

**PUBLIC ACCOUNTS COMMITTEE
(1978-79)**

(SIXTH LOK SABHA)

HUNDREDTH REPORT

MINISTRY OF DEFENCE

[Action Taken by Government on the recommendations of the Public Accounts Committee contained in their 3rd Report (Sixth Lok Sabha)].



*Presented in Lok Sabha on
Laid in Rajya Sabha on :*

**LOK SABHA SECRETARIAT
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March 1979/Phalgunā 1900 (Saka)

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PUBLIC ACCOUNTS COMMITTEE

(1978-79)

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INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Hundredth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their Third Report (Sixth Lok Sabha) relating to Defence Services.

2. On 31 May, 1978, an 'Action Taken Sub-Committee' consisting of the following Members was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Committee in their earlier Reports:

Chairman

1. Shri P. V. Narasimha Rao

Convener

2. Shri Asoke Krishna Dutt

Members

3. Shri Vasant Sathe
4. Shri M. Satyanarayan Rao
5. Shri Gauri Shankar Rai
6. Shri Kanwar Lal Gupta

3. The Action Taken Sub-Committee of the Public Accounts Committee (1978-79) considered and adopted the Report at their sittings held on 26 October, 1978 and 20 February, 1979. The Report was finally adopted by the Public Accounts Committee (1978-79) on 8 March, 1979.

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

(vi)

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

NEW DELHI;
March 8, 1979

Phalguna 17, 1900 (S)

P. V. NARASIMHA RAO,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

1.1. This Report of the Committee deals with the action taken by Government on the conclusions and recommendations of the Committee contained in their 3rd Report (6th Lok Sabha) presented to the Lok Sabha on 12th December, 1977 on paragraphs 11 and 43 of the Report of the Comptroller and Auditor General of India for the year 1974-75, Union Government (Defence Services).

1.2. Action Taken Notes in respect of all the 28 conclusions and recommendations contained in the Report have been received from the Government and these have been categorised as follows:—

- (i) *Conclusions and Recommendations that have been accepted by Government.*

Sl. Nos. 3, 10,* 11, 12, 13, 16, 17, 26, 27 and 28.

- (ii) *Conclusions and Recommendations which the Committee do not desire to pursue in view of the replies received from Government:*

Sl. Nos. 1,* 2,* 7, 8, 9, 14,* 15, 19, 21, 22, 23, 24 and 25.

- (iii) *Conclusions and Recommendations replies to which have not been accepted by the Government and which require reiteration:*

Sl. Nos. 4, 5, 6 and 18.

- (iv) *Conclusions and Recommendations in respect of which Government have furnished interim replies:*

Sl. No. 20.

1.3. The Committee hope that final reply in regard to the recommendation to which only interim reply has been furnished will be submitted to them expeditiously after getting it vetted by Audit.

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

*Not vetted in Audit.

Manufacture of ammunition in an ordnance factory.

(Para 1.42—S. No. 4)

1.5. In paragraphs 1.22 to 1.42, the Committee had dealt with unsatisfactory performance of an ordnance factory in regard to manufacture of a new ammunition conceived in the wake of an emergent situation suddenly arising in 1962. The Committee had made the following observations in paragraph 1.42 regarding certain serious irregularities made in the production of ammunition in that factory:

“The Committee note that CGDA had pointed out certain irregularities, of a serious nature in this factory, like booking of labour on warrants being disproportionately higher than the quantities of components drawn for manufacture, non-accountal of rejections warrant-wise and completion of warrants by transferring to earlier warrants, production against the subsequent warrants. It is stated that since certain instructions issued by DGOF in 1974 to overcome this problem did not bear fruit, a Committee was set up to go into this problem in depth and make recommendations. Although the Committee was to report by the 15th December, 1976, its report had not been received until May, 1977. The Committee would like the Ministry to ensure that report of the Committee is made available without further delay. The Committee would like to be informed about the follow-up action on the recommendations of this Committee.”

1.6. In a note dated 8th August, 1978, the Department of Defence Production have stated:

“The report of the Committee appointed by Government to investigate into the irregularities pointed by C.G.D.A. is still awaited. The Committee held two sittings including one at factory ‘A’. The Committee has not been able to finalise its report, as its Chairman and some of its members have been transferred to State Governments/other departments. Necessary steps have been taken to convene a further meeting of the Committee to finalise its Report.”

1.7. Government had set up a Committee to go into certain irregularities of a serious nature in an ordnance factory in regard to manufacture of a new ammunition in October 1976. The Committee was to report by

15 December, 1976. As the report of this Committee had not been received by Government until May 1977, the PAC had desired the Ministry to ensure that the report of the Committee was made available without further delay. They had also desired to be informed of the follow-up action taken on the recommendations of the Government Committee. In August 1978, i.e., after a lapse of nearly 15 months, Government have come forward with the submission that the report of the Committee is still awaited. It is stated that "necessary steps have been taken to convene a further meeting of the Committee to finalise its report." The Public Accounts Committee deplore this casual and laconic approach to their recommendations and strongly disapprove the leisurely functioning of the Committee during the last 2 years. The Committee would like the Ministry to ensure that the Departmental Committee submits its report before 31 March, 1979. The Committee would like to be informed of the progress in this regard and of the follow-up action taken on the recommendations of that Departmental Committee.

Delay in commissioning of another ammunition factory (Paragraphs 1.53—1.54, S. Nos. 5-6).

1.8. Dealing with inordinate delay in procurement and commissioning of additional plant and machinery for conversion of the existing facilities to suit production of the new ammunition in another ammunition factory the Committee had made the following observations in paragraphs 1.53 and 1.54:

"1.53. The Committee note that although indents for 160 items of plant and machinery for Factory 'B' were placed in 1963, it took more than five years to procure and erect 4 of the items. One item received during July 1971—March 1972 i.e. after 9 years, was awaiting erection till May 1977. The Committee are informed that the machine was put up for inspection in May 1974 when some defects were noticed which were immediately pointed out to the suppliers. The suppliers were, however, able to complete the repairs only in August 1976 and since then the factory was awaiting the arrival of firm's engineers to commission the machinery. As regards action against the suppliers for defective supply and delay in rectifications and commissioning, the Ministry have stated that 'after the rectifications are over, DGOF would be advised to take up the matter with the DGS&D to proceed against the supplier for delay/defective supply of the equipment.'"

"1.54. The Committee have no doubt that Government would be making an all out effort to have the remaining plant commissioned at the earliest possible time. They would, however,

like that the causes for the unconcionable delay in procurement and commissioning of this plant should be investigated and if any part of it is attributed to the supplier firm, stern action should be taken against them in terms of the agreement."

1.9. In a note dated 8 August, 1978, the Department of Defence Production have stated as follows:

"With regard to the 4 items of plant and machinery out of 160 items which were delayed by more than .5 years for procurement and erection the following is brought out. After issue of the Government sanction, *vide* M of D letter No. 7/4/60/DG/Project dated 6-4-63, provisioning action for these plants were also undertaken along with other items. DGOF indent for these 4 items initiated on 25-5-63 was covered by DGS&D A/T of 13-7-64. The A/T which was sent for scrutiny to the DGOF in 9/64 was returned to DGS&D in 11/64. The supply of these machines was not delivered within the stipulated delivery period. After repeated expediting and extension of the delivery period, the machines were received in 3/68 and erected and commissioned without delay on the part of the factory.

As regards the 5th item namely 65 K.W. Electric Rotary Drum Furnace, received during 7/71 to 3/72, it is mentioned that the furnace after necessary rectification by the firm has finally been commissioned in June, 1977.

Now that the rectification and the commissioning of the furnace has been completed further action on the part of DGOF with the DGS&D to proceed with the supplier is under consideration. DGOF is being advised by M of D to expedite action in the matter."

"The furnace afer necessary rectification by the firm has finally been commissioned in June 1977, and action on the part of DGOF with DGS&D to proceed with the supplier is under consideration. DGOF is being advised by Ministry of Defence to expedite action in this matter."

1.10. The Committee had expressed their dissatisfaction at the liesurely manner in which action to equip the ammunition factory for the new task was taken. Since this was an instance of glaring delay in respect of a job involving the defence of the country, the Committee had desired that an enquiry should be held into the causes for delay in procurement, erection

and commissioning of the plant with a view to fixing responsibility and taking action against the supplier firm for failure to act in terms of the agreement. The Committee find from the 'Action Taken reply' of the Government that the action against the supplier "is still under consideration and the DGOF is being advised by the Ministry of Defence to expedite action in this matter." The Committee take a serious view of the indifferent attitude of the Ministry of Defence towards a definite recommendation of the Committee. They reiterate that an early enquiry should be held into the delay in the procurement and commissioning of the plant for factory 'B' and if any of the officials or the supplier or both are found responsible for the delay, action should be taken against them promptly.

Non-commissioning of a gas plant (Paragraph 1.102—S. No. 18)

1.11. Expressing concern over the inordinate delay in commissioning of a gas plant obtained for yet another ammunition factory as a result of dispute over rectification of defects by the suppliers pending settlement before the Arbitrator since September 1970, the Committee had observed as follows:

"The delay in the commissioning of the gas plant, contracted for in March 1964 for Rs. 28.13 lakhs, and in resolving the dispute over rectification of defects in the plant by the suppliers was commented upon by the Public Accounts Committee earlier also in their 99th Report (Fourth Lok Sabha). The Committee had then recommended that the dispute between the Government and the supplier firm which was then under arbitration should be settled early so as to get the plant commissioned without further loss of time. It is astonishing that even after a lapse of nearly 7 years the dispute has not been settled and Government are still not able to estimate as to when the arbitration proceedings would be concluded. Meanwhile, factory 'C' is required to purchase gas from the trade and by March 1975 an expenditure of Rs. 22.33 lakhs had already been incurred on this account. This indeed is a serious situation which calls for an immediate action. The Committee hope that all-out effort would be made to have the arbitration proceedings finalised expeditiously."

1.12. In a note dated 8 August, 1978, the Department of Defence Production have stated as under:

"The sole Arbitrator in this case has advised settlement of the issues outside Arbitration on mutually agreed terms. DGS&D have been following up the advice of the Arbitrator. Simultaneously, as the progress in this direction had not been adequate, the

Arbitration proceedings were recommended from 18th April, 1978.”

1.13. At the sitting of the Action Taken Sub-Committee held on October, 1978, the Sub-Committee had desired some further information in regard to the arbitration proceedings. In response to the queries from the Sub-Committee, the Ministry of Defence have, in a note dated 9 January, 1979, furnished the following further information:

“The contractor had claimed an amount of Rs. 1.44 crores plus cost of arbitration at Rs. 2.5 lakhs with an interim payment of Rs. 1 crore. The Government have claimed an amount of Rs. 1.87 crores with interest at the rate of 6 per cent per annum from 1-1-1973 till payment plus costs of arbitration proceedings.

The disputes were referred to dual arbitration in terms of a written agreement executed between the parties on 20-8-1969. The contractor appointed its arbitrator on 22-8-1969 and the purchaser nominated its arbitrator on 1-9-1969. On 12-9-1969, the co-arbitrators called upon the parties to file their respective statements of claims. Since one of the arbitrators had resigned, and in his place, a new arbitrator was appointed, the solicitors of the firm wrote to the Umpire that he should take over the matter and make an award on all the disputes. Since there was difference of opinion between the arbitrators on an important and essential point of law, the matter went to the High Court through a writ petition and, as a result of compromise between the parties, Mr. Justice J. C. Shah—retired Chief Justice of India—was appointed as a Sole Arbitrator in August, 1972.

The tentative number of hearings held before the arbitrator, month-wise, is given below:—

Month & Year	No. of hearings held
1	2
8/72	1
9/72	1
12/72	1
1/73	1

1	2
2/73	1
4/73	1
6/73	1
9/73	1
11/73	1
3/74	1
6/74	1
8/74	1
10/74	1
1/75	1
5/75	4
6/75	1
8/75	2
9/75	4
1/76	1
4/76	1
5/76	10
6/76	1
7/76	6
8/76	1
12/76	1
2/77	5
5/77	1
9/77	1
4/78	3
6/78	1
7/78	3
11/78	1
TOTAL	61

A fee at the following rates has been offered to the Sole Arbitrator:—

- (i) Rs. 250 per hour subject to a ceiling of Rs. 1000 per day;
- (ii) other incidental expenses incurred in connection with or arising out of the said arbitration proceedings.

The arbitrator has already been paid an 'on account' payment of Rs. 11500.

The case has been in sole arbitration of Mr. Justice J. C. Shah in 1972 and it cannot be said at present as to how long it will continue. At present, the principal witness of the contractor is being cross-examined and the case has been fixed for hearing on 22-12-1978 onwards. In August 1976, a proposal had come from the firm through their solicitors that they were prepared to settle the case outside arbitration on payment of Rs. 16.5 lakhs by the Government. In view of the fact that considerable time had elapsed since plant was erected and also because of comparatively slender progress in the arbitration proceedings Mr. Justice J. C. Shah recommended to the parties on 22-5-1977 that they might explore the possibility of a reasonable settlement on mutually acceptable terms. The Law Ministry had endorsed this recommendation and the minimum terms to be offered to the other party for negotiated settlement are expected to be evolved shortly.

The total expenditure on purchase of gas from trade till October 1978 has been Rs. 33.674 lakhs. The difference between the cost of gas in case it was manufactured in the plant and the cost of purchase from trade is Rs. 9.453 lakhs.'

1.14. The Committee are distressed at the course of events since August 1969 when the dispute was first referred for arbitration. Following resignation of one of the arbitrators, it took a long time to reach compromise on the appointment (in August 1972) of Mr. Justice J. C. Shah as the sole arbitrator. The slow progress of arbitration proceedings is evident from the fact that in the first 29 months of his appointment (August 1972 to December 1974) the arbitrator held hearings only on 13 days. The pace of proceedings during the following years also was hardly impressive. Incidentally, the details of hearings held by the Arbitrator furnished to the Committee in January 1979 and reproduced in Para 1.13 falsify the express statement made before the Committee in a note submitted in October 1976 to the effect that the Arbitrator has been having "prolonged day to day sittings running into seven to ten days almost every month for the last four months or so." In fact the total number of hearings held between June and September 1976 (4 months) was only 8 out of which 6 were held in July 1976. It is only in one month i.e. May 1976 that the number of hearings

rose to ten. The Committee take a serious note of this misleading information given to them in October 1976 and would desire that the Ministry of Defence should hereafter more carefully check on facts before furnishing them to the Committee. To top it all, a suggestion had come in May 1977 from the arbitrator himself that "because of comparatively slender progress" they might "explore the possibility of a reasonable settlement on mutually acceptable terms." This suggestion was endorsed by the Ministry of Law also. What surprises the Committee is that during the past 10 years the Ministry of Defence had allowed the arbitration proceedings to drag on. They regret that when it became evident that the proceedings had taken a delatory course, the Ministry of Defence did not explore the possibility of alternative courses in consultation with the Ministry of Law to bring the dispute to a speedy end. Meanwhile, the factory 'C' is required to purchase the gas from the trade involving huge extra expenditure. It is admitted that the end of the arbitration proceedings is nowhere in sight. The Committee, therefore, urge that the Ministry of Defence should, instead of pleading helplessness and continuing to incur huge expenditure, either expedite the arbitration proceedings and bring them to an early close or get the matter settled otherwise, as suggested by the arbitrator himself.

1.15. The Committee find that in reply to their communication dated 27 October, 1978, seeking further information in regard to the arbitration proceedings, Government have furnished on 9 January, 1979, only "tentative" number of hearings held before the sole arbitrator from August 1972 to November 1978. It is surprising that the Ministry of Defence and the Directorate General of Supplies & Disposals have not been able to provide even after two and a half months, the exact number of hearings held by the sole arbitrator. Also no information has been given as to the number of hearings held by the co-arbitrators earlier from September 1969 to July 1972 and the total amounts paid to them by way of remuneration. This indicates that the Ministry of Defence and the Department of Supply have, after having referred the matter to the arbitrators, not been keeping a watch on the progress of the proceedings. The Committee deplore this casual and negligent attitude on the part of Ministries.

CHAPTER II

RECOMMENDATIONS AND OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Committee cannot too strongly emphasise the need for extreme care and caution being exercised by the Inspection Organisation at all times in the discharge of their responsibilities so as to ensure that sub-standard weapons and ammunition do not find their way in the defence stores. The Committee desire that the Government should closely examine the Inspection machinery and procedures with a view to bring about such improvements as may be necessary to make it more efficient and effective and fully conscious of its important responsibilities.

The Committee would like the inspection machinery within the Ordnance Factories also to be revamped and made more effective so that quality checks are properly exercised at the production stage itself.

[Sl. No. 3 (Para 1.41) of Appendix to 3rd Report of the PAC (6th Lok Sabha)]

Action taken

At the outset, it may be mentioned that defence stores produced at Ordnance Factories are issued to the Services only after they have been inspected and passed by the Inspection Organisation, which is independent of the Ordnance Factories. For ensuring that only acceptable stores are issued to the services, adequate faulty control is exercised during all stages of production. It is also ensured that the correct material is utilised in the production. The Inspection Organisation exercises various checks for testing of the raw materials in stage inspection as well as the final inspection in proof, before the stores are packed and despatched. In addition, as the quality of the product has to be built in the system of manufacture, the DGOF has his own in-process inspection facilities to ensure that the production process followed is as per the accepted schedule. New techniques of quality control have been introduced in the Ordnance Factories. The quality checks are already being exercised by the inspection organisation or by the Ordnance Factories at the production stage. Government have also

appointed a Committee under the Chairmanship of Shri V. C. Rajadhyaksha, Member, Planning Commission, to make recommendations, *inter-alia*, on the improvements that should be brought about in the inspection machinery and inspection procedures so that only quality goods are produced at the Ordnance Factories and issued to Services.

[Ministry of Defence (Department of Defence Production) D.O. No. 13(12)/77/D(Projects), dated 8 August, 1978]

Recommendation

The plant was received in May 1964 and the production commenced in September 1965. In that month, consequent upon the break of hostilities with a neighbouring country, all assistance from the foreign country ceased including the assistance in respect of the supply of components and tools for factory 'C'. For the propellant, primers and tools the country had, therefore, to depend upon imports. A plant for manufacturing primers was commissioned only in January, 1967 while the tool-room was finally commissioned in 1969. The research for development of propellant suitable for ammunition 'X' is still going on. These deficiencies have affected the production which has never exceeded 119 units per annum in single 8 hour shift.

[Sl. No. 10 (para 1.69) of Appendix to 3rd Report of PAC (6th Lok Sabha)]

Action taken

The statement incorporated in the observation is factually correct. It is, however, clarified that the production of 119 units in Factory 'C' was attained with working of a single shift with overtime. This plant was initially to work on the basis of bought out items because these were the items which were readily available with the friendly countries. The friendly country was also agreeable to supply these items then. This friendly country became unfriendly only in 1965. At that time, manufacture of propellant at another factory was decided on known requirements and facilities existed were only in respect of production at factory 'A' and factory 'B'. Propellant produced by this factory was suitable for the design of ammunition produced at factory 'A' and factory 'B'. The installed capacity for manufacture of propellant was just adequate to meet the full requirement. At the time when supplies of propellant from friendly countries were stopped, an attempt was made to see whether this propellant will meet the requirement of factory 'C'. The decision to import the propellant emanated from increased requirement of ammunition 'X' (cumulative production of all the factories) since full installed capacity for manufacture of propellant was inadequate even to meet the requirement of Factories 'A' and 'B'.

It has been planned to set up additional capacity for producing the suitable propellant at a new factory which would meet the requirements of propellant in Factory 'C'.

[Ministry of Defence (Department of Defence Production) D.O. No. 13(12)/77/D(Projects) dated 8th August, 1978]

Recommendation

The above account brings to sharp focus the following features:

- (i) The factory was actually commissioned in 1965-66, i.e. 3 years after the development of the emergent situation in 1962.
- (ii) Although the plant is stated to have been received free, the total cost of plant and machinery is indicated as Rs. 3.36 crores, including Rs. 1.43 crores (F.E. Rs. 46.47 lakhs) spent on its renovation and modification, transportation and installation.
- (iii) Although the plant was then expected to be accompanied with complete documentation and transfer of whole technology free of cost, the documentation and technology for production of propellant, primers and tools were not transferred, with the result that the plant for manufacture of primers and equipment for tool-room had to be purchased from some other country which took time, while the propellant was still under development.
- (iv) The production in the plant could reach the maximum of 119 units only during 1972-73 in a single 8-hour shift whereas according to the rated capacity the plant working under similar conditions should have been capable of producing 168 units per annum. The Committee feel that in matters concerning Defence the more important consideration should have been the credit-worthiness of the plant and equipment. This dismal episode also underscores the need for developing indigenous tools and plants and avoiding too much reliance on foreign suppliers, particularly where the supplies are offered free. The Committee hope that Government would draw appropriate lessons from this transaction for guidance in future.

[Sl. No. 11 (Para 1.70) of Appendix to 3rd Report of PAC (6th Lok Sabha)]

Action Taken

So far as point (i) is concerned, it is correct that the factory was commissioned in 1965-66 within 3 years of emergent situation in 1962.

It is to be noted that in early 1963 an indication was given that a foreign Plant would be available for transfer to India. The firm offer was received in 9/63 and after acceptance of the same the plant was received from foreign Government within a period of 9 months namely by May, 1964. The process of erection and commissioning of the Plant was completed and production commenced in 1965. From all standards setting up of a factory of this magnitude in such a record time was exceptional.

As regards point (ii) it is reiterated that the plant offered was free and expenditure incurred was on its renovation and modification, transportation and final installations. In case the Plant had to be purchased additional expenditure of a substantial amount would have been incurred in foreign Exchange in addition to the normal expenses required in transportation and erection.

As regards point (iii) it is mentioned that technical particulars of production of the store including the materials required for propellant, and tools were supplied along with the documents. However, as such things are generally bought out items and are not normally made by the Ammunition producing factories the items are purchased from outside. Detailed particulars for the requirements of plant and equipment for manufacture of the same were therefore, not then given. This position was known at the time of the offer of the Plant and accordingly action was taken to provide for these deficiencies during the planning. Action was taken to set up Plant for the manufacture of the chemical ingredients required for the primers, as well as of providing for a Tool Room, with necessary plant and machinery, for manufacture of the tools. As regards propellant, provision was made for import of the same, and necessary Magazines provided for bulk storage of the same.

As regards point (iv) it is a fact that the maximum of 119 units could be produced during 1972-73 in a single shift with working of overtime. However, limitation on production was not due to inadequacy in the plant capacity; but there were various factors for which the maximum production capacity could not be reached.

In view of the above it will be appreciated that adequate care was taken to plan for the production of the ammunition indigenously at the earliest, taking into account the assistance available from abroad and providing for the balance deficiencies directly by ourselves. Though it was visualised

that in the initial stage till the facilities for producing of the deficient components of the primers, propellant and Tools, would be obtained from abroad till our own sources were established, these supplies had suddenly been discontinued due to hostilities with our immediate neighbour. This consequently resulted in up-setting the production schedule in the factory 'C'. However, direction provided in the recommendations are noted for future guidance.

[Ministry of Defence D.O. No. F. 13(12)/77/D (Projects)
dated 8th August, 1978]

Recommendation

The Committee learn that the buildings and services for factory 'C' were planned for a production capacity of 600 units per annum of ammunition 'X' and 6 units of ammunition 'Z' and on that basis 3036 acres of land were acquired for the new factory keeping a cushion for the future. As the capacity of the factory was ultimately limited to 432 units per annum of ammunition 'X' and ammunition 'Z' was also not to be produced in this factory, the capital investment in land, buildings and services etc. was reported to be in excess of the requirements. Government have, however, stated that the 3036 acres of land acquired for the factory were on the basis of reduced production capacity of the Factory and that "no land is said to be surplus to the factory's needs". The Committee would like Government to examine whether any part of the land, buildings and services at the factory is in excess of the factory's present and potential requirements and if such excess is found, it should be put to full use.

[Sl. No. 12 (Para 1.74) of Appendix to 3rd Report of
PAC (6th Lok Sabha)]

Action Taken

On the basis of planning for a capacity of 600 units of Ammunition 'X' and 6 units of Ammunition 'Z', it was originally planned to acquire 3500 acres of land for the Factory 'C' keeping a cushion for future expansion. Consequent on the reduction of manufacture of Ammunition 'Z' and the reduction in planned capacity for production of Ammunition 'X' to the extent of 432 units, reduction was effected in the requirements of residential accommodation in the Factory's estate. The land finally acquired was 3036 acres and the additional land not required due to reduced scope of the project has already been surrendered. However, as per recommendation of PAC the issue regarding availability of surplus land if any has been examined and it is confirmed that no surplus land is available for disposal.

[Ministry of Defence (Department of Defence Production)
D.O. No. F. 13(12)/77/D (Projects) dated 8th August, 1978]

Recommendation

It is admitted by Government that they were aware *ah initio* that the plant offered by the foreign Government was deficient in respect of primers and propellant. For supplying the deficiency in regard to the primers, Government sanctioned the setting up of a plant in February 1964 at a cost of Rs. 24.68 lakhs. The indent for the plant was placed on DGS&D in March, 1964 with delivery date as October, 1964. DGS&D, however, placed the order in July, 1964 on a foreign party with delivery date in May, 1965. The plant was, however, actually delivered in July, 1966 and commissioned in January, 1967. Till that time the component had to be imported from abroad. The Committee are unhappy at the long time as much as 3 years taken in procuring and commissioning the plant for manufacturing primers, an essential component of the ammunition. The Committee would like Government to streamline the procedure for procurement of Defence requirement particularly when they are bought from the open market against free foreign exchange.

[S. No. 13(Para 1.78) of Appendix to 3rd Report of PAC
(6th Lok Sabha)]

Action Taken

The Government have already set up a high level Committee under the Chairmanship of Shri V. G. Rajadhyaksha, Member, Planning Commission to make recommendations, *inter-alia*, regarding rationalising and streamlining the procurement procedures. Suitable action will be taken on receipt of the recommendations of the above high level Committee.

[Ministry of Defence (Deptt. of Defence Production)
D.O. No. F. 13(12)/77/D (Projects) dt. 8th August, 1978]

Recommendation

The plant was declared by the foreign Government to be capable of manufacturing 432 units of ammunition per annum on the basis of two 10-hour shifts. Therefore, in a single of 8 hours it should have been capable of producing 168 units of ammunition per annum. The Committee, however, note that in the course of its working since 1965-66, the factory was able to achieve the highest rate of production of 119 units during 1972-73, and that too after working overtime. The low production is attributed to the "quantitatively inadequate" or "qualitatively not matching" inputs such as primers, propellants and tools. In another context it is stated that the plant was not operated in two shifts because it was an old plant. Another reason advanced for low production is the general shortage of trained technical personnel who could handle the type of ammunition being produced in the factory. The Committee would like to point out that the very idea of setting up this factory was to achieve a production of at least 432 units in times of need. Government should,

therefore, endeavour to keep the factory in proper trim so that in times of emergency the factory may be able to achieve the required production to meet the Service requirements.

[S. No. 16 (Para 1.98) of Appendix to 3rd Report of PAC
(6th Lok Sabha)]

Action Taken

The recommendations of the PAC have been noted. It would be possible for this Factory to achieve the required production to meet the Services requirements.

[Ministry of Defence (Deptt. of Defence Production)
D.O. No. F.13(12)/77/D (Projects) dt. 8th August, 1978]

Recommendation

The Committee note that the expenditure on overtime allowance to the factory staff is consistently rising over the years even when the production in the factory has been reduced. In justification of the payment of overtime it has been stated that the workers have become 'used to it' and that this payment 'is a measure of good labour relations'. The Committee are unable to accept this position. They would like Government to explore ways and means of reducing the overtime allowance to keep it within reasonable limits.

[S. No. 17 (Para 1.99) of Appendix to 3rd Report of PAC
(6th Lok Sabha)]

Action Taken

The recommendations of the PAC are noted. The question of grant of overtime was reviewed by DGOF after taking into consideration the work load for production target to be achieved, the actual working hours were reduced from 57 hours a week to 53 hours with effect from April, 1974 and 51 hours a week with effect from August, 1975 onwards. It was further reviewed subsequently and decided that ceiling of 51 hours per week should continue subject to the following guidelines:

Production Section:

Prior sanction of the DGOF for any overtime working will have to be obtained by the GM of the Factory for O.T. working beyond the ceiling of 51 hours a week.

Maintenance Section:

Overtime in the supporting/Maintenance Section has been greatly curtailed. Only casual O.T. may be worked where it is essential and

unavoidable. In Engineering, Drawing, Administration, Estate Office, Labour Bureau and other similar Sections which have no direct bearing on production, O.T. should be curtailed to the maximum extent. Casual O.T. may however, be granted in exceptional cases subject to grant of compensatory off, in lieu thereof.

[Ministry of Defence (Deptt. of Defence Production)
D.O. No. F. 13(12)/77/D (Projects) dt. 8th August, 1978]

Recommendation

The Committee also note that the indent for 360 tarpaulins placed by the Unit on the Ordnance Depot in March, 1972 for covering the ammunition dumps also did not materialise till the onset of monsoon. Explaining the non-supply of the tarpaulins in due time, the Defence Secretary has stated before the Committee that "it is because of the multifarious demands for the same commodity that somewhere there was shortage". He has, however, pleaded that the damage to the ammunition was due to the flooding of the dugouts by water against which the tarpaulins would not have been of much use. The Committee are not satisfied with the reasons advanced for non-supply of tarpaulins to the Unit in due time. Nor does the plea that the existence of the tarpaulins would not have prevented damage to the ammunition mitigate the gravity of the lapse. The Committee would like the Ministry to investigate the reasons for non-matrealisation of the order of the unit before the onset of monsoon and, in the light of the findings, to streamline the supply procedure so that such lapses, which could result in dire consequences affecting the fighting forces do not recur.

[Sl. No. 26(Para 2.50) of Appendix to 3rd Report of PAC (6th Lok Sabha)]

Action Taken

The matter has been examined. Adequate arrangements for keeping the ammunition dry and protect the ammunition from rain and seepage were made by the Unit. All available tarpaulins were used to cover the ammunition. The Court of Inquiry opined that the ammunition was not damaged by rain from above but by flooding of dugouts. As the entire army was in a state of preparedness and employed in the field, there was a general shortage of this item. The concerned Ordnance Depot was maintaining heavy duesout of this item and had issued from WWR stocks in June 1972 Qty 100 out of the Qty. 360 (30' x 30') demanded. Subsequently, alternative tarpaulins size 24' x 18' Qty 200 Nos. were issued on 15th July, 1972. In addition to this quantity, 160 Nos. were issued to them on 20th October 1972.

2. The supply position of tarpaulin was critical at that time. OD Shakurbasti had dues out of this item size 30' x 30' as follows:—

Jan. 72	.	.	.	.	.	1577	Nos.
Apr. 72	.	.	.	.	.	2197	„
Jul. 72	.	.	.	.	.	2495	„
Oct. 72	.	.	.	.	.	1778	„

3. This shortage of tarpaulins was not confined to OD Shakurbasti alone. There was all India shortage of this item. The details of dues out in COD Kanpur which caters for all India requirements, are given as follows:—

Monthwise dues out details during Jan. 72 to Jul. 72

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.
Covers water proof	Nos.	Nos.	Nos.	Nos.	Nos.	Nos.	Nos.
(a) Size '30 x 30'	24450	15687	14513	14456	12646	12851	12447
(b) Size 24' x 18' (Alternative to size 30 x 30')	8917	8957	6940	6740	7562	7892	7744

4. In this connection, it is pointed out that the production of stores to be supplied by DGOF, is periodically reviewed in the Department of Defence Production at the level of Secretary. The DGS&D also, at the level of Secretary, reviews every month the supply position of critical stores indented by Services Headquarters and DGOF.

[Ministry of Defence U.O. No. 2(6)/77/D(O-II) dated 31st July, 1978].

Recommendation

It is admitted that no standard design of layout has been evolved for the dug-outs for storage of ammunition. The Committee consider that it is high time the Ministry evolves on the basis of experience, a standard design or layout of the dug-outs particularly for storing large quantities of ammunition. The Committee would like to be informed in some detail of the concrete measures taken to obviate recurrence of such losses.

[Sl. No. 27 (Para 2.51) of Appendix to 3rd Report of PAC (6th Lok Sabha)]

Action Taken

No standard specification for storing ammunition in dugouts so far their construction is concerned exists and taking a number of diverse factors into account like soil, climate, terrain and nature of stores, the Engineers construct them to suit the specific requirements of the General Staff who control the operation in the area. However, E-in-C's Branch were asked on 6th July, 1976 to carry out an appreciation of dugouts with a view to standardising their layouts in the forward areas. Based on the advice of the E-in-C's Branch, Army HQ/MGO's Br. issued instructions (copy enclosed) on 10th/15th January, 1977 for observing the following precautions so that such exigencies could be avoided in future:—

- (i) Raised bunds and proper drains are constructed all round the dugouts and on both sides of the ramp to prevent the surface water getting ingress into the dug-outs.
- (ii) A small hump should be provided at the beginning of the ramp to divert water from the road to the side drain.
- (iii) Trailer fire pumps are positioned at the appropriate place for dewatering purposes should any accidental flooding occur.
- (iv) Some other measures, e.g. the use of some mechanical device for storing and taking out ammunition and thereby eliminating the need for slope driveway etc. are under examination.

[Ministry of Defence U.O. No. 2(6)/77/D(O-II) dated 31st July, 1978].

Master General of the Ord. Branch
DHQ PO New Delhi-110011.
10/15 Jan. 77.

31584/OS-10A

BsAOC

HQ Southern Command

HQ Eastern Command

MGAOC

HQ Western Command

BsAOC

HQ Central Command

HQ Northern Command

STORAGE OF AMMUNITION IN DUGOUTS

1. Further to this HQ letter No. 31586/OS-IOA dated 2 Sep 76.
2. As you are aware the storage of ammunition in operational conditions normally calls for considerable amount of improvisation. Under

tactical condition they may have to be stored in underground locations i.e. dugouts but there is, a grave danger of flooding specially during monsoon and this has to be guarded against very carefully. Sometime ago considerable loss occurred due to flooding of ammunition which had been stored in dugouts in a certain unit. In this connection, it may be clarified that (*) The dugouts are not specifically a mode of storage for ammunition exclusively and in fact anything can be stored therein under operational conditions. These dugouts do not have any standard specifications so far as their construction is concerned and taking a number of diverse factors into account, like soil, climate, terrain and nature of stores, the Engineers construct them to suit the specific requirements of the General Staff who control the operation in the area.

3. The matter has been gone into in consultation with the E-in-C's Branch at this HQ. It has been decided that where such storage of ammunition in dugouts constructed under orders of General Staff become imperative due to tactical and other considerations it should be ensured that raised bunds and proper drains are constructed alround the dugouts and both sides of the ramp to prevent the surface water getting ingress into the dugouts. A small hamp should be provided at the beginning of the ramp to divert water from the road to the side drains. This should form part of the project for dugout and the concern ammunition depot/depot commanders must ensure that this is done. No deviation will be permitted and in case they find any bottlenecks in its being made, immediate action will be taken by them to apraise the Deptt. as well as staff sides about its implications.

4. It will also be ensured that wherever such dugouts are used, trailer fire pumps are positioned at the appropriate place for dewatering purposes, should any accidental flooding occur. Arrangement for these will be made in consultation with staff.

5. The term "dugout" for ammunition will only be used in correspondence when the same has been constructed by Engineers against authorised project. Where ammunition is being stored under depression made under self help basis, the term "dugout" will NOT be used as it is likely to cause confusion.

6. Please ensure that appropriate instructions are issued to all ammunition depots under your command and you are requested to keep the

*The dugouts are purely tactical devices for protection against enemy observation and action on Forward Defended Localities.

staff at your HQ informed about paras 3 & 4 for action where necessary.

7. Please ack.

8. To be handed over on relief.

Sd/-

A. M. NANDKEOLYAR,

Col.

LDOS (Ops & Adm)

Director of Ordnance Services.

Copy to:—

Comds

COD Jabalpur

CAD Pulgaon

AOC School, Jabalpur—for information.

INTERNAL

BTS&A—for information

OS-10B.

(COPY)

Tele 371386

Thal Sena Mukhalaya/Army Head-
quarters

Ayudh Master General 1 Shakha/

MGO Branch

DHQ PO NEW DELHI-110011.

02 Sep 76

31586/NC/OS-10A

BsAOC

HQ Southern Command

HQ Eastern Command

MGAOC

HQ Western Command

BsAOC

HQ Central Command

HQ Northern Command

UNUSUAL CONCURRENCE—NORTHERN COMMAND

1. Recently a case has come to notice wherein stock in Ammunition Depots were affected by flood. However, due to prompt action taken by the concerned Depot, loss of ammunition was avoided.

2. Depots Commanders may please be advised to take suitable measure much before the commencement of monsoon to avoid damage to stores.

3. The drainage system around the sheds and condition of the sheds needs to be constantly reviewed. Works should be initiated and progressed vigorously as and when necessary.

(Sd.) SAF FERNANDEZ,
Lt. Col.
Offg. DDOS (Ops & Adm)
Director of Ordnance Services.

Copy to:—

Comdts/COOS/OC

COD Jabalpur

CAD Pulgaon

COD Delhi Cantt

COD Agra

COD Kanpur

COD Chheo ki

COD Dehu

CAFVD Kirkee

COD Malad

Comdt AOC School Jabalpur

Comdt AOC Centre Secunderabad

Internal

OS-7

Recommendation

The Committee note that though the incident took place in July, 1972, the loss has not so far been regularised. The Committee stress that cases of such heavy losses should be thoroughly gone into to identify reasons for loss, learn the lessons to obviate recurrence, fix responsibility for lapses etc. but the matters should be brought to a conclusive stage without any delay instead of being carried forward from year to year.

[Sl. No. 28 (Para 2.52) of Appendix to 3rd Report of PAC (6th Lok Sabha)]

Action Taken

The loss of Rs. 99,28,813.96 representing downgraded ammunition items has been regularised *vide* Ministry of Defence letter No. A/13606/

PC-245/OS-10B/1092/S/D(O.II), dated the 16th August, 1977 (copy enclosed).

The observations of the Committee have been noted for compliance in other cases of losses. No individual is to be blamed for loss which is due to natural calamity.

A statement explaining the delay in the regularisation of loss is attached.

[Ministry of Defence U.O. No. 2(6)/77/D(O-II) dated 31st July, 1978].

No. A/13606/PC-245/OS-10B/1092/S/D(O.II)

Government of India.

Ministry of Defence,

New Delhi, the 16th Aug., 1977

To

The Chief of the Army Staff,

SUBJECT: *Regularisation of a loss of Rs. 99,28,813.96 in 17 FAD.*

Sir,

I am directed to convey the sanction of the President to the write off of a loss of Rs. 99,28,813.96 (Rupees ninety-nine lakhs twenty eight thousand, eight hundred thirteen and Paise ninety six only) representing the value of 134 UNS and 30 RMJ ammunition items downgraded from SER having been affected by unprecedented rains from 1—12 July 72 in 17 FAD.

Yours faithfully,

Sd/-

J. K. GODRA,

Under Secretary to the Government of India.

Copy to:—

CGDA DADS CDAs/WC-Meerut SDDA, DS/WC MGO (15 copies)
DFA(O)-with a copy of statement of case. The DFA(B)-with a copy of statement of case.

Copy signed in ink forwarded to CDA/WC-Meerut.

A/13606/PC-245/OS-105

DELAY REPORT

- 14 Aug. 71—Ammunition Det was sent out from HQ 17 FAD in the wake of 1971 operation and started functioning at ABOD.
- 19 Oct. 71—Due to operational necessity, Det at ABHOR was ordered to move to BHATINDA *vide* HQ Western Command Signal No. 1721 dated 19 Oct. 71.
- 23 Oct. 71—Ammunition Det at BHATINDA became functional under AMA BHATINDA. It was placed on War System of Accounting.
- 30 Nov. 71—Rs. 1.50 lakhs sanctioned for provision of Dugouts so that ammunition could be placed below ground level due to tactical and operational reason. 144 Dugouts were constructed in Nov. 71 to June. 72.
- 16 Dec. 71—Pak Aircrafts flew over AMA BHATINDA thrice but could not locate the ammunition Det as ammunition was placed in dugouts. They instead bombed railway station Bhatinda and nearby villages and flew away.
- 5 Jan. 72—A Conference was held to decide on the mode of storage of ammunition.
- Jan. 72 to July 72—The operational situation remained fluid till the summit conference. Due to tactical and operational reasons ammunition was continued to be held in dugouts.
- 7 July to 12 July 72—Heavy rains amounting to 62 per cent of the average annual rainfall resulted in dugouts getting flooded and subsequent damage/loss to ammunition.
- 20 July 72—Dugouts were cleared. Due to excessive flooding of dugouts specially due to the heavy down pour on the night of 11/12 July 72 the operation of evacuation of ammunition was hampered.
- 9 Aug. 72 to 14 Aug. 72—Staff Court of Inquiry assembled and investigated the circumstances under which ammunition held in the dugouts was affected.
- 9 Aug. 72—Staff Court of Inquiry ordered by Ambala Sub Area.

- 25 Aug. 72—Commander Ambala Sub Area concurred with the opinion of the Court of Inquiry. He opined that ammunition could not have been stacked above ground due to tactical and operational reasons and that all efforts were made to retrieve the ammunition.
- 31 Aug. 72—GOC PE and HP Area concurred with the opinion of the Court and that of Commander Ambala Sub Area.
- 15 July 72 to 2 Sept. 72—Handing/Taking over the detachment between 17 FAD and AD HISSAR (Now AD BHATINDA) is completed.
- 18 Oct. 72—The GOC-in-C HQ Western Command opined that Amn. was stored in dugouts due to tactical and operational reasons. He held that damage to the ammunition was due to natural calamity and no individual/individuals can be blamed for the damage.
- Ambala Sub Area asked AD HISSAR (Now AD BHATINDA) to initiate a loss statement for the loss of ammunition.
- AD HISSAR (Now AD BHATINDA) requested 17 FAD to initiate the loss statement as loss occurred when the detachment was under 17 FAD.
- 9 Feb. 73—Loss statement No. 17 FAD/06/LS/Amn. dated 9 Feb. 73 for Rs. 86,82,015.80 (latest revised to Rs. 99,28,813.96) was forwarded to DDA Western Command Meerut for examining the case.
- 8 Mar. 73—Loss statement forwarded to LAO Ferozapore.
- 27 Mar. 73—Loss statement received back from LAO Ferozapore stating that Audit of this unit was not carried out by LAO Ferozapore. They advised 17 FAD to send it to CDA Western Command Meerut for further action.
- Loss statement sent to CDA Western Command Meerut.
- 5 May 73—LAD Ludhiana raised an objection stating that loss statement No. 17 FAD/06/LS/Amn. dated 9 Feb. 73 needed CFA sanction.
- 16 June 73—Loss statement received back from CDA Western Command without audit remarks.

- 25 July 73—Loss statement resubmitted to CDA Western Command Meerut for audit remarks and advice.
- 5 Sep. 73—Loss statement received back from CDA Western Command Meerut with the following remarks:—
- “The rates of the items in Appendix ‘A’ to the loss statement are not available in this office. Copies of the letters from where the rates have been taken may please be sent to this Office to take further action.
- 2 Feb. 74—Loss statement was revised for Rs. 99,28,813.96 and resubmitted to CDA Western Command through SLA Ludhiana with all necessary documents.
- 19 Feb. 74—The loss statement was forwarded to CDA Western Command by SLA Ludhiana without audit remarks requesting CDA Western Command to forward the case to the LAD in whose audit jurisdiction Det Bhatinda was located.
- 9 April 74—Loss statement received back from CDA Western Command asking the unit to send it to the LAO concerned.
- 18 April 74—Loss statement forwarded to SLA Ludhiana.
- 22 April 74—Loss statement received back from SLA Ludhiana stating that the store account of the Det Bhatinda was not audited by that office. Therefore, the loss statement was to be sent to SLA/LAD concerned in whose audit jurisdiction Det Bhatinda was located.
- 26 April 74—Loss statement sent back to CDA Western Command stating that the CTC of the letters in which ammunition items were priced was not found attached. CDA ruled that loss statement be handled by SLA Ludhiana.
- 6 June 74—Loss statement forwarded to SLA Ludhiana once again enclosing CTCs of the letters received from CAD Pulgaon regarding pricing.
- 24 July 74—statement received back from SLA Ludhiana alongwith copy of the letter No. 1102/H-15/73-74/RM dated 25 May 74 from asking for information on the loss.
- 25 Aug. 74—Requisite information called for by the Sr. Dy. DADS Western Command furnished to LAD Ludhiana. A copy of this letter was endorsed to CDA Western Command wherein

- it was stated that considerable time was being taken in processing the loss statement the delay for which this unit was not responsible.
- 27 Aug. 74—CDA Western Command advised SLA Ludhiana to forward the case to LAG Ferozapore.
- 17 Sep. 74—Loss statement forwarded by SLA Ludhiana to LAD (C) Ferozapore.
- 4 Jan. 75—Section Officer Western Command Audit Party asked for some more information on the loss at Det Bhatinda.
- 17 Jan. 75—Requisite information submitted to the Section Officer WC.
- 14 May 75—Letter received from Sr. Dy. DADS WC calling for a copy of the loss statement after it was received back from CD—A WC.
- 3 June 75—Sr. Dy. DADS WC was requested to call for the loss statement direct from CDA WC as both the offices were located in the same station.
- 30 June 75—This unit intimated CDA WC that the Bhatinda case was handled by 17 FAD in the first instance to avoid delay and that further progressing of the case be entrusted to AD HISSAR (Now AD BHATINDA) as per the normal and norms of audit as the det went under command of AD HISSAR (Now AD BHATINDA) in Sept. 72.
- 10 Oct. 75—Draft Para for the report of C&AG of India dated 25 Sept. 75 received through LAD Ludhiana.
- 19 Oct. 75—Loss statement received back from CDA WC for re-submission alongwith upto date delay report and statement of case.
- 28 Oct. 75—17 FAD was directed by MGAOC HQ WC to continue to handle this case.
- 4 Nov. 75—Relevant files available with AD BHATINDA was called for by 17 FAD.
- 11 Nov. 75—Sentencewise comments offered to Army HQ *vide* 17 FAD letter No. 2701/23/DAO dated 11 Nov. 75.
- 14 Nov. 75—Army HQ (O plus 10B) asked this unit to intimate the present position on the loss statement.

- 24 Nov. 75—Army HQ was told by 17 FAD that files held with them are required for preparation of upto date delay report.
- 9 Feb. 76—Army HQ asked for a copy of loss statement with enclosure.
- 19 Feb. 76—Revised Draft para for the report of C&AG of Ind. received from Army HQ. 17 FAD was directed that the loss statement will not be held up merely for preparation of delay report.
- 12 Mar. 76—Loss statement forwarded to LAD Ludhiana along with statement of case less delay report.
- 12 March 76—Information required by Army HQ on revised draft para was furnished.
- 17 April 76—Loss statement received back from LAD Ludhiana stating that the sanction of the Government of India, is required.
- 20 April 76—Loss statement sent to CDA WC for offering the final audit report and onward submission to HQ WC.
- 10 May 76—Some more information called for by Army HQ on the case.
- 3 June 76—Available information forwarded to Army HQ.
- 24 Sept. 76—Army HQ forwarded loss statement and connected papers for endorsement of recommendations of MGA Western Command.
- 9 Oct. 76—MGAOC WC endorsed recommendations.
- 26 Oct. 76—Case put up to Ministry of Defence.
- 20 Nov. 76—Min. of Def. advised to show the case to PSO for approval before putting up the case to RM/RUM for approval.
- 26 Nov. 76—Case resubmitted to Ministry of Defence.
- 10 Jan. 77—Min. of Def. advised revision/amplification of Statement of case.
- 18 Jan. 77—Statement of case revised.
- 20 Feb. 77—Case examined by DS(O).

26 Feb. 77—Case seen by Raksha Mantri. Approval obtained.

27 June 77—Approval of Finance Ministry accorded.

6 July 77—Min. of Fin. (Def.) approval the draft Government letter.

27 July 77—Fair copies of Statement of Case furnished by Army HQ.

16 Aug. 77—Government letter issued.

CHAPTER III

RECOMMENDATIONS AND OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES RECEIVED FROM GOVERNMENT

Recommendation

The Committee find that factory 'A' commenced production in 1962-63 and the low out-turn and heavy rejections were a regular feature right from the very beginning. In 1963, *i.e.*, nearly a year before the new weapon was induced into the army the factory had proposed its modernisation by procurement of new machines for production of ammunition 'X' but this could not be accepted due to financial reasons "possibly because factory 'C' was then being planned." It was only in 1968 when the old plant of the factory "lost its capability resulting in heavy rejections and unreliable production" that a technical investigation was carried out in 1969 by the Director General of Inspection. The report of this investigation confirmed that the root-cause of unsatisfactory performance was "old and unreliable machines and inadequate tooling". Following the findings of the Director General of Inspection, a scheme for modernisation of the factory was approved by Government in April, 1971 and the DGOF was authorised to place direct orders for the procurement of plant and machinery. These new machines were expected to be in position in three years' time, *i.e.* by 1974. The indents for 159 machines were placed during September 1972 and these were received between January 1974 and September 1975. Out of these 154 machines were commissioned between January 1975 and April 1976 and 5 machines were not commissioned by May 1976 when the information was furnished by DGOF to Audit. The Committee are surprised that no action was taken to equip factory 'A' for production of ammunition 'X' until 1971 even though right from 1962-63 when the factory commenced production it was showing low out-turn and sub-standard production leading to heavy rejections. The Committee desire that the causes for this inaction for a period of 9 years from 1962 to 1971 should be gone into and the responsibility therefor fixed. Even when DGOF was given a green signal in early 1971 to procure the plant and equipment needed for modernising the factory, it took as much as 4 to 5 years for the new plant and machinery to be commissioned. The Committee would

like Government to examine as to what extent the time taken in procurement, installation and commissioning of the new machinery could have been reduced by rationalising and streamlining the procurement procedures.

[S. No. 1 (Para 1.39) of Appendix to 3rd Report of PAC
(6th Lok Sabha)]

Action Taken

The plant available at factory 'A' for production of ammunition 'X' was an old plant procured in the early 40s for production of ammunition 'Y'. This plant, which was a used plant obtained from UK, Canada and Australia, and was commissioned at factory 'A' after renovation, had worked more than its normal useful life in producing to full capacity during the entire period of World War II and thereafter till 1960-61. When production of ammunition 'X' was commenced in 1962-63 at the above available plant, there were strong misgivings and apprehensions with regard to the suitability of the plant to undertake production of ammunition 'X'. It has been correctly stated by the Public Accounts Committee that the proposals for modernisation of the plant for production of ammunition 'X' could not be accepted due to financial reasons as another Factory 'C' was being planned for production of ammunition 'X'. Two courses were open to Government either produce ammunition 'X' with the old plant or to import the said ammunition. The first choice was definitely in the interest of Government, as it conserved the then scarce valuable foreign exchange. It may be pointed out that the plant at factory 'A' was able to cope with the requirements of the ammunitions during the 1965 and 1971 conflicts. The factory 'A' produced 6798 million rounds of ammunition worth Rs. 53.70 crores of acceptable production.

2. The problem regarding unsatisfactory performance of the plant was highlighted only by 1968-69 when the ammunition 'X' was required to be used in two additional new weapons (Bolt Action Rifle and Medium Machine Gun) introduced in use in the services. Prior to this, the ammunition was being accepted for satisfactory performance in the Light Machine Guns and Ishapore Rifles. Accordingly DGOF had submitted proposals for modernisation of the plant and equipment at factory 'A'. Since the old plant was not capable to meet the required standards regarding dimensional tolerances, performance reliability, Government sanctioned the modernisation of the plant and equipment in April, 1971.

3. It would be seen from the above that best use of the available plant was made in the production of ammunition indigenously to meet essential service requirements. There was no inaction on the part of the Director General of Ordnance Factories in not submitting proposals for modernisation/replacement of the old plant and equipment at factory 'A'.

As stated above, it had been visualised even in 1962-63 that the plant would require modernisation/replacement, but the same could not be agreed by Government due to financial constraints. It is, therefore, considered that the question of fixing responsibility in this case would not appear to arise.

4. As regards the observations of the P.A.C. that 4 to 5 years were taken for commissioning of the new plant and machinery after it was sanctioned in 1971, it may be stated that it would be clear from the following chronological details that the time taken was the minimum as per the existing procedure :

April, 71—Government sanction issued.

June, 71—Tender Enquiry after preparation of Specifications for the machines.

Oct., 71—Quotations received.

Dec., 71—Comparative Statement of Tenders were prepared and recommended by the Factory.

March, 72 to May, 72—Letters of Intent issued.

Sep., 72—Supply orders for all the machines made.

Jan., 74 to Sep., 75—Machines (154 Nos.) received.

Jan., 75 to April, 76—Machines erected and commissioned.

It will be seen from the above chronological details that the plant and equipment was received in three years time, while one year was initially taken by DGOF to place orders|letters of intent and erection|commissioning of the machines took about one year. It would be seen that there was no undue delay in taking procurement action or erection/commissioning of the plant and equipment. The question of rationalising and streamlining the procurement procedures is being separately examined by a high level Committee appointed by the Government. Suitable action would be taken on receipt of the recommendations of this Committee.

[Ministry of Defence (Deptt. of Defence Production) D.O. No. F. 13(12)/77/D(Projects) dated 8 August, 1978]

Recommendation

The Committee are distressed at the accumulation of rejected ammunition in factory 'A'. The increase in rejections is attributed to the Inspectorate having "procured new gauging and inspection machines which could assist in weeding the defective ammunition." It is maintained that "as

the production had to be continued.ammunition not coming to standard was kept aside (and) it had resulted in accumulation." The Committee consider that it was not desirable to continue production of sub-standard ammunition by the factory just for the reason that "the production had to be continued" as it was a wasteful consumption of labour and scarce raw materials and components some of which were imported.

[S. No. 2 (Para 1.40) of 3rd Report of the PAC, 1977-78
(6th Lok Sabha)]

Action taken

It has been clearly mentioned in the Action Taken Note in respect of Recommendation No. 1.39 of the P.A.C. that the plant and equipment for production of ammunition 'X' available at Factory 'A' was old. The circumstances under which the production at the old plant had to be continued have been explained in the above mentioned Action Taken Note. There was no other choice but to continue with the indigenous production of the Ammunition 'X' at Factory 'A'. The ammunition produced at the Factory 'A' was generally acceptable for the Light Machine Guns and Ishapore Rifles. However, when the Medium Machine Guns and Bolt Action Rifles were introduced in service, the Ammunition 'X' produced at Factory 'A' was not found to be acceptable from reliability and tolerance points of view.

2. Apart from the above reasons for continuing the production of Ammunition 'X' at Factory 'A', there were certain technical reasons on account of which the production had to be continued. For the Production of Small Arms Ammunition very high speed machines, producing 100 to 120 components per minute, are used which require precision, correct to the 3rd place of decimal. Great stress is placed on the reliability and capability of the machines to produce the stores within the acceptable limits at such fast speeds. These machines, when unable to live upto such high standards of accuracy within the normal acceptable limits are to be discarded and replacements made. In this particular case, when the replacement of complete plant was not possible due to financial constraints, a compromise working had to be evolved, wherein maximum acceptable production could be achieved either by frequent stoppages and re-setting of the machines or by working the machines to the base and weeding out the un-acceptables. At this high rate of production, a large number of machines are simultaneously engaged on same operation working at this high rate and level of production. Experts on production of Small Arms Ammunition throughout the world believe and accept it as a normal working that production of Small Arms Ammunition should continue at all costs. Any stoppage in mid-stream resulting in total suspension of production cannot ensure production being free from new problems being encountered when it is

recommended after a total stoppage. It has been estimated that non-stoppage of production and encountering the problems due to higher rejections, even on economic grounds, sounded to be a better proposition than complete stoppage and encountering the new troubles later on.

3. It may be pointed out that the bulk of the rejected ammunition at Factory 'A' has already been disposed of to certain foreign parties which were interested in the sub-standard ammunition and valuable foreign exchange has been earned by the sale of sub-standard ammunition.

[Ministry of Defence (Deptt. of Defence Production) D.O. No. F. 13(12)/77/D(Projects) dated 8th August, 1978]

Recommendation

From the facts placed before the Committee, they infer that production capacity of this factory had not been properly investigated before planning production. This is evident from the fact that production of ammunition 'X' was started in this factory on the assumption that the available capacity for manufacture of empty components of the old ammunition could be straightaway translated for production of components of new ammunition, which, however, did not materialise due to the outdated equipment. When the production of the new ammunition was taken up the result was the same as in Factory 'A' viz. only a certain percentage of equipment was found suitable for producing the new ammunition. The rate of annual production during the period 1965-66 to 1973-74 averaged barely 28 units as against the target annual production of 84 units. Not only that, there were large scale rejections also. The rejections and low production are sought to be attributed to the tightening of inspection standards. The Committee is not prepared to accept this plea as the inspection system appeared to be lax earlier.

[Sl. No. 7 (Para 1.55) of Appendix to 3rd Report of PAC,
(6th Lok Sabha)]

Action taken

The plant at Factory 'B' was provided during World War II between 1942 to 1945 and engaged in the production of ammunition 'XZ' to meet the requirements during that period. Subsequently, the plant was used for manufacture of ammunition 'Y'. However, when the proposal for production of new ammunition 'X' was mooted in 1963, the planning was based on the limited experience gained with the manufacture of the ammunition 'XZ' and 'Y' produced earlier. It was presumed that changes involved would be to the extent of change of tools and minor modifications of the plant. However, on establishment of the bulk production of

the new ammunition 'X' it was experienced that the required production capacity could not be achieved.

Initially the standards of acceptance of ammunition in factory 'B' were based on the suitability of ammunition in 2 types of weapons for which they were tested. At a stage when 2 additional weapons were introduced further measures had to be introduced in order to enable the ammunitions produced at this Factory to become suitable for additional 2 weapons to the extent that relative standards were stricter than the previous one and need not be taken to mean that the earlier standards were lax or less rigid.

[Ministry of Defence (Deptt. of Defence Production) D.O. No. F. 13(12)/77/D(Projects) dated 8th August, 1978]

Recommendation

The facts placed before the Committee in regard to factory 'C' reveal a sorry state of affairs. The setting up of this factory mainly for manufacturing ammunition 'X' was conceived in the wake of an emergent situation suddenly arising in 1962. Apart from the production capacity of about 8 units per annum in the existing factories 'A' and 'B' the additional requirements of ammunition 'X' was estimated as 600 units per annum. A new factory with a capacity of producing 600 units per annum was sanctioned by the Cabinet in February, 1963. A Technical Committee which visited a foreign country in April, 1963 to assess in detail the suitability or otherwise of a plant offered free for production of ammunition 'X' by that country "after visual examination of the equipment" opined that the plant, which was then producing some other type of ammunition, could, with suitable modifications, be counted upon to produce ammunition 'X'. The Committee assessed the production capacity of the plant as 600 units per annum. This was followed by a formal offer of free supply of the plant which was accepted by Government in September, 1963. In the offer, however, the foreign country declared the production capacity of the plant as 432 units per annum only. The foreign country also undertook to renovate and modify the plant to make it suitable for the manufacture of new ammunition at our cost which come to be Rs. 46.47 lakhs in foreign exchange. Thus an old plant producing some other kind of ammunition in the foreign country which was to be renovated and modified for production of ammunition 'X' and which had a production capacity for less than the assessed requirements was accepted in utter disregard of the standard expected of a production unit manufacturing ammunition for the use of defence forces. The reasons given for acceptance of such a plant are:

- (i) Saving of foreign exchange as the plant was being offered free;
- (ii) Urgency for setting up the production capacity; and

- (iii) The plant was stated to be accompanied with transfer of whole technology and documentation free of cost.

It was known *ab initio* that the plant did not have the facilities for producing two essential components of the ammunition 'X' i.e. the primer and the propellant. In addition to the deficiency in respect of these components, a tool-room facility had also to be set up in the factory. The foreign country undertook to supply the components and the tools to the factory until these facilities were fully established in the country.

[Sl. Nos. 8-9 (Paras 1.67 and 1.68) of Appendix to 3rd Report of PAC (6th Lok Sabha)]

Action taken

The position stated by the PAC is correct. In the context of the emergency situation which developed in 1962 and in view of the scarce foreign exchange position at that time, the offer of foreign Government was considered the best in those circumstances and was availed of. The Technical Committee of officers who visited the foreign country in April, 1963 had assessed that the plant was in reasonably good condition and after renovation and modification, would be suitable for the manufacture of the new ammunition 'X' at factory 'C'. Subsequently, the situation changed due to political reasons and best use had to be made of the plant in the circumstances. It was known that the plant offered did not provide for certain major facilities in the area of manufacture of non-ferrous strips and equipment for manufacture of ingredients of cap composition and for mixing and loading in caps. In the changed political situation, the above deficient equipment were proved under own arrangements.

2. If the plant had not been procured from foreign Government, it would not have been possible to get this plant from some other country, since the ammunition 'X' was to be manufactured according to NATO design. It may be pointed out that, had the plant not been procured from foreign Government, we would have incurred heavy expenditure on the import of ammunition 'X' according to NATO design, to meet the requirement of Services.

[Ministry of Defence (Deptt. of Defence Production) D.O. No. F. 13(12)/77/D(Projects) dated 8th August, 1978]

Recommendation

As regards the propellant, the Committee learn that it has not yet been possible to develop this component to suit the requirements of ammunition 'X', although efforts were being made to this end in an ordnance factory producing another type of propellant. The Committee are informed

that in 1975 the problem was referred to Defence, Research & Development Organisation. The Committee feel that it should have been possible to develop the required propellant during the last 13 years if concerted efforts were made in this direction by pooling the technical know-how available for development in the field, be it the ordnance factory or the Defence, Research and Development Organisations. The Committee are surprised that DGOF thought it proper to refer the problem to the Defence, Research & Development Organisation only in 1975, even though it was known to Government right at the initial stage that the imported plant for the manufacture of the ammunition did not include this facility and that for this component we would have to depend upon either imports or indigenous development. The absence of a locally manufactured propellant for this ammunition has resulted in imports amounting to Rs. 2.45 crores by January, 1976. This is yet another instance of lack of advance planning on the part of the Ministry. The Committee hope that the Defence, Research & Development Organisation would tackle this problem on priority basis and try to develop the propellant within the shortest possible time so as to obviate imports and make the country self-sufficient in regard to the manufacture of ammunition 'X'.

[Sl. No. 14 (Para 1.79) of Appendix to 3rd Report of PAC,
(6th Lok Sabha)]

Action taken

It may be pointed out that no development was necessary for production of the propellant required for manufacture of ammunition 'X' at Factory 'C'. The composition of the propellant was known to DGOF. However, the facilities in the Ordnance Factories were not suitable for undertaking manufacture of the required propellant. The reference to Research and Development Organisation in 1975 mentioned by the PAC related to a short term solution to utilise in Factory 'C' available stocks of propellant produced indigenously at another Factory for utilisation in production of Ammunition 'X' at Factory 'A' and 'B'. It did not relate to development of the new propellant for use in the production of Ammunition 'X' at Factory 'C'.

2. At the time of commissioning of Factory 'C', it was envisaged to set up another Factory for manufacture of propellant required for ammunition 'X' at Factory 'C'. This project had to be shelved due to financial constraints. In the circumstances there was no other option but to import this propellant. To meet the long term requirement of Factory 'C' it has been decided to set up facilities at the New Propellant Factory at Itarsi for production of the required propellant and till such facilities are established, there is no alternative but to import the propellant for manufacture of the ammunition at Factory 'C'. It is expected that the production

of required propellant would commence in the new factory at Itarsi by 1981-82.

[Ministry of Defence (Department of Defence Production)
D.O. No. F. 13(12)/77-D/(Projects) dated 8th August, 1978]

Recommendation

The Committee note that the Government sanction for purchase and installation of tool-room facilities in factory 'C' was issued in February 1964. The installation and commissioning of the tool-room equipment was, however, spread over a period of 5 years from 1965 to 1969. Meanwhile, the requirements of tools and gauges for the factory had to be met out of imports and during the period 1965-66, when the production commenced in the factory, to 1972-73 a sum of Rs. 69.19 lakhs was spent on imports on this account. The Committee regret that it should have taken Government as long as 5 years to install and commission the equipment for the tool-room which is an absolute necessity for any large-scale self-contained production unit.

[Sl. No. 15 (Para 1.85) of Appendix to 3rd Report of PAC
(6th Lok Sabha)]

Action taken

The plant and equipment for the Tool Room for Factory 'C' were ordered without any delay in 1964 itself. The plant and machinery which were received between 1964—68 were initially erected and commissioned in phases during 65-66 and trickle production of tools started since 1966-67.

2. It may be pointed out that high precision machines are required for production of tools for manufacture of Small Arms ammunition. The skills for manufacture of tools is built over a period of time. Till the production of Tools at Factory 'C' was satisfactorily established, the tools had to be imported for meeting production requirements.

[Ministry of Defence (Deptt. of Defence Production) D.O. No.
F. 13(12)/77-D (Projects) dated 8th August, 1978]

Recommendation

The Committee find that as the packing machines supplied by the foreign country along with the main plant were found to be defective, the demand for new machines was projected by DGOF in September 1968. The contract for their supply was placed by the DGS&D on M/s. Voltas Ltd., Bombay in July 1970 at a cost of Rs. 4 lakhs. The new machines

were received in September 1972 and commissioned in March 1973. Since the factory commenced production in 1965-66 the defects in the packing machines must have come to the notice of the management in that year itself. The Committee are, therefore, unable to appreciate the delay on the part of DGOF of well over 2 years in projecting the demand for new machines on DGS&D. The Committee also note that it took almost 2 years for DGS&D to place the contract for the machines on M/s. Voltas Ltd., Bombay and another 2 years for this firm to supply the machines. The Committee regret the leisurely way of handling the matter by the DGOF and the DGS&D.

[Sl. No. 19 (Para 1.106) of Appendix to 3rd Report of PAC
(6th Lok Sabha)]

Action taken

The machines as originally received were not defective, but had been meant for belting of ammunition 'Z' and could not be used as such for the belting of ammunition 'X'. Efforts were made in the factory 'C' itself to modify the machines suitably for use in belting of ammunition 'X'. One of the machines was subsequently sent for suitable modification at another factory. However, as the efforts for modification were not giving satisfactory results, action was initiated by the factory 'C' to procure new machines and a demand was projected by DGOF on DGS&D in September, 1968.

The period of 2 years in finalising the contract by DGS&D is considered reasonable as these machines are of special purpose, acceptance of which has to be done with due care. So also, once the machines have been manufactured against the order the same have to be duly tested for satisfactory performance before the same are accepted for despatch. The machines were subsequently received and taken over for current production.

[Ministry of Defence (Deptt. of Defence Production) D.O. No.
F. 13(12)/77-D (Projects) dated 8th August, 1978]

Recommendation

The Committee are given to understand that the ammunition was stored in the dug-outs during the period of hostilities with Pakistan on tactical considerations. The hostilities ended on 18 December, 1971 and the Simla Agreement was signed on 2 July, 1972. Yet the ammunition continued to be stored in the dug-outs. Explaining the reasons for continuing to store the ammunition in the dug-outs, the Defence Secretary has, during evidence, stated that "the Armed Forces have to be in a State of alert particularly under conditions which are often described as 'no war no

peace' ". The Committee have, however an impression that the question of removing the ammunition to overground positions as a precautionary measure against the impending rains was not considered with sense of urgency by the authorities concerned. In fact that the decision earlier taken to construct overground plinths was counter-manded because the authorities felt that 'the situation has not improved to such an extent that we can countenance the removal of dug-outs.'

[Sl. No. 21 (Para 2.45) of Appendix to 3rd Report of P.A.C.
(6th Lok Sabha)]

Action taken

The question of continued storage of ammunition in the dug-outs, which were primarily constructed to provide protection against surprise enemy air strikes, after the hostilities had ended on 18th December, 1971 needs to be viewed in the overall context of fluid tactical situation prevailing during that period. It is pertinent to mention here that even after the declaration of cease-fire, situation continued to remain uncertain and tense and did not get diffused on the borders where troops had to remain in a state of operational alertness. The overall situation gradually improved with the signing of Simla Agreement (July 1972) and subsequent vacation of occupied territory. The situation demanded utmost caution and the decision in favour of continued storage of ammunition in the dug-outs which were constructed after considerable planning and forethought was taken by the General Staff in the best interest of the security of the country.

Apart from security reasons as explained above, the administrative problems involved in shifting over 5,000 tonnes of heavy ammunition to suitable overground location are also considerable. The time, cost and effort involved for this exercise has also to be taken into account. Unfortunately natural calamity of unprecedented magnitude which resulted in the damage to only 13 per cent of the ammunition due to flooding of the dug-outs could not be foreseen by the local authorities who had taken certain precautionary measures to protect the ammunition against normal vagaries of weather.

The rainfall in that particular week was unprecedented and this led to the collapse of all the precautionary arrangements made by way of dunnage, parapet walls and bunds which would have normally withstood normal monsoon without any damage to ammunition. The local authorities had considered after detailed appreciation of all factors which meant even appreciation of rain factors, that tactical situation did not warrant the storage of ammunition over-ground on plinths. For this reason the dug-outs were made 1.5 metres deep with a parapet of 0.73 metre on

the sides. The slope of the floor of the dugouts was in such a manner that water drains to one side, where at either corners soakage pits were provided. Drains on the sides of the floor on the dugouts were also provided.

The decision not to store the ammunition overground on plinths was based on the over-riding consideration of security and tactical situation obtaining during the period. The choice of the mode of storage has been fully vindicated as the ammunition was saved from the air raids of the PAK Air Force due to protection afforded by the dugouts. The consequences of destruction of such huge quantity of ammunition by the enemy air strikes could have been most hazardous and the loss would have been of greater magnitude and would have had greater repercussions.

[Ministry of Defence U.O. No. 2(6)/77-D(O-II) dated 31st July, 1978].

Recommendation

The Ministry of Defence have stated (i) that the damage to the ammunition was caused mainly due to unprecedented excessive rainfall in 1972, 62 per cent of which was concentrated in the week in which the flooding took place, and (ii) that all reasonable precautions were taken to protect the ammunition. The Committee have no desire to controvert the contention of the authorities that the rains were 'unprecedented' on the basis of a plethora of data—some of which are conflicting—made available to them, but they would like to point out that the vagaries of monsoon are a phenomenon not unknown in India and, therefore, they should not be advanced as a cause majeure for the events which happened and put up as convenient excuses to cover up the human lapses in taking advance precautionary measures.

[Sl. No. 22 (Para 2.45) of Appendix to 3rd Report of the PAC (6th Lok Sabha)]

Action taken

The possibility of dugouts being flooded was not wholly ruled out as the authorities had taken the following precautionary measures:—

- (i) Soakage pits on either side were provided to drain out excess water in case of their flooding on account of rain.
- (ii) Improvised dunnage was also provided.
- (iii) Earthen bunds were raised on the approach road to dugouts.

2. These measures proved adequate against the normal vagaries of monsoon. The scattered rain during 5th—7th July, 1972 did not cause

any damage either to dugouts or to the ammunition stored therein as no flooding took place. It would, therefore, be seen that reasonable advance precautionary measures were taken by the authorities. The authorities had not anticipated natural calamity of such magnitude. It will be appreciated that dugouts were put to use during November, 1971 to June 1972 and the unprecedented heavy and incessant rain led to flooding of whole area during the very first monsoon after these were put to use.

3. In operations certain risks and losses are involved and these had to be accepted as a normal course of events. If the ammunition had not been stored in the dugouts and kept overground, the loss by way of being successful targets in the enemy air action would have been much higher. Wars would continue to create such situations. The storage of ammunition in dugouts is not the normal practice but in forward areas under operational conditions only these are resorted to for storing ammunition. Whatever precautionary arrangements were made provided for sufficient assurance level against the monsoon. It will be appreciated that it is not human possible for 100 per cent assurance level against all the natural calamities and even if an attempt is made, it will not be commensurate with the results achieved. Therefore, considering all the factors, a balance has to be struck which was duly done in this case. However, in the light of this experience further remedial measures have been considered for adoption as explained in the action taken note on the recommendations at Sr. No. 27 (Para 2.51).

[Ministry of Defence U.O. No. 2(6)/77-D(O-II) dated
31st July, 1978].

Recommendation

As far the statement that 'reasonable precautions' were taken, the Committee would like to point out that even if advance planning was not possible in the circumstances, the light showers from 5 to 7 July, 1972 should have forewarned the authorities of the danger of a possible heavy rainfall in subsequent days and immediate steps should have been taken to remove the ammunition from the dugouts to safer position. But evidently this matter did not receive the attention that it deserved leading to a huge loss not only in terms of cost of ammunition but also in physical terms involving irreparable damage to costly imported ammunition.

[Sl. No. 23 (Para 2.47) of Appendix to 3rd Report of PAC
(6th Lok Sabha)]

Action taken

As regards the observation of the PAC that after the light showers from 5 to 7 July 1972 authorities should have anticipated the danger of possible heavy rainfall in subsequent days and, therefore, should have taken immediate steps to remove the ammunition from the dugouts to safer position, it is reiterated that the precautionary measures taken by the authorities proved adequate and no flooding took place during 5—7 July 1972 due to scattered rains. As stated earlier, General Staff had taken on 5-1-1972 in a Conference presided over by Brig. Incharge Administrative HQ West Command calculated decision in favour of continued storage of ammunition in dugouts and therefore, the question of shifting the ammunition to overground location due to light showers did not arise. Further, the magnitude of shifting the ammunition from the dugouts to overground storing position is considerable. Even if such an action had been initiated, it would not have been possible to complete the job before the heavy showers on July 8, 9, 11, 12, 1972. Carrying out this hazardous work under the adverse weather conditions prevailing then should also be appreciated.

[Ministry of Defence U.O. No. 2(6)/77-D(O-II) dated
31st July, 1978].

Recommendation

The Committee note that a decision was taken in January, 1972 to acquire 65,000 concrete dunnage blocks for the protection of the stored ammunition. As against the number ordered, only 16,000 blocks were delivered to the Unit until July, 1972. Explaining the reasons for the non-delivery of a sizeable part of the order before the onset of the monsoon, Ministry of Defence have stated that "at this stage it has not been possible to ascertain the exact reasons but presumably the Engineers who were to fabricate these items were pre-occupied with other works." They also note the view of the Ministry that the "non-availability of the blocks did not in any way affect the storage because alternative dunnage through improvised means had been provided."

[Sl. No. 24 (Para 2.48) of Appendix to 3rd Report of PAC
(6th Lok Sabha)]

Action Taken

As regards non-supply of full quantity of concrete blocks for the purpose of providing dunnage, it is submitted that the ammunition in the dugouts was stacked on alternative dunnage. This aspect has already been

examined by the Staff Court of Inquiry and according to their findings, damage to ammunition stacked on dunnage was due to flooding of dugouts.

[Ministry of Defence U.O. No. 2(6)/77/D (O-II)
dated 31st July, 1978]

Recommendation

The Committee would like the Ministry to have it investigated by technical experts as to whether the use of proper dunnage blocks in the dugouts would have saved any part of the ammunition. They also desire that the Ministry should institute an Inquiry into the reasons for non-delivery of the requisite number of dunnage blocks in due time to the unit to be utilised as a preventive measure against damage to the ammunition by rain. The Committee may be informed of the results of the inquiries.

[Sl. No. 25 (Para 2.49) of Appendix to 3rd Report of PAC
(6th Lok Sabha)]

Action Taken

The staff Court of Inquiry has examined the damage and according to their findings, damage to ammunition stacked on dunnage was due to flooding of dugouts. As regards non-delivery of the requisite number of dunnage blocks in due time to the unit, it is ascertained that the operational work for providing 65,000 dunnage blocks was sanctioned by Sub-Area as per the following details:—

(a) Work was sanctioned on	. . . . .	15 Feb, 72
(b) Tender was floated on	. . . . .	26 Feb., 72
(c) Tender was accepted on	. . . . .	6 Mar, 72
(d) Work commenced on	. . . . .	9 Mar., 72
(e) Original date of completion	. . . . .	8 Jun., 72
(f) Dimensions of dunnage blocks	. . . . .	1' x 1' x 1'
(g) Qty required	. . . . .	65,000 Nos.

2. These dunnage blocks were to be delivered in phases as follows:—

(a) Phase I	10,000 blocks	8 Apr, 72
(b) Phase II	20,000 blocks	8 May, 72
(c) Phase III	35,000 blocks	8 Jun, 72

This work was taken in hand by GE 881 Engineer Works Section on 9 March, 72. The work, however, could not proceed as per schedule due

to shortage of power from PSEB and of cement which affected the operation. The progress of the work, accordingly slowed down and actual delivery of blocks was as under:—

Delivered to	No. of Blocks issued	Date on which issued
(a) Det 17 FAD	15,447	20 May, 72
(b) Det 17 FAD	10,553	31 Aug., 72
(c) GE(P) 5234	1,000	6 Sept., 72
(d) 573 Engr. Sub Park	4,000	6 Sept., 72
(e) Det 17 FAD	34,000	14 Oct., 72

3. Det 17 FAD has on 7 July 72 a total of 16,600 dunnage blocks including some quantity probably delivered after 20th May, 1972 and the balance ammunition was stacked on improvised empty ammunition boxes. There was no ammunition left without dunnage. The demand for the balance quantity was not cancelled because long term requirements of dunnage blocks for Det FAD which has ultimately been reorganised into a full fledged Ammunition of Depot. The dunnage is being usefully utilised for stacking of ammunition.

[Ministry of Defence U.O. No. 2(6)/77/D (O-II)
dated 31st July, 1978]

CHAPTER IV

RECOMMENDATIONS AND OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

The Committee note that CGDA had pointed out certain irregularities of a serious nature in this factory, like booking of labour on warrants being disproportionately higher than the quantities of components drawn for manufacture, non-accountal of rejections warrant-wise and completion of warrants by transferring to earlier warrants, production against the subsequent warrants. It is stated that since certain instructions issued by DGOF in 1974 to overcome this problem did not bear fruit, a committee was set up to go into this problem in depth and make recommendations. Although the Committee was to report by the 15 December, 1976, its report had not been received until May, 1977. The Committee would like the Ministry to ensure that report of the Committee is made available without further delay. The Committee would like to be informed about the follow-up action on the recommendations of this committee.

[Sl. No. 4 (Para 1.42) of 3rd Report of PAC
(6th Lok Sabha)]

Action Taken

The report of the Committee appointed by Government to investigate into the irregularities pointed by C.G.D.A. is still awaited. The Committee held two sittings including one at factory 'A'. The Committee has not been able to finalise its report, as its Chairman and some of its members have been transferred to State Governments/other departments. Necessary steps have been taken to convene a further meeting of the Committee to finalise its report.

[Ministry of Defence (Deptt. of Defence Production) D.O. No.
F. 13(12)/77/D(Projects), dated 8th August 1978]

Recommendation

The Committee note that although indents for 160 items of plant and machinery for Factory 'B' were placed in 1963, it took more than five years to procure and erect 4 of the items. One item received during July, 1971—March, 1972 i.e. after 9 years, was awaiting erection till May, 1977.

The Committee are informed that the machine was put up for inspection in May, 1974 when some defects were noticed which were immediately pointed out to the suppliers. The suppliers were, however, able to complete the repairs only in August, 1976 and since then the factory was awaiting the arrival of firm's engineers to commission the machinery. As regards action against the suppliers for defective supply and delay in rectifications and commissioning, the Ministry have stated that 'after the rectifications are over, DGOF would be advised to take up the matter with the DGS&D to proceed against the supplier for delay/defective supply of the equipment.'

[Sl. No. 5 (Para 1.53) of Appendix to 3rd Report of PAC
(6th Lok Sabha)]

Action Taken

With regard to the 4 items of plant and machinery out of 160 items which were delayed by more than 5 years for procurement and erection the following is brought out. After issue of the Government sanction, *vide* M of D letter No. 7|4|60|DG|Project dated 6-4-63, provisioning action for these plants were also undertaken along with other items. DGOF indent for these 4 items initiated on 25-5-63 was covered by DGS&D A/T of 13-7-64. The A/T which was sent for scrutiny to the DGOF in 9/64 was returned to DGS&D in 11/64. The supply of these machines was not delivered within the stipulated delivery period. After repeated expediting and extension of the delivery period, the machines were received in 3/68 and erected and commissioned without delay on the part of the factory.

As regards the 5th item namely 65 K.W. Electric Rotary Drum Furnace, received during 7/71 to 3/72, it is mentioned that the furnace after necessary rectification by the firm has finally been commissioned in June, 1977.

Now that the rectification and the commissioning of the furnace has been completed further action on the part of DGOF with the DGS&D to proceed with the supplier is under consideration. DGOF is being advised by M of D to expedite action in the matter.

[Ministry of Defence (Deptt. of Defence Production) D.O. No.
F. 13(12)/77/D (Projects), dated 8 August, 1978]

Recommendation

The Committee have no doubt that Government would be making an all out effort to have the remaining plant commissioned at the earliest

possible time. They would, however, like that the causes for the unconcionable delay in procurement and commissioning of this plant should be investigated and if any part of it is attributed to the supplier firm, stern action should be taken against them in terms of the agreement.

[Sl. No. 6 (Para 1.54) of Appendix to 3rd Report of PAC
(6th Lok Sabha)]

Action taken

The furnace after necessary rectification by the firm has finally been commissioned in June, 77 and action on the part of DGOF with DGS&D to proceed with the supplier is under consideration. DGOF is being advised by Ministry of Defence to expedite action in this matter.

[Ministry of Defence (Deptt. of Defence Production) D.O.
No. F. 13(1) (Projects), dated 8 August, 1978]

Recommendation

The delay in the commissioning of the gas plant, contracted for in March, 1964 for Rs. 28.13 lakhs, and in resolving the dispute over rectification of defects in the plant by the suppliers was commented upon by the Public Accounts Committee earlier also in their 99th Report (Fourth Lok Sabha). The Committee had then recommended that the dispute between the Government and the supplier firm which was then under arbitration should be settled early so as to get the plant commissioned without further loss of time. It is astonishing that even after a lapse of nearly 7 years the dispute has not been settled and Government are still not able to estimate as to when the arbitration proceedings would be concluded. Meanwhile, factory 'C' is required to purchase gas from the trade and by March, 1975 an expenditure of Rs. 22.23 lakhs had already been incurred on this account. This indeed is a serious situation which calls for an immediate action. The Committee hope that all-out effort would be made to have the arbitration proceedings finalised expeditiously.

[Sl. No. 18 (Para 1.102) of Appendix to 3rd Report of
P.A.C. (6th Lok Sabha)]

Action taken

The sole Arbitration in this case has advised settled of the issues outside Arbitration on mutually agreed terms. DGS&D have been following up the advise of the Arbitrator. Simultaneously, as the progress in this direction had not been adequate, the Arbitration proceedings were recommended from 18th April, 1978.

[Ministry of Defence (Deptt. of Defence Production) D.O. No.
F. 13(12)/77/D (Projects), dated 8 August, 1978]

CHAPTER V
RECOMMENDATIONS AND OBSERVATIONS IN RESPECT OF
WHICH GOVERNMENT HAVE FURNISHED
INTERIM REPLIES

Recommendation

Meanwhile, the factory had to resort to other methods of packing which involved imports amounting to Rs. 5.74 lakhs. In addition, certain defects in packing material rendered components worth Rs. 3.44 lakhs and the unused material worth Rs. 2.73 lakhs unfit for use. The Committee are informed that subsequently on reinspection the components have been "accepted by the Service Inspector" and that "unused basic material was transferred to another factory for use in alternative store". The Committee have a doubt whether the components and the unused material which were initially declared to be unacceptable were really capable for being used or whether these were disposed of after the Audit pointed it out and the Committee took notice of it in order to minimise the loss. The Committee would like a thorough investigation to be done in regard to subsequent acceptance of the components and unused material so as to ensure that defective ammunition does not find its way to the stores.

[Sl. No. 20 (Para 1.107) of Appendix to 3rd Report of PAC
(6th Lok Sabha)]

Action taken

The import of Rs. 5.74 lakhs was towards the purchase of Charger Clips. Initially manufacture of this item was not planned in the factory but was to be obtained from trade. However, as there was some delay in supply of this store from trade, this item had to be imported to a limited extent.

The circumstances under which the components and packing material, which were earlier declared as unserviceable, were later on accepted by the Service Inspector are being investigated and PAC will be informed of the results in due course.

[Ministry of Defence (Deptt. of Defence Production) D.O. No.
F. 13(12)/77/D (Projects) dated 8 August, 1978]

NEW DELHI;

March 8, 1979

Phalguni 17, 1900 (S)

P. V. NARASIMHA RAO,

Chairman,

Public Accounts Committee.

APPENDIX

Statement of Conclusions and Recommendations

Sl. No.	Para No. of the Report	Ministry/Deptt. concerned	Conclusion or Recommendation
1	2	3	4
1	1.7	Ministry of Defence/ Deptt. of Defence Production	Government had set up a Committee to go into certain irregularities of a serious nature in an ordnance factory in regard to manufacture of a new ammunition in October 1976. The Committee was to report by 15 December, 1976. As the report of this Committee had not been received by Government until May 1977, the PAC had desired the Ministry to ensure that the report of the Committee was made available without further delay. They had also desired to be informed of the follow-up action taken on the recommendations of the Government Committee. In August 1978, i.e., after a lapse of nearly 15 months, Government have come forward with the submission that the report of the Committee is still awaited. It is stated that "necessary steps have been taken to convene a further meeting of the Committee to finalise its report". The Public Accounts Committee deplore this casual and laconic approach to their recommendations and strongly disapprove the leisurely functioning of the Committee during the last 2 years. The Committee would like the Ministry to ensure that the Departmental Committee submits its report before 31 March, 1979. The Committee would like to be informed of the

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progress in this regard and of the follow-up action taken on the recommendations of that Departmental Committee.

The Committee had expressed their dissatisfaction at the leisurely manner in which action to equip the ammunition factory for the new task was taken. Since this was an instance of glaring delay in respect of a job involving the defence of the country, the Committee had desired that an enquiry should be held into the causes for delay in procurement, erection and commissioning of the plant with a view to fixing responsibility and taking action against the supplier firm for failure to act in terms of the agreement. The Committee find from the 'Action Taken reply' of the Government that the action against the supplier "is still under consideration and the DGOF is being advised by the Ministry of Defence to expedite action in this matter". The Committee take a serious view of the indifferent attitude of the Ministry of Defence towards a definite recommendation of the Committee. They reiterate that an early enquiry should be held into the delay in the procurement and commissioning of the plant for factory 'B' and if any of the officials or the supplier or both are found responsible for the delay, action should be taken against them promptly.

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The Committee are distressed at the course of events since August 1969 when the dispute was first referred for arbitration. Following resignation of one of the arbitrators, it took a long time to reach compromise on the appointment (in August 1972) of Mr. Justice J. C. Shah as the sole arbitrator. The slow progress of arbitration proceedings is evident from the fact that in the first 29 months of his appointment (August 1972 to December 1974) the arbitrator held hearings only on 13 days. The

pace of proceedings during the following years also was hardly impressive. Incidentally, the details of hearings held by the Arbitrator furnished to the Committee in January 1979 and reproduced in Para 1.13 falsify the express statement made before the Committee in a note submitted in October 1976 to the effect that the Arbitrator has been having "prolonged day to day sittings running into seven to ten days almost every month for the last four months or so." In fact the total number of hearings held between June and September 1976 (4 months) was only 8 out of which 6 were held in July 1976. It is only in one month i.e. May, 1976 that the number of hearings rose to ten. The Committee take a serious note of this misleading information given to them in October 1976 and would desire that the Ministry of Defence should hereafter more carefully check on facts before furnishing them to the Committee. To top it all, a suggestion had come in May 1977 from the arbitrator himself that "because of comparatively slender progress" they might "explore the possibility of a reasonable settlement on mutually acceptable terms." This suggestion was endorsed by the Ministry of Law also. What surprises the Committee is that during the past 10 years the Ministry of Defence had allowed the arbitration proceedings to drag on. They regret that when it became evident that the proceedings had taken a dilatory course, the Ministry of Defence did not explore the possibility of alternative courses in consultation with the Ministry of Law to bring the dispute to a speedy end. Meanwhile, the factory 'C' is required to purchase the gas from the trade involving huge extra expenditure. It is admitted that the end of the arbitra-

tion proceedings is nowhere in sight. The Committee, therefore, urge that the Ministry of Defence should, instead of pleading helplessness and continuing to incur huge expenditure, either expedite the arbitration proceedings and bring them to an early close or get the matter settled otherwise, as suggested by the arbitrator himself.

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The Committee find that in reply to their communication dated 27 October, 1978, seeking further information in regard to the arbitration proceedings, Government have furnished on 9 January, 1979, only "tentative" number of hearings held before the sole arbitrator from August 1972 to November 1978. It is surprising that the Ministry of Defence and the Directorate General of Supplies & Disposals have not been able to provide even after two and a half months, the exact number of hearings held by the sole arbitrator. Also no information has been given as to the number of hearings held by the co-arbitrators earlier from September 1969 to July 1972 and the total amounts paid to them by way of remuneration. This indicates that the Ministry of Defence and the Department of Supply have, after having referred the matter to the arbitrators, not been keeping a watch on the progress of the proceedings. The Committee deplore this casual and negligent attitude on the part of Ministries.

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