorrect assessment.

ANNEXURE TO APPENDIX IV)

Monthly actual average utilisation per aircraft in Hours of flying

Years	A	B
1961	6.9	10.1
1962	8.8	9.6
1963	7.1	9.5
1964	6.9	9.3
Assumed basis for calculating spares requirements.	15.0	16.5

APPENDIX V

Summary of Main Conclusions/Recommendations

S. No.	Para No. of Report	Ministry/Department concerned	Conclusions/Recommendations
1	2	3	4
1	1.13 1.14 1.15 1.16 1.17	Defence	<p>The Committee feel that Government should have geared their machinery at the ports, particularly the Embarkation Headquarters, to cope with the expected increase in the imports of Defence equipment and machinery following the Chinese aggression in 1962. The Committee desire that the Ministry should now examine whether the Embarkation Commandant could not be delegated some more powers for deployment of additional staff upto a certain limit to meet with any sudden spurts in the number of packages received at the Port. The Committee also feel that it should have been possible for the Defence authorities, in consultation with the consignors and the Indian Missions abroad, to arrange matters so that all documents connected with imports were received without delay.</p> <p>The Committee stress that there should be close co-ordination between the Embarkation Headquarters and the Port authorities in the matter of identification and delivery of Defence consignments so as to obviate any delay.</p>

The Committee also feel that adequate warehousing facilities should be made available at Bombay and other major Ports where the Defence consignments could be stored in a secure condition pending their clearance by the Embarkation Commandant in order to avoid delay in tracing them and to save them from damage by rain. The Committee would like the Ministry to examine this further in consultation with the Port Trust authorities.

The Committee suggest that Government should make a comprehensive review of the arrangements for the handling of Defence goods, particularly machinery and other sensitive equipment required for Ordnance factories and the Armed Forces so as to ensure their expeditious and safe delivery and the prevention of any damage through rain or mishandling.

The Committee also recommend that the Defence authorities should keep a close watch on the preferring of claims and their settlement so as to ensure that claims do not become time-barred and that they are settled expeditiously.

The Committee have already recommended in paras 1.15 and 1.16 that adequate shed facilities should be provided in Bombay Port and other major ports for ensuring the safe handling of machinery and other sensitive equipment imported for Ordnance Factories and Armed Forces and for their prompt onward despatch to the con-

signees. The Committee would like to know, in particular, the action taken to improve the handling and shed facilities for Defence consignments at Bombay Port.

3 I.30 -do- The Committee are not able to appreciate the delay of two years in constituting a Court of Inquiry to investigate this case. The Committee consider that it should be incumbent in such cases for the Court of Inquiry to pin-point the responsibility for the lapses so that necessary action may be taken against all those found guilty of dereliction of duty.

4 I.44 -do- The Committee are unhappy that, due to a serious omission in Government's orders of 15th September, 1962, troops at high altitudes above 9,000 feet were issued extra rations in addition to peace scale rations from December 1962 to July 1963 while other troops in Sector 'A' stationed below an altitude of 9,000 feet were denied the benefit of field rations which were due to them. The Committee do not want to limit themselves purely to the question of the financial implications but feel that in such a vital matter affecting the morale of troops it is of the utmost importance that orders regarding the issue of rations are framed unambiguously and clearly and, that, where a mistake creeps in, it is rectified with the utmost expedition. The Committee would like Government to review the position regarding the issue of extra rations to troops and Officers in Sector 'A' from September 1962 to February 1964 in the light of the spirit and intention of the relevant orders so as to obviate any unintended hardship.

5 1.47 The Committee feel that Government should have issued
 1.48 these instructions about the disposal of existing stocks of rations
 which became surplus to requirements on a revision of the scales of
 rations in 1963 when radical changes were made in the ration scales
 so as to obviate loss to the State.

The Committee understand that the question of the delegation
 of powers to local Commanders for the issue of shortlife stocks of
 any item having a storage life of only 45 days or less in lieu of any
 other authorised item of ration in consultation with medical autho-
 rities is also under active consideration of Government. The Com-
 mittee hope Government will take an early decision in the matter.

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6 1.65 -do- The Committee would like the comprehensive enquiry on air-
 dropping operations to be completed at an early date so that in the
 light of the findings Government may lay down suitable guidelines
 for acceptance, investigation of losses and take other measures to
 reduce such losses to the minimum and to dispel all apprehensions
 about contrived losses or misappropriation of supplies.

7 1.89 -do- The working of the Military Farms had been commented
 1.80 on by the Committee in their 17th, 40th and 48th Reports (Third
 1.91 Lok Sabha).

While the Committee are glad to note the improvement in the
 financial position of Military Dairy Farms in 1966-67 after the intro-

duction of the new decentralised system, they feel that there is no room for complacency in view of the fact that the profits made earlier from 1961-62 to 1963-64 were followed by two years (1964-65 and 1965-66) of heavy losses. The Committee stress that the large land resources available with the Military Farms should be put to the best and most remunerative uses in consultation with the Indian Council of Agricultural Research who have the requisite expertise not only in the field of foodgrains, horticulture and fodder grasses but also in animal husbandry. The Committee feel that the Ministry, in consultation with the Ministry of Food and Agriculture and State Governments, should examine the desirability of converting the Military Farms into extension farms of the Indian Council of Agricultural Research/Agricultural Universities to demonstrate to the neighbouring areas the advantages which flow from adoption of modern techniques of intensive cultivation with high yielding varieties, irrigation, fertilizers, insecticides and pesticides.

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The Committee would like Government to keep a close watch on the production and price of milk in the Military Dairy Farms as compared with other leading Dairy Farms such as the Aarey Milk Colony and the Kaira District Co-operative Milk Producers Union. Similarly they would like Government to keep a close watch on issues on a concessional basis which are made to entitled personnel so as to ensure that losses on this account are kept within the intended margin. The Committee hope that every effort will be made by Government to ensure that Military Farms do not again incur losses.

1	2	3	4
8	I.102 I.103 I.104	Defence	<p>The Committee are not happy that the land for the Subsidiary Ammunition Depot was requisitioned in 1963-64 long before the detailed blue-print for the Depot had been finalised, with the result that the land remained unutilised for more than three years and entailed payment of rent at the rate of Rs. 1.32.234 per annum.</p> <p>The Committee note that Army Headquarters have since issued on 9th August, 1967, instructions for avoiding the recurrence of such cases due to un-coordinated planning in the requisition/acquisition of land. The Committee stress that Government should review the position about the utilisation of requisitioned acquired land every year and amplify their instructions, as necessary, to ensure that productive land which is not really required within a reasonably short time for defence use is not unnecessarily acquired/requisitioned.</p> <p>The Committee also reiterate the recommendations contained in para 3.21 of their 71st Report (Third Lok Sabha) regarding the proper planning, coordination and provision of external services, e.g., sewage, roads, electricity and water supply, so that the buildings on completion are brought into effective use without delay. The Committee regret that, due to the failure to provide external services in time, the quarters built for the staff remained unutilised for eight months. The Committee hope that the Army authorities will take suitable measures to implement the instructions issued in the letter of 9th August, 1967, for the planning and coordination of the building programme so that such instances do not recur.</p>

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I. 113
I. 114

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The Committee feel that the procedure laid down for operational works should be invoked by the Army Commanders only where it is imperative to undertake the speedy execution of work in the overall interest of military operations. Now that the Emergency has been lifted by Government, the Committee feel that the present is an opportune time to review the whole procedure for operational works in the light of the experience obtained and to omit from its scope long term works which should more appropriately be carried out under the Normal Works Procedure.

The Committee would also like to stress that all the tangible assets which have been created out of the Rs. 22 crores expended on operational works should be properly accounted for and maintained.

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I. 125
I. 126

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The Committee are not able to appreciate why an over-all review of the land position in Bombay was not undertaken earlier than 1966. The Committee suggest that Government should carry out without delay an over-all review of the land position for Defence purposes in other big cities like Calcutta, Madras, Delhi, Kanpur, Hyderabad and Bangalore so that Government have a clear picture of the land available vis-a-vis the requirements. The Committee also feel that there should be greater co-ordination between the three Services and the QMG's Branch which looks after the land requirements of the Defence Services. Similarly, there should be greater co-ordination between the Defence Services and other Union Ministries/Departments, particularly the Ministry of Works, Housing & Supply, so that the over-all requirements of Government

are fully taken into account before de-requisitioning land. The Committee need hardly point out that consultations between the various wings of the Armed Forces and Government Departments should be carried out in a business-like and expeditious manner so that decisions can be reached promptly.

The Committee would also like to stress on Government the need for exercising every care to see that land is requisitioned/ acquired only after the most careful consideration of requirements so that it does not remain unutilised for long periods after acquisition.

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Defence

The Committee regret to note that in this case there was incorrect assessment of requirements of aircraft spares mainly due to the fact that (i) the life of type requirements were worked out on the basis of mean flying effort and not on the average of actual flying effort; (ii) repairable stocks were not taken into consideration. What is more distressing is the fact that, even when the discussion to phase out the air-craft first originated in February/March, 1964, no indication was given by Air Headquarters to the Department of Defence Production of the possibility of a reduction in the requirements of these spares so that it could be kept in view when the Department of Defence Production entered into an agreement with foreign manufacturers in May, 1964. There was lack of coordination

between Air Headquarters and the Department of Defence Production and this, the Committee feel, resulted in an avoidable expenditure of Rs. 1.52 lakhs.

The Committee find from the note furnished by the Ministry of Defence that a number of steps have now been taken to avoid over-provisioning of spares. They hope that the system of provisioning of spares in the Air Force will be kept under constant review and correctives applied, where necessary, so that cases of this type do not recur.

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The Committee are constrained to note that this is yet another case (see also para. 2.14) where an incorrect assessment of the requirements of aircraft spares was made and this resulted in an avoidable expenditure of Rs. 1,00,000. If Air Headquarters had scrutinised the indent properly, this infructuous expenditure could have been avoided.

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It is also disquieting to note that, even though the lapse which led to the over-provisioning was detected by Air Headquarters in September, 1964, a Court of Enquiry was ordered only in November, 1966, after Audit had drawn the attention of Government to the matter. The Committee feel that the Court of Enquiry should have been set up immediately the lapse was detected.

As regards the general procedure of provisioning for spares for aircraft, the Committee are left with the impression that the procedure for the scrutiny of indents at Air Headquarters requires to be

tightened. The Committee hope that the Ministry of Defence will take suitable measures to streamline the procedure prevalent in this respect at Air Headquarters.

The Committee also stress that, in the estimates of provisioning of spares, due allowance should be given to the actual experience of operations in India as that would indicate the behaviour of the aircraft in Indian conditions and the necessity of replacement of different parts. The Committee hope that the Ministry of Defence would be able to evolve a system for the provisioning of spares which will be an adaptation of the commercial system taking into consideration the special requirements of the Air Force.

The Committee are pained to note that during the half year ending June, 1967 the number of accidents has increased along with the loss of human life and equipment. Every effort, the Committee feel, should be made to reduce the frequency of accidents. The Committee hope that, with the implementation of the recommendations made by the Indian Air Force Accidents Committee, it will be possible to reduce the number of accidents. The Committee also suggest that an analysis of the reasons for accidents in operational and non-operational flights should periodically be made with a view to taking timely corrective measures.

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The Committee are distressed to note that an aircraft costing Rs. 70 lakhs was destroyed by fire. The Committee view with concern the fact that the personnel detailed for the maintenance and servicing of the aircraft were not sufficiently experienced and that this was one of the contributory causes of the fire. The Committee hope that, with the increase in the activities of the Air Force, greater attention will be paid to recruiting, training and giving sufficient experience to the men before they are asked to handle independently such important and delicate jobs.

The Committee desire that fire fighting arrangements at the Air Fields should be improved by providing an adequate number of crash fire tenders and by giving adequate training to the personnel handling the crash fire tenders.

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2.70
2.71
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The Committee are unhappy to note that a helicopter engine costing Rs. 1.08 lakhs was rendered completely unserviceable due to improper storage. Even when the engine was given storage treatment effective upto January 1963, no action appears to have been taken till June 1964 to check its condition and the engine lay unused and unattended. The Committee feel that the unit in question should have made adequate arrangements for the proper custody of this engine when it was moving from one station to another.

The Committee note that a fresh Court of Inquiry was ordered in this case by Air Headquarters in June 1967. The Committee have no doubt that, based on the findings of this Court of Inquiry,

adequate action will be taken against the persons responsible for this loss. The Committee would like to be informed of the findings of the Court of Inquiry and the action taken in this case.

The Committee desire that the Ministry of Defence should issue suitable instructions, if none exist at present, that units while moving from one station to another should make adequate arrangements for the proper custody of the costly equipment lying with them so that cases of this type do not recur.

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Defence

The Committee are distressed to note that, due to defective storage conditions, two aero engines (value Rs. 2.19 lakhs) which were got over-hauled at a cost of Rs. 0.62 lakh got considerably damaged. It is strange that the cases containing the engines were opened in June, 1963, i.e., 18 months after the receipt by the unit and 3 months after the expiry of the period for which they had been given storage treatment. The Committee feel that, if the officers concerned had been a little more vigilant, this loss could have been avoided.

The Committee note that instructions have now been issued that when, engines come in to Indian conditions, they should be inspected within six months' time. The Committee desire that, in addition to this, suitable instructions should be issued for proper storage

under covered sheds of costly equipment like aero engines, so that they are not exposed to rain.

The Committee find that, in ten cases, Courts of Inquiry had to be reconstituted during the last three years and that in this case alone there were two Courts of Inquiry. The Committee feel that the system of constitution of Courts of Inquiry in Air Headquarters requires a little more attention. They agree with the Secretary, Ministry of Defence, that when a Court of Inquiry is constituted the points of reference should be properly and adequately spelt out. Further the Courts of Inquiry should be constituted in time so that their findings serve a useful purpose. The Committee hope that suitable instructions will be issued by the Ministry of Defence in this regard.

17 2.95 -do-

The Committee regret to note that, due to lack of co-ordination, a jig and drill boring machine costing Rs. 5.80 lakhs has not been put to use. The Committee feel that action for the provision of civil works (including air-conditioning) should have been taken immediately the order for the purchase of the machine was placed. The Committee hope that this lack of co-ordination regarding the undertaking of civil works and the acquisition of machinery will be investigated and suitable remedial measures will be taken.

18 2.102 -do-

The Committee regret to note that, due to an inter-services dispute, it took a period of about 3½ years for the Government to decide about the agency which would be responsible for the collection

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of rent from the oil company. The Committee desire that suitable instructions should be issued to avoid such inter-services disputes. In case of doubt, a reference should be made to the Ministry of Defence, without loss of time, for suitable instructions. The Committee would also like to be informed of the recovery of dues from the oil company in question.

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
27	Bahree Brothers, 188, Lat-patrai Market, Delhi-6.	27	33	Bookwell, 4, Sant Naran-kuri Colony, Kingsway Camp, Delhi-9	28
28	Jayans Book Depot, Chap-parwala Kuan, Karol Bagh, New Delhi.	56	MANIPUR		
29	Oxford Book & Stationery Company, Seindia House, Connaught Place, New Delhi-1	58	34	Shri N. Chouda Singh, News Agent, Ramlal Puri High School Annex, Imphal.	77
30	People's Publishing House, Rani Jhansi Road, New Delhi.	59	AGENTS IN FOREIGN COUNTRIES		
31	The United Book Agency, 48, Anrit Kaur Market, Pahargani, New Delhi.	68	35	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.—2.	
32	Hind Books House, 31, Jansath, New Delhi.	95			

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