

**PUBLIC ACCOUNTS COMMITTEE**  
**(1968-69)**

**FORTY SEVENTH REPORT**

**(FOURTH LOK SABHA)**

**[Action taken by Government on the recommendations of the Public Accounts Committee contained in their 37th Report (Third Lok Sabha) on paragraphs 12,13,14 and 28 of Audit Report (Defence Services) 1964.]**



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

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<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
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## CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (1968-69)	iii
INTRODUCTION .. .. .	v
CHAPTER I—Report .. .. .	1
CHAPTER II—Recommendations/Observations that have been accepted by Government .. .. .	14
CHAPTER III—Recommendations/Observations which the Committee do not desire to pursue in view of the replies of the Government .. .. .	32
CHAPTER IV—Recommendations/Observations replies to which have not been accepted by the Committee and which require reiteration .. .. .	51
CHAPTER V—Recommendations/Observations in respect of which Government have furnished interim replies .. .. .	60
APPENDIX— Summary of main Conclusions Recommendations .. .. .	65

## PUBLIC ACCOUNTS COMMITTEE (1968-69)

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Shri M. R. Masani

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20. Shri G. H. V. Momin\*
21. Shri N. R. M. Swamy
22. Shri Tarkeshwar Pandey.

### SECRETARIAT

Shri K. Seshadri—*Under Secretary.*

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\*Declared elected on 19th August 1968 vice Shri M. M. Dharia who resigned from the Committee.

## INTRODUCTION

1. the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Forty Seventh Report on the action taken by Government on the recommendations of the Public Accounts Committee contained in their 37th Report (Third Lok Sabha) on paragraphs 12, 13, 14 & 28 of Audit Report (Defence Services), 1964.

2. On 12th June, 1968, an "Action Taken" Sub-Committee was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Committee in their earlier Reports. The Sub-Committee was constituted with following Members :

1. Shri D. K. Kunte                      Convener.
2. Shri C. K. Bhattacharyya
3. Shri K. K. Nayar
4. Shri Narendra Kumar Salve
5. Shrimati Tarkeshwari Sinha
6. Shri N. R. M. Swamy.

3. The draft Report was considered and adopted by the Sub-Committee at their sitting held on 8th February, 1969 and finally adopted by the Public Accounts Committee on 3rd March 1969.

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

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 11, 1969*  

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*Phalgun 20, 1890 (Saka).*

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

## CHAPTER I

### REPORT

This Report of Committee deals with action taken by Government on the recommendations contained in their 37th Report (Third Lok Sabha) on paragraphs 12, 13, 14 and 28 of Audit Report (Defence Services), 1964.

1.2 The action taken notes/statements on the recommendations of the Committee contained in this Report have been categorised under the following heads :

- (i) *Recommendations/observations that have been accepted by Government :*  
S.Nos. 2, 3, 4(iii), 12, 15, 16, 17, 18, 19(a), (b), (d), (e), (f), (j), (k), (m), (n), 23, 25, 26, 27, 28, 29, 30, 31, 35, 36(a) to (f), 37(ii) to (v), 43, 47, (b) and (c).
- (ii) *Recommendations/observations which the Committee do not desire to pursue in view of the replies of Government :*  
S. Nos. 4(i), (ii), 5, 6, 7, 8, 9, 10, 11, (i) and (ii), 13, 19(c), (g), (h), (i) and (l), 20, 21, 22, 24, 34, 36(h), 37(i), (vii), 40, 41, 42, 44 and 45.
- (iii) *Recommendations/observations replies to which have not been accepted by the Committee and which require reiteration :*  
S.Nos. 32, 33, 36(g), 37(viii), 38, 39, 46 and 47(a).
- (iv) *Recommendations/observations in respect of which Government have furnished interim replies :*  
S.Nos. 1, 14 and 37 (vi).

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

*Manufacture of Transport Aircraft—Paragraphs 3—22 (S.Nos. 2—21) of Appendix V of 37th Report (Third Lok Sabha) :*

1.4. In Chapter II of their 37th Report (Third Lok Sabha), the Committee had dealt with in detail with certain unsatisfactory features of a project for the manufacture of a transport aircraft in collaboration with a foreign company (Hawker Siddley Aviation Ltd.).

1.5. The following were the principal observations made by Committee :—

- (i) No project report was prepared.
- (ii) The performance of the aircraft (Series I and II) fell short of the guarantees given by the licensor.
- (iii) The production schedule drawn up was unrealistic.
- (iv) The cost of manufacture exceeded the anticipations.
- (v) Proper training for the Indian staff was not provided.

1.6. In para 20 of their 37th Report (Third Lok Sabha), the Committee had made the following observations :—

“The Project for manufacturing transport aircraft was conceived in 1959 as a high priority project and national importance was given to

it. From the facts placed before them, the Sub-Committee regret to observe that the whole project was badly planned and inefficiently executed resulting in a crop of failures and delays in achieving objective. The Sub-Committee are of the view that the chequered history of this important project should serve as an object lesson to the Government that a policy decision to set up such an important project involving huge financial outlay and development of technical personnel of which there is continued shortage in the country, should be taken only after a very careful and complete assessment of the various problems involved."

1.7. In the reply dated 8th September, 1967, the Ministry of Defence have stated :—

"In the case of new factories, project reports are prepared with the assistance of collaborators. However, the observations of Public Accounts Committee have been noted and have also been brought to the notice of all concerned. In this connection a copy of Ministry of Defence u/o No. 17(203) 66'D/(PS), dated. 22-12-66 is enclosed for information\*."

1.8. The Committee note that the Committee on Public Undertakings (1968-69) have since examined the project. In their 8th Report (Fourth Lok Sabha) on the Working of the Hindustan Aeronautics Ltd. (Kanpur Division) that Committee have made the following observations :—

"1.42 : The Committee are surprised to note that the Government did not pay any attention to this essential aspect while undertaking the project. No satisfactory reasons were advanced by the Ministry during evidence for not preparing the Detailed Project Report. The Government cannot plead ignorance of this procedure as by that time a number of Public Undertakings had already been set up and preparation of DPR had become an established practice."

"1.44 : The very fact that the IAF had to reduce their demand of this aircraft so drastically shows that they did not find it suitable for their requirements as originally envisaged. The Tata Committee also did not commend the aircraft. The Committee doubt the wisdom of setting up this project. However, now that huge investments have been made in the project and having come this far, they feel that some method should be devised to make the most of this venture. IAC should also be made to rely more on the indigenous aircraft industry and to gradually standardise its fleet."

"1.46 : The designing and developing an aircraft and an engine is a long drawn out process and involves very high costs. Perhaps the only alternative open to HAL would be to enter into collaboration agreements with other countries to manufacture tried and proven designs. However, the aim in the civil programme, as in the military, should be to concentrate on a project for which the potential market is large in relation to the development cost. Unfortunately, the prospects for export are bleak in the face of fierce competition abroad. Perhaps the Committee on Aeronautics Constituted by the Government will go into this question for the aeronautics industry as a whole and suggest some specified steps in this direction."

**1.9. In view of the fact that the Committee on Public Undertakings have examined comprehensively the project for the manufacture of the transport**



aircraft (H.S. 748) by the Hindustan Aeronautics Ltd. (Kanpur Division), the Committee do not wish to pursue this matter. The Committee would, however, like to emphasize the necessity to undertake planning of projects of this nature and magnitude on a more realistic basis.

*Standardisation of Aircraft—Paragraphs 35 and 40(i) S. Nos. 32 and 37(i) of 37th Report (Third Lok Sabha)*

1.10. The Committee had been informed that a large variety of aircraft was one of the important factors responsible for difficulties in procurements of spares and establishment of repair lines. This had been taken due note of by Government in formulating the India Defence Plan for the next five years period. The Committee made the following observations in paragraphs 35 and 40(i) :

“The Sub-Committee are glad to learn that the policy of introducing the principle of standardisation of aircraft has been accepted and the same has been incorporated in the Indian Defence Plan.”

“The number of types of aircraft in the IAF should be reduced and standardised.”

1.11. In their reply, dated 7th November, 1968, the Ministry of Defence have stated :

“‘No comments’. This is no doubt a desirable objective and continuous effort has to be made and is being made in this direction. But in this effort, results are neither quick nor easily available, dependent as they are to a large extent on foreign sources and due to problems of availability, variety of roles in which the aircraft of different types have to be used etc.”

1.12. Considering that a large variety of aircraft was in the past one of the factors responsible for difficulties in procurement of spares and establishment of repair lines the Committee hope that Government will keep under constant review the question of standardisation of aircraft required by the Air Force for various roles.

*Accumulation of repairable aviation stores—Paragraphs 36 and 37 (S. Nos. 33 and 34) of 37th Report (Third Lok Sabha).*

1.13. In paragraphs 36 and 37 of their 37th Report (Third Lok Sabha), the Committee had referred to heavy accumulation of repairable items in the Air Force Repair and Maintenance Depot since 1950. In this connection they had made the following observations : —

“The Sub-Committee feel concerned over the inordinate delay in this case in sorting out repairable items which have been accumulating in the Repair and Maintenance Depot since 1960. Out of 1.53 lakhs numbers of items accumulated upto 31st December, 1962, only about 75,000 items in all have been surveyed so far, out of which 33,000 items are not required. According to Ministry's own admission some loss might have occurred due to non-repair for long time of some repairable items. The Sub-Committee regret that on the one hand the Air Force were short of aviation items, on the other hand some components, which might be of current use, were allowed to lie unattended in a disorganised manner.

As a considerable part of the items relate to the aircraft which have already been withdrawn from service, these items should have been surveyed simultaneously with the withdrawal of the respective aircraft and action taken to dispose of such of them as were not required. The Sub-Committee desire that an enquiry should be made to find out why action to sort out these items was not taken earlier. The Sub-Committee hope that the remaining items would be surveyed more vigorously and action taken to dispose of those required. The Sub-Committee also desire that a system should be introduced under which when a plane is withdrawn from service, its spares etc. should be simultaneously disposed of if not required for any other current aircraft.

The Sub-Committee were informed during their visit to the Depot that the total number of repairable items accumulated at the Depot was about 3 lakhs up to December, 1963, against the figure of 1.53 lakhs on 31st December, 1962 as mentioned in the audit para. The Sub-Committee would like the Ministry of Defence to have these figures carefully checked up and properly reconciled. If number of repairable items has increased so abruptly from 1.53 lakhs to 3 lakhs during the course of one year, then the position requires special attention to sort out these items and arrange for their repairs/disposal."

1.14. In the reply dated the 7th November, 1968, the Ministry of Defence have stated :—

*Para 36, S. No. 33*

"The observations have been noted. Air Hqrs. have pointed out that some of the repairable items have been held from before 1950 and have advised that, in view of the long time that has elapsed, they do not consider it useful to inquire into the reasons for the delay in sorting out the repairable items and in disposing of them earlier. It had been stated during evidence before the P.A.C. Sub-Committee that Air Hqrs. were earlier reluctant to dispose of old stores. It would also have been wasteful to repair all available items irrespective of whether they were surplus to requirements or obsolete. While it cannot be denied that the accumulation of a large stock of repairable holdings was regrettable, as has also been commented upon by the PAC, it does not seem that any enquiry at this stage will be worthwhile since in the long time that has passed most of the personnel concerned have either gone out of service or posted out. Air Hqrs. have, however, since taken action to constitute local boards of surveys to inspect, re-categorise and recommend disposal of various ranges of the repairable equipment, as a result of which repairable holdings were reported to have been brought down to Qty. 15,850 of 1,356 items (July, 1967), and this excludes items of repairable equipment despatched or under despatch to the appropriate repair agencies. The latest position is being ascertained with a view to find out whether there is any further improvement. The old equipment of Spit-fire and Tempest aircraft are stated to have been disposed of.

While the observations of the Committee recommending prompt action for disposal of unwanted stores of aircraft going out of service has been noted, the general attitude in regard to disposal of stores and determination of alternative uses has to be based on extreme caution; but, the object might, in due course, be achieved with progress being made in a proper cataloguing of all Air Force equipment which would *inter alia* provide a ready reference ultimately of interchangeability or satisfactory substitutes for other parts in use. A start has been made—but admittedly this is a long term process."

“Air Hqrs. have issued internal instructions to their Commands regarding prompt formation of Survey Boards. Repair Depot have been asked to initiate immediate action to form Survey Boards for the segregation and disposal of the repairable equipment, beyond economical repairs, as soon as possible after the receipt of the repairable item. Periodical inspection of the repairable equipment has also been provided for to obviate deterioration in storage and to resort to cannibalisation in suitable cases with approval of appropriate authority. Government have also agreed in principle to the disposal of surplus equipment pertaining to certain older types of aircraft like Harvards, Toofani, Liberator, etc. Special Boards to survey repairable/surplus stores were also set up to look into the repairable holdings at A.F. Stations, Kanpur and AFD (Air Force Depot), HAL and the surplus electronic and electrical stores at Equipment Depot, Bombay.”

“Air Hqrs. have stated that at this stage, it has not been possible to know the exact reason for increase in the number of repairable items in 1963 but as stated earlier there has been considerable improvement of late.”

1.15. The Committee regret to note that it has not been possible for the Air Head Quarters even at this late stage to ascertain the exact reasons for the increase in the accumulation of repairable items from 1.53 lakhs upto 31st December, 1962 to 3 lakhs by December, 1963 in the Repair and Maintenance Depot.

1.16. The Committee note that the Air Headquarters have issued instructions regarding prompt formation of survey boards for segregation and disposal of the repairable equipment, as soon as possible after the receipt of the repairable items. The Committee trust that all the three lakh repairable items accumulated in the present case upto December, 1963 would have been inspected and categorised for repair or disposal. They hope that as a result of the measures taken by the Headquarters, there will be no instances of heavy accumulation of repairable items and delay in their inspection in the Air Force Depots.

1.17. While the Committee appreciate the Ministry's view that the general attitude in regard to disposal of stores pertaining to aircraft going out of service and determination of alternative uses has to be based on extreme caution, they desire that the Air Headquarters should keep the matter under constant review so that unwanted stores do not block much needed storage accommodation for long periods of time.

*Indigenous manufacture of Aircraft general spares—Paragraph 40(ii) [S.No. 37(viii) of Appendix V].*

1.18. In para 40 (viii) of their 37th Report (Third Lok Sabha), the Committee had made the following observations :—

“The Committee understand that sometimes Aircraft are grounded for lack of such small parts as bolts, nuts, rivets, stainless steel wire etc. In the absence of indigenous manufacture of relatively simple general purpose spares, I.A.F. is solely dependent on imported items. The Committee desire that early action should be initiated to establish indigenous manufacture of these items.”

1.19. In their reply, dated the 7th November, 1968, the Ministry of Defence have stated :—

“Action is in hand to find out ways and means producing some of the aircraft general parts indigenously.”

1.20. The Committee regret to observe that no headway has been made in indigenous manufacture of general purpose parts like bolts, nuts, rivets, stainless steel wire etc. for lack of which sometimes Aircraft are grounded, and for the procurement of which the Air Force has to depend on foreign sources. The Committee desire that Government should pay serious attention to this matter and enlist the assistance of private industry as far as possible in manufacturing these general purpose parts. This would not only result in saving foreign exchange but also improving the operational efficiency of the Air Force in times of emergency by reducing its dependence on foreign sources.

*Loss of Milk Tinned—Paragraphs 50 and 51 (S. Nos. 46 and 47 of Appendix V) on 37th Report (Third Lok Sabha.)*

1.21. In paragraphs 41-51 of their 37th Report (Third Lok Sabha), the Committee had commented upon a case of loss of milk tinned imported from U.S.A. during April, 1963 to January, 1964. Owing to inadequate packing, considerable damage/loss occurred during the voyage at the port of discharge and during transit from ports to Supply Depot. Out of total quantity of 15.816 tonnes net of tinned milk, 3144.516 tonnes valued at Rs. 48.44 lakhs (approx.) were lost up to the end of February, 1965. In paragraphs 50 and 51, the Committee made the following observations :—

“50. The Sub-Committee are perturbed over the heavy loss which occurred in this case due to flimsy tins and weak cartons, used for packing of milk tinned supplied to India. The Sub-Committee are surprised to note the plea of the Department of Supply and Technical Development that on an overall basis against the total loss of Rs. 48.14 lakhs an expenditure of Rs. 78 lakhs in foreign exchange has been saved which would have been incurred had wooden packing cases been used for outer packing. The Sub-Committee are unable to accept this as a valid argument which proceeds on the assumption that the loss of essential and urgent supplies valued at Rs. 48.14 lakhs did not matter at all. The Sub-Committee consider it most unfortunate that so much of supplies indented for the forward areas should have gone to waste. Moreover, the estimate of extra expenditure of Rs. 78 lakhs if wooden cases had been used instead of cartons needs a careful scrutiny by the Department of Supply and Technical Development. In the Sub-Committee’s opinion there was a clear failure on the part of the I.S.M., Washington in dealing with this case, in several respects while deviating from the A.S.C. specifications in regard to packing conditions such as :

- (i) Failure to consult the indenter (the Ministry of Defence) before agreeing to material deviation from A.S.C. specification in regard to packing;
- (ii) failure to ask the suppliers to give fresh quotations on receipt of A.S.C. specification on the 28th December, 1962;
- (iii) apparent failure to insist that the tins used by the suppliers were in accordance with the Federal specification for overseas shipments (as indicated in the Report of the Board of Officers);

- (iv) agreeing to a further reduction in specification of carton from 275 lbs. to 200 lbs. bursting strength.

"51. The Sub-Committee desire that the Ministry of Supply and Technical Development should inquire into these lapses, with a view to fixing responsibility. They should also examine why the right of additional and independent inspection as provided in the agreement was not exercised by I.S.M., Washington."

The Sub-Committee also find that there were certain lapses on the part of the Ministry of Defence which should be taken due notice of :

- (a) the delay on the part of the Ministry of Defence in forwarding specifications of packing to the I.S.M., Washington; j
- (b) the delay in clearing the stocks of milk tinned from the docks;
- (c) the delay in applying for marine surveys in respect of some consignments received in four ships; and
- (d) the failure to change the outer packing from fibre cartons to wooden cases before despatch from the port to the respective destinations which substantially accentuated the losses".

1.22. In regard to the lapses in India Supply Mission, Washington commented upon in the Report, the Department of Supply, in their reply dated 12th December, 1968. have stated :

"In so far as the first failure is concerned, it may be stated that in their telegram of the 5th December, 1962. I.S.M., Washington made certain recommendations after consulting U.S. Department of Agriculture about the sizes etc., and also asked for urgent instructions regarding specifications, packaging, etc. In telegram dated the 7th December, 1962. I.S.M., Washington were informed that the Defence Ministry had been requested to cable instructions about packaging, specifications, etc. I.S.M., Washington floated the first tender enquiry on the 22nd December, 1962 but up to that date, instructions regarding packaging, specifications, etc. had not been received by them. In this tender enquiry it was provided that the packaging and packing should conform to U.S. Federal Specifications. It was also further provided as follows :—

"The cartons/cases or drums should be securely strapped with metal strips capable of withstanding handling and transportation to Indian ports. The packaged products shall be packed in containers which are acceptable to common carriers for shipping to point of destination at the lowest transportation rates for such shipment."

"It was only on 28th December, 1962 that the Indian Specifications reached I.S.M., Washington."

"When the Indian Specifications were received in the Mission, the Deputy Director recorded the following note :

"We have already issued one tender enquiry. Please check up how these specifications differ from those laid down in our tender enquiry."

"The papers were marked to the Accountant concerned. He examined the Indian Specifications and submitted a note in which he stated, *inter alia* as follows :

'The specifications received from India have been seen and it is observed that there is nothing therein inconsistent with the Federal or the USA Specification. In many respects, the U.S. specifications are higher than those received from India. The tender inquiry as issued is in order and no further action is called for'.

This statement of the Accountant was not correct." In so far as the packaging was concerned, the Indian Specification laid down as follows :

'Tins : The milk shall be packed in 1 pound tins conforming to drawing No. IND/GS/FD/6. The net contents of each tin shall be 16 oz'.

The drawing was not received in the Mission but the Accountant failed to bring out his point in examining the specifications. As regards packing, the Indian Specification provided as follows :

'Cases : The tins shall be packed in strong wooden cases fabricated in accordance with the specification No. IND/GS/FD/2(a), iron hooped or steel strapped or wired and sufficiently strong to withstand journey by roads, rail, sea or air. Each case shall contain 48x16 oz. tins.'

The specification mentioned above was not received in the I.S.M., Washington. It was, however, clear that the tins were to conform to a particular drawing and these were to be packed in strong wooden cases. The Accountant failed to bring out this fact. Had he done so, it is possible that his superiors would have examined the matter and taken a view on it. Apparently, when the Accountant stated that there was nothing inconsistent between the Indian specification and the Federal specification, his superiors accepted his statement on trust. There was, therefore, a failure on the part of the Accountant in carrying out a proper examination of the Indian specification and to bring out the important point regarding the tins being required to be packed in strong wooden cases. This note of the Accountant was endorsed by the Deputy Director and approved by the Director General. The Deputy Director can also, therefore, be held responsible for this failure to a certain extent. It is, therefore, felt that the Director General cannot be held responsible for this lapse, as being the head of the Organisation it is impossible for him personally to go into the details of each case when all the facts are stated in categorical terms by subordinate officers as was done in this case. It was not possible for the head of the office to carry out an examination of the details of the A.S.C. Specifications and the responsibility, therefore, rest on the Accountant and, to some extent, on the Deputy Director. It was, therefore, decided that disciplinary proceedings should be initiated against both these officers.

"The Deputy Director belonged to the Department of Food. The Department of Food have since intimated that the Deputy Director resigned from Government service with effect from the 12th January, 1966 (afternoon). No action is, therefore, possible against him. The Accountant is borne on the cadre of the A.G., U.P. who has been requested to

initiate disciplinary proceedings against him. The result of disciplinary proceedings has not yet become available."

"(ii) The second failure referred to by the Committee arises directly out of this first. As has been explained above, when the A.S.C. specifications were received in the Mission on the 28th December, 1962, they were compared with the Federal specifications and the view taken was that there was nothing inconsistent between the two specifications. It was on account of this view that no further action to follow the A.S.C. specification was taken. It is, therefore, felt that this second lapse is a corollary to the first lapse and that no further separate action in respect of this lapse is called for."

"(iii) As regards the third lapse, it may be mentioned that the I.S.M., Washington, had informed Government in its telegram of the 5th December, 1962 as follows :

'Discussed with the USDA details of available packing sizes etc. Understand evaporated milk commercially packed in 6 oz. or 14 1/2 oz. tins. Possible buy in larger 6.26 tins or 50 lbs. barrels by special order at higher cost since manufacturing plants not equipped pack in bigger sizes. Recommend purchasing in 14 1/2 oz. tins.'

It is clear from the above that the Mission advised the Government to accept commercially packed 14 1/2 oz. tins. The Ministry of Finance (Department of Economic Affairs) replied to India Supply Mission, Washington under advice to the Ministry of Defence in their telegram of the 7th December, 1962 as follows :—

'Yours 979. Consignee is Embarkation Commandant, Bombay. We prefer following sizes :

Evaporated milk 14 1/2 oz. tins.....

Your proposal regarding variety and grade acceptable.....' The Mission apparently presumed from this telegram that their proposal to purchase commercially packed 14 1/2 oz. tins was acceptable to the Indentor. As regards the point as to why they did not prescribe 'suitable commercial packing on the lines of A.S.C. specifications', the Mission have stated that if they had asked for deviation from the Standard of Commercial practice, it would have involved considerable expenditure and consequent delay in the shipment of milk which was stated to be urgently needed. In so far as the packaging is concerned, the Ministry of Finance in their telegram of 24th September, 1963 had asked the Mission that it should be arranged in open spun type cans with tin plate of a certain specification. The Mission replied that the tins to this specification were not being manufactured and, therefore, the suppliers had regretted their inability to use the packaging of the type required."

"(iv) As regards the fourth lapse, it may be mentioned that the Mission in their telegram No. 635 dated the 27th June, 1963, had reported to the Ministry of Defence that evaporated milk shipped per s=s. Gandhi Jayanti and Jagvijay was packed in cases of 275 lbs. bursting strength further secured by two flat metal straps. The telegram further reported that in commercial shipments corrugated fibre cases having a bursting strength of 200 lbs. were being used for exporting evaporated milk overseas, and in view of this and the fact that suppliers were demanding

15 cents per case extra for packing in cases of 275 lbs. bursting strength involving additional expenditure of approximately Rs. 2.67 lakhs, the Mission, had after informally consulting the U.S. Department of Agriculture, placed their last contract specifying the packing on corrugated fibre cases of 200 lbs. bursting strength. The Mission further requested the Ministry of Defence to inquire into the actual cause for losses and to examine whether the loss sustained warranted the Mission to negotiate with the suppliers for a revision of specifications for packing cases which would involve additional expenditure. The Ministry of Defence replied in their telegram of 13th July, 1963 that the specifications for packing cases need not be revised at that stage."

"The Ministry of Defence have stated that this decision was taken on the basis of information given by the India Supply Mission, Washington that the entire quantity contracted for with one firm had already been shipped and a quantity of 2,58,000 cases contracted for with another firm had also been shipped, except the last consignment of 42,000 cases which had already been railed to docks for shipment in a vessel sailing on 29th June, 1963. The Mission also pointed out that they had entered into a firm commitment with another firm for supply of evaporated tinned milk from July to November and commitment of freight for July shipment had already been made and suspension of shipments would, therefore, not be possible without imposing heavy financial liabilities."

Further, it is observed that although the first consignment arrived in India in the third week of April, 1963, the information that heavy losses had occurred due to weak packing cases was communicated by the Ministry of Defence to I.S.M., Washington, only on the 22nd June, 1963. When the Mission accepted the packing of 200 lbs. bursting strength in May, 1963 they were not aware of the extent of the losses which had already occurred and that they were due to weak packing. Even the loss report received in the Mission in September, 1963 did not carry with it any details. However, on receipt of a cable dated 21-9-63 from the Ministry of Finance (Department of Economic Affairs) (with reference to Mission's cable dated 20-9-63), the I.S.M. revised the specification of cartons to 275 lbs. bursting strength. It, therefore, appears that the Mission accepted the reduction in the specification of packing in accordance with their understanding that in commercial practice fibre cases having a bursting strength upto 200 lbs. were being used for exporting evaporated tinned milk overseas and also with a view to economise in expenditure. It has, therefore, been held that the Mission agreed to the reduction in specification of packing cases in the *bonafide* belief that this packing would be adequate and, at the same time, economical. In view of this position, it is felt that no further action is called for in respect of this lapse."

"(v) As regards the question why the right of additional and independent inspection was not exercised by the I.S.M., Washington, it may be stated that the purchase of tinned milk (unlike any free foreign exchange purchase) was under . . . . . the Purchase Authorisation issued by the U.S. Department of Agriculture specified as follows :—

"The sale and final settlement will be based on an inspection certificate(s) issued by the Inspection and Grading Branch, Dairy Division, Agriculture Marketing Service, U.S. Department of Agriculture showing the quality and weight of evaporated milk and a statement that evaporated milk was packed in accordance with



the requirements of the contractors and of Section 4 of this authorisation.'

"In view of above, the question of carrying out additional independent inspection to determine the quality or weight did not arise, as the final settlement had to be based on inspection certificate issued by the Inspectors of U.S. Department of Agriculture."

"(vi) Regarding the estimate of Rs. 78 lakhs, it may be stated that this was based on the prices ruling in the United States in 1963. The packing cost of \$ 2.00 approximately per wooden case (to contain 48 Nos. of 14 1/2 oz. tins weighing 51 lbs. approximately) includes labour for the manufacture of wooden cases of 1.03 cubic feet capacity. Since the suppliers of milk do not have boxing facilities (their machinery being adapted to packing in cartons only by mechanical process), the additional cost of transportation and handling plus the charges for manufacture of wooden cases of the above size, mailing/staking them, freight from the manufacturers to the milk suppliers, freight from milk suppliers to port of exit, additional freight by sea for increased volume, making an allowance on the cost of cartons, would total upto \$ 2.11. Thus, the total additional expenditure on 801,697 cases contracted for on wooden packing would work out to \$ 1.7 million (Rs. 78 lakhs)."

"In regard to the lapses on the part of Ministry of Defence pointed out by the Committee, that Ministry in a reply dated 4th October, 1968, have stated :

"(a) The specification for tinned milk and its packing is too elaborate and lengthy to be conveyed in a cable. It could only have been mailed to ISM, Washington. On the 7th December, 1962, the Department of Supply informed ISM, Washington, by cable that the Defence Ministry had been requested to cable instructions regarding specifications, packaging, destination and consignee. In the cable sent to I.S.M., Washington by the Ministry of Finance on the same day, nothing was mentioned about despatch of instructions regarding specifications and packaging presumably because this had been mentioned in the cable sent by the Department of Supply".

"The specification for tinned milk containing also the packing instruction, was sent on the 11th December, 1962 to the Indian Embassy, Washington, by Diplomatic Bag, Category 'A', since that was the normal mode of despatch of communications to our missions abroad. Though this could have been sent by air mail, delay could hardly have been anticipated in sending the same through Diplomatic Bag as the latter was to be cleared that very day."

"Since the letter was despatched from this Ministry on the 11th December, 1962, it was apparently not visualised that it would not catch the diplomatic bag before it was cleared that day. No further enquiry in this regard was received from I.S.M., Washington. The delay in the actual despatch of the letter by Diplomatic Bag from the 11th to 18th was detected from when the cause for the delay in receipt of the letter by I.S.M., Washington was investigated in March, 1965. Under the circumstances, it is considered that it will not be possible to hold any one responsible."

64LSS(CP)/68

“As regards (b) and (c), it may be mentioned that, consequent to the Chinese aggression in late 1962, the Embarkation Headquarters, Bombay, were faced with the problem of heavy influx of imported Defence Stores from 1963 onwards. The establishment was not equipped, both with regard to staff and equipment, to handle this abnormal increase in work load. Unfortunately it took some time to augment the staff and equipment to match with the increase in work load. Various measures have now been taken to improve handling of Defence consignments at Bombay Port as described in this Ministry's note No. 26(2)/68/D(Mov), dated the 4th September, 1968, submitted to the Public Accounts Committee with reference to the recommendations at S. Nos. 1 and 2 in Appendix V to the 15th Report (Fourth Lok Sabha) of the Committee.”

“On the basis of the observations made by the Public Accounts Committee at (b) and (c) in the above recommendation, instructions were also issued to the Embarkation Headquarters, Bombay, on 1st April, 1966, that with a view to rule out the possibility of any future loss due to delay in clearing stocks from the docks and applying for marine survey in time, they should ensure that no undue delay occurred in the clearance and onward despatch of stores after landing and that every possible effort is made to hold timely survey on damaged stores and to prefer suitable claims against the party concerned.”

“(d) In the Report of the Board of Officers appointed to enquire into the extent and causes of loss suffered by Government in the consignments of tinned milk received . . . . . a copy of which was submitted to the Sub-Committee of the Public Accounts Committee in March, 1965. the measures taken for survey and despatch of the consignments have been described in Section V, paras 38 to 49, and losses in transit and in out-station depots in Section VI, paras 50 to 55. It will be seen from these two Sections of the Report of the Board of Officers that only sound cartons were sent to out-station depots by Detachment, CFL, Bombay, and all care and precaution was taken in loading the cartons in the Railway wagons. The sound cartons were stacked in the wagon only five high. Further, the stock taken over by the Supply Depot, Bombay, were stacked under cover, cartons five high and bags containing loose tins, 3 high on proper dunnage. Out-station despatches were invariably made by the Supply Depot, Bombay, either in wooden boxes procured locally or in empty ghee tins or tea chests and stacking in the wagons was also done only 5 high. The instructions issued by the Army Headquarters with regard to the steps to be taken for minimising losses have also been mentioned in para 48 of the Report.”

“The question of repacking of all the consignments in wooden cases at the Port itself before despatch to out-station depots was also considered during June, 1963, when reports of heavy losses were received. It was felt that, apart from the tremendous labour involved, it would entail considerable expenditure, add to the congestion in the Port Depot and delay despatches to consuming Units. The cost was roughly estimated at Rs. 200 per tonne and at this rate repacking of all the consignments in wooden cases would have involved a total expenditure of over Rs. 31 lakhs. Even then the loss could not have been avoided altogether because not only the outer packing but the tins were also found to be weak and affected by contamination.”

"It is accordingly considered that there was no failure on the part of the authorities concerned in taking proper precautions and, as pointed out by the Board of Officer, losses in transit were attributable to the same causes that had led to the arrival of damaged consignments, namely, weak tins and flimsy out packing."

1.23. The Committee are not satisfied with the reply of the Ministry of Defence regarding delay in despatch of packing specifications to the India Supply Mission, Washington which reached them a week after the first tender inquiry was floated. Considering the fact that contracts were to be executed for stores worth about Rs. 2 crores and that these stores were emergently needed, the Ministry of Defence could have advised the India Supply Mission Washington by cable, about all the material facts relating to packing specifications. The least that they could have done was to have ensured that the communication that they sent to the Mission in this regard did actually catch the diplomatic bag on the 11th December, 1962, failing which it should have been despatched by air mail. The Committee would also like Government to ensure that a procedure is introduced by which urgent communications sent by diplomatic bag which are not cleared on the expected day, are not allowed to remain in the External Affairs Ministry but are invariably withdrawn and sent by air-mail.

1.24. The Committee also note from the reply of the Department of Supply that the specifications supplied by the Ministry of Defence to the India Supply Mission were not complete. The Committee do not feel happy over the casual manner in which the particulars of specifications were despatched to the I.S.M., Washington for a transaction involving about Rs. 2 crores.

1.25. The Committee take a serious view of failure of the I.S.M., Washington to detect the discrepancy between the U.S. packing specifications incorporated in the contracts and the specifications received from India. The Committee note that disciplinary proceedings against the officials at default are under way.

1.26. The Committee would, however, like to point out that the Head of the Purchase Mission did not exercise the care that should have been shown while approving a contract of this magnitude.

1.27. The Committee note from the reply of the Department of Supply that the right of additional and independent inspection provided for in the contract was not availed of by the India Supply Mission as the final settlement of the claim was to be based on inspection certificates to be issued by U.S. Department of Agriculture. The Committee are unable to understand why in that case a redundant clause of this nature should at all have been incorporated in the agreement.

## CHAPTER II

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

#### Recommendation

The Committee are surprised that the question of formal extension of the date or obtaining the certificate of airworthiness was first considered by Government as late as four months after the expiry of the date stipulated in the Agreement and that the firm did not even apply for such extension until after the actual date on which the certificate was obtained.

(Sr. No. 2 of Appendix V of 37th Report Third Lok Sabha)

#### Action taken

It is agreed that the firm should have applied for extension before the expiry of the date stipulated in the agreement. It may, however, be added that on 27-10-60 A. V. Roe and Co. Ltd. gave notice under Article 16 of the Agreement that a delay in the performance of the Agreement was likely. This was on account of the fire at their works on 23-10-60 which destroyed their experimental building and affected the development of second prototype. The date by which the full British Certificate of Airworthiness should be obtained was 31-7-61. It was too early then to take the view that this date would not be fulfilled. Further, it was felt that though the fire might have a contributory effect in delaying the certification, the *Force Majeure* clause had no application. Secondly, it had also been decided in May 1960 that the bulk of the aircraft to be manufactured at the Aircraft Manufacturing Depot, Kanpur would be the Avro 748 Series II aircraft. Formal extension of time for obtaining the Certificate of Airworthiness for Series I was considered at a meeting of the Defence Minister's (Air) Committee held on 1-12-61 and it was agreed that the date should be extended from 31-7-61 to 31-12-61. A.V. Roe & Co. were advised to apply to the Government of India for the extension of time in terms of the provisions contained in Article 9 of the Licence Agreement. A. V. Roe & Co. applied on 15-2-62 for a formal extension of the date under Article 8 of the Licence Agreement to 9-1-62, the date on which the actual certificate of airworthiness was obtained.

#### Recommendation

The Committee note with deep regret the plea of "lack of sufficient experience and knowledge" offered as one of the reasons for heavy shortfall in production. The Committee are not convinced by the arguments offered for not consulting the collaborators at the time of drawing up the first and the revised production schedule. They find no justification for the failure of the officers in-charge of the project to avail themselves of the expertise of the foreign collaborators in this respect.

Whatever be the reasons, the Committee are distressed to note the heavy shortfall in production against the targets initially fixed and subsequently revised.

The Committee also consider it unfortunate that such an important decision as drawing up a production schedule for a new and important project should have been left entirely to one individual who was in charge of the project.

[Sr. No. 3 of Appendix V of 37th Report Third LS]

**Action taken**

The observations of the Committee have been noted. The Officer-in-Charge of the Project did not consider it necessary to consult the collaborators in connection with the drawing up the schedule of production. He was confident that he would be able to achieve the production target. The team of officers which was appointed to go into this question, drew up the second schedule after discussions with the aircraft Manufacturing Depot and on the basis of past performance. It was not considered necessary to make a reference to the collaborators in this regard. The team of officers was confident that the revised schedule of production was realistic. The defects in the planning and execution of the project crept in because a proper project report was not prepared before the project was undertaken. Instructions have been issued that important projects should be undertaken only after a very careful and complete assessment of various aspects involved. In this connection a copy of Ministry of Defence UO No. F. 17(203)'66/D (PS) dated 22nd December, 1966 is attached as Annexure 'A'.

[Ministry of Defence OM No. 10(6)'68/D(HAL-II) dt. 24-9-68]

**ANNEXURE 'A'**

**MINISTRY OF DEFENCE D(PS)**

**SUBJECT: 37th Report of the Public Accounts Committee (Third Lok Sabha) 1964-65. Policy decisions regarding setting up of important projects.**

The Public Accounts Committee in their 37th Report (Third Lok Sabha) 1964-65, have stressed that policy decisions regarding the setting up of important projects, involving large financial outlay and deployment of technical personnel, of which there is continued shortage in the country, should be taken only after a very careful and complete assessment of the various aspects involved. This observation of the Public Accounts Committee is brought to notice of D (HAL-I) etc. for information and guidance.

**Sd/- MOHINDER SINGH**  
**Under Secretary (PS)**  
**Tele : 33489**

**D(HAL-I)/D(HAL-II)/D(BEL)/D(GRW/MD)/D(PROD)/ADMIN/D  
(FY)/D(NF)/D(PROJECTS)/Dte. of Planning and Coordination**

**( M of D U.O.No. F.17 (203)/66/D(PS) dated 22-12-66)**

**Recommendation**

While the Committee appreciate the difficulty pointed out by the Defence Secretary in retaining the trained personnel in the project for a longer period they cannot help observing that the withdrawal of these personnel, while the project was still in its infancy was not in the best interest of the project. The Committee feel that only such personnel should have been selected for the training abroad, as have been retained in the project for a period of some years after the training even if recruitment had to be made from outside the Air Force to some extent.

**[Sr. No. 4 (III) of Ap. V of 37th Report (3rd LS)]**

**Action taken**

Instructions have been issued to public undertakings that only such personnel are selected in future for training abroad who can be retained in the project for a considerable time. In this connection a copy of Ministry of Defence letter No. 17(63)/66/D(PS) dated 13-5-1966 is attached as Annexure 'B'.

**[M of Defence. (D:ptt. of Defence Production)]**  
**[O M No. 10(6)/68/D (HAL-II) dt. 24-9-68.]**

**ANNEXURE 'B'**

No. 17(63)/66/D(PS)  
**MINISTRY OF DEFENCE**  
**GOVERNMENT OF INDIA**  
*New Delhi, the 13th May, '66*

To

- (1) The Managing Director,  
HAL, Bombay (with 6 spare copies)  
BEL, Bangalore  
BEML, Bangalore  
GRW, Calcutta  
MDL, Bombay  
Praga Tools Limited, Secunderabad
- (2) DGOF

**SUBJECT:** *Selection of personnel for training abroad.*

Sir,

I am directed to say that instances have come to notice in which training received by personnel abroad could not be made full use of, as they were reverted to the parent service on promotion, etc. soon after such training.

2. I am therefore to request you to ensure that in future only such personnel are selected for training abroad as can be retained in the project for a reasonable period of the time after the training.

3. The receipt of this letter may kindly be acknowledged.

Yours faithfully,

Sd/- MOHINDER SINGH,  
*Under Secretary to the Govt. of India.*

**Recommendation**

In contrast to the speed with which the decision of the Defence Committee of the Cabinet taken on 9th June was pursued and crystallised into an agreement on the 7th July, 1959, the Committee are distressed to note that the expenditure sanctioned for the workshop and other civil works as issued only in June, 1961 in spite of the fact that this project had been conceived as a high priority project of national importance.

[Sr. No. 12 of App. V of 37th Report (3 L S)]

### **Action taken**

The delay in the sanction of works services could have also been avoided if a project report had been prepared. Attention in this connection is also drawn to the reply furnished against Sl. No. 3.

### **Recommendation**

The Committee regret to note that the production schedule has lagged so much behind that the engines procured for the aircraft have remained unutilised for the entire warranty period. They are sorry to note that it did not occur to any of the authorised to ask for the extension of warranty period before its expiry. They hope that such lapses would be avoided in future.

[Sr. No. 15 of App. V of 37th Report (3 LS)]

### **Action Taken**

Messrs. Rolls Royce have extended the warranty period upto 31-12-66. They have also recently agreed to extend the warranty period upto December, 1967 in respect of 8 installed engines on the understanding that any failure or deterioration due to long storage will not be accepted within the terms of warranty. Instructions have been issued to all concerned to ensure that timely action is taken in such matters in future. In this connection a copy of this Ministry's letter No. F. 17(94)/66 D(PS), dated 24-6-66 is enclosed for information (Annexure).

### **Recommendation**

The Committee would like to be informed about the results achieved by the special Committee appointed to settle the outstanding audit objections and the action taken with regard to the serious lapses.

[Sr. No. 16 of App. V of 37th Report (3 LS)]

### **Action taken**

Out of the total number of nearly 1600 audit objections raised upto 31-5-1964 only 31 remain to be settled and they are in the various stages of settlement/regularisation. All the audit objections have been/are being examined in all aspects including the disciplinary aspect on the merits of each case.



**ANNEXURE**

No. F-17(94)/66/D(PS)

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 24th June, 1966

To

The Managing Director,  
B.E.L., Bangalore  
B.E.M.L., Bangalore  
H.A.L., Bangalore  
M.D.L., Bombay  
G.R.W., Calcutta  
Praga Tools Ltd., Secunderabad.

SUBJECT : *Extension of Warranty period when the stores are not expected to be used within the guaranteed warranty period.*

Sir,

I am directed to say that an instance has come to notice in which the warranty guaranteed by a foreign manufacturer for a costly item of equipment imported by a public undertaking expired before the equipment could be used. The undertaking did not take timely action to move for the extension of the warranty period by the manufacturing firm. I am, therefore, to request that necessary information regarding the warranty provided by the manufacturers should invariably be ascertained and all efforts made to bring the equipment into use, within the stipulated period of warranty. If, for any reason, it is anticipated that the equipment is not likely to be used within the warranty period, timely action should be taken to approach the manufacturers to extend the period of warranty to cover the revised schedule of utilization of the equipment.

2. Please acknowledge.

Yours faithfully,

Sd/- MOHINDER SINGH,

*Under Secretary to the Govt. of India.*

**Recommendation**

The Committee hope that the delegation of authority to the Company will not be only in theory but also in actual practice and that its performance will be judged only on the basis of results produced.

[Sr. No. 17 of App. V of 37th Report (JLS)]

**Action taken**

**Noted.** On the formation of the Company vast power have been laid down in the articles of association and Memorandum of the Company which would not have otherwise been available to erstwhile aircraft Manufacturing Depot.

**Recommendation**

The Project for manufacturing transport aircraft was conceived in 1959 as a high priority project and national importance was given to it. From the facts placed before them, the Committee regret to observe that the whole project was badly planned and inefficiently executed resulting in a crop of failures and delays in achieving the objective. The Committee are of the view that the chequered history of this important project should serve as an object lesson to the Government that a policy decision to set up such an important project involving huge financial outlay and deployment of technical personnel of which there is continued shortage in the country, should be taken only after a very careful and complete assessment of the various problems involved.

[Sr. No. 18 of App. V of 37th Report (3LS)]

**Action taken**

In the case of new factories, project reports are prepared with the assistance of collaborators. However, the observations of Public Accounts Committee have been noted and have also been brought to the notice of all concerned. In this connection a copy of Ministry of Defence u/o No. 17(203)/66/D(PS), dated 22-12-66 is enclosed for information (Annexure).

**ANNEXURE**  
**MINISTRY OF DEFENCE**

**D (PS)**

**SUBJECT : 37th Report of the Public Accounts Committee (Third Lok Sabha) 1964-65. Policy decisions regarding setting-up of important projects.**

The Public Accounts Committee in their 37th Report (Third Lok Sabha) 1964-65, have stressed that policy decisions regarding the setting-up of important projects, involving large financial outlay and deployment of technical personnel, of which there is continued shortage in the country, should be taken only after a very careful and complete assessment of the various aspects involved. This observation of the Estimates Committee is brought to the notice of D(HAL-I) etc. for information and guidance.

**Sd/- MOHINDER SINGH**

*Under Secretary (PS).*

Tele : 33489

*D(HAL-I)/D(HAL-II)/D(BEL)/D(GRW/MD)/D (Prod/Admin)/D(Fy.)'D (NF)/D(Projects)/Dte. of Planning & Coordination.*

[M of D U. O. No.-F-17(203)/66/D(PS), dated 22-12-66]

**Recommendation**

When the agreement with M's. Hawker Siddeley Aviation Limited was signed in July 1959, AVRO 748 was still in a prototype stage and its performance was not proved.

[Sr. No. 19(9) of App. V of 37th Rept. (3LS)]

**Action taken**

It is a statement of fact.

**Recommendation**

No project report for the manufacture of the aircraft at Kanpur was prepared. As admitted by the Special Secretary, most of the difficulties could have been resolved if a proper project report had been prepared. Not only was no project report prepared but also many of the important decisions such as (i) drawing up of production schedule (without consultation with collaborators), (ii) selection of technical personnel for training abroad, and (iii) duration of such training etc., were left entirely at the discretion of one individual officer-in-charge of the project. The decision taken by him and the progress of the project as a whole was perhaps not reviewed at Government level from time to time.

[Sr. No. 19 (b) of App. V of 37th Report (3 LS)]

### Action taken

The defects in the planning and execution of the project crept in as a proper project report was not prepared. The Officer-in-Charge of the Project did not consider it necessary to consult the collaborators in connection with the drawing up the schedule of production. He was confident that he would be able to achieve the production target. Personnel for training in U.K. were selected with the approval of Government. They were trained engineers and knew something about the work. The main purpose of their visit to UK was to familiarise themselves with the operations of the aircraft in U.K. so that they could carry on the work in India with the assistance of the Collaborators technicians. The Officer-in-charge of the Project went to UK with the first batch of personnel on the 14th August, 1959. The second batch went to UK a little later on 27th August, 1959 at a time when he was in UK. It was his judgement that the duration of training that was given to these personnel was adequate. The project as a whole was reviewed in 1962 and it was decided that the aircraft Manufacturing Depot should be organised as a Government Company under the Companies Act as early as possible with a view to give sufficient autonomy and organisational flexibility required for achieving maximum efficiency. Subsequently with the appointment of the Tata Committee the implementation of the decision to form a separate company was held in abeyance. The ECC approved the continuance of the production of the AVRO 748 aircraft for the IAF at their meeting held on 28th June, 1963. The ECC also approved the proposal that the aircraft Manufacturing Depot should be separated from the Maintenance Command, which was implemented with effect from 1-8-1963. On 11-12-1963, ECC approved the proposal that a separate public limited company should be formed to be responsible for the manufacture of transport aircraft at Kanpur. Further action to finalise the articles of association, the capital structure etc., took about three months. Meanwhile in March 1964, the ECC approved the formation of a single aircraft corporation comprising the MIG Complex (Aeronautics India Limited, Aircraft Manufacturing Depot and Hindustan Aircraft Limited Bangalore). As a first step towards this end, Aircraft Manufacturing Depot was transferred to the management of Aeronautics India Limited with effect from 1st June, 1964.

### Recommendation

The Licensor Company failed to obtain the British Certification of airworthiness by 31st July, 1961, the date provided in the agreement, the certificate was obtained on the 9th January, 1962.

[Sr. No. 19(a) of App. V. of 37th Report (3LS)]

### Action taken

Please see remarks against Serial No. 2.

### Recommendation

The performance of both Avro Series I and Series II aircraft were short of the guarantee given by the Licensor. In some respect the performance of Series II is inferior to that guaranteed for Series I (v.n).

[Sr. No. 19(c) of Appendix V of 37th Report (3LS)].

### **Action taken**

A decision to place orders for Series II aircraft which had been promised much better performance than Series I Aircraft had been taken by Government in January, 1960, long before the actual performance of Series I was known.

### **Recommendation**

Both the original production schedule drawn up in July, 1959 and the revised production schedule drawn in September, 1962 proved to be grossly unrealistic. Only 4 aircraft were actually produced upto the end of the year 1964 as against the original production schedule of 51 aircraft. Surprising the officer responsible for drawing up the production schedule did not think it necessary to consult the collaborators. The fact that after the project was transferred under the management of a Company, it was considered necessary to consult the collaborators in drawing up a realistic production schedule indicates that it was all the more necessary to consult them in 1959 when the manufacturing unit had no experience about the aircraft. Even after their first failure the project authorities did not deem it necessary to consult the collaborator though under the agreement they were bound to give necessary guidance which in fact they did when approached.

[Sr. No. 19(f) of App. V of 37th Report  
(3 LS)]

### **Action taken**

It is true that it would have been advisable to consult the collaborators before preparation of a production schedule. However, a long term plan of production is possible only on the basis of substantial firm orders. Only piecemeal orders were placed. In June, 1963 the Emergency Committee of the Cabinet decided that 29 aircraft for communication and training purposes required by the IAF should be manufactured. A decision on the manufacture of a rear leading Military Freighter aircraft was to be taken in due course after flight trials of 748 MF and Caribou aircraft. The flight trials were completed only after 1964 and HS 748 MF was not found suitable to meet IAF requirements. Please see the remarks against Sl. No. 20 also.

### **Recommendation**

There was inordinate delay (14 months) in sanctioning the civil works for the project and the further delay of 15 months in issuing the revised administrative approval. There were several defects in the construction of workshop building regarding drainage system, flooring and sun-rays entering the workshop which should have been foreseen.

[Sr. No. 19(i) of App. V of 37th Report (3 LS)]

### **Action taken**

It is a statement of fact.

### **Recommendation**

Because of the set back in the production programme, 19 Rolls Royce engines procured during the period December, 1951 to June, 1962 were not utilised before the expiry of their warranty period. The Committee would

like to know the outcome of the request made for extension of the warranty period.

[Sr. No. 19(k) of Appendix V of 37th Report (3 LS)].

**Action taken**

Please see remarks against Sl. No. 15.

Government have been able to get a reduction of 150,000 only in licence fee partly because of shortfall in the respective performance guarantee of Series I and Series II aircraft.

[Sr. No. 19(m) of Appendix V of 37th Report (3 LS)]

**Action taken**

It is a statement of fact. It may be added that a decision to place orders for series II aircraft, which had been promised much better performance than Series I aircraft had been taken by Government in January, 1960 long before the actual performance of Series I aircraft was known.

**Recommendation**

There were as many as 1600 objections in the maintenance of cost accounts by the AMD. There was also inordinate delay in handing over the work of maintenance of accounts to the Defence Accounts Department. The Committee would like to know about the progress made in settlement of the audit objections and the action taken against the officers concerned.

[Sr. No. 19(n) of Appendix V of 37th Report (3 LS)]

**Action taken**

All except 39 audit objections have been settled. The position regarding these objections is as follows :

Present position	No. of Objections
(a) No. of cases on which Govt. sanction is to be issued.	16
(b) No. of cases to be closed by CDA (AF)	2
(c) No. of cases bearing on the value of assets and liabilities of AMD as on 31-5-64	21
	<u>39</u>

The financial effect of audit objections mentioned at 'C' above has been incorporated in the statements of assets and liabilities which is under consideration. These objections will be settled when the sanction is issued. The Audit Objections referred to Govt. are examined in all aspects including the disciplinary aspect on the merits of each case.

### Recommendation

The Committee regret to note that although the shortages in manpower have existed in BRD since 1958, no effective steps were taken to make up deficiencies. (In this connection, the Committee were informed that on the partition of the country, while the I.A.F. inherited a number of flying formations, no maintenance unit fell to our lot because all those were located in West Pakistan. Hence since partition, the Aircraft Repair Depot set up at Kanpur on 15th August, 1947, was the only repair depot available to IAF). It is also regrettable that the percentage of actual strength to sanctioned establishment was 45% during the year 1963, when the repair work had accumulated in large dimensions. It is not clear why the manpower actually decreased in BRD in 1963 instead of increasing. This point requires further looking into by the Defence Ministry.

The Committee also note that some staff were transferred from the BRD, and RMD and other Air Force Units to the Aircraft Manufacturing Depot, Kanpur which was established in 1960 under the Maintenance Command of the Air Force. Besides, in a few cases, Air Force personnel belonging to other units worked at AMD without being officially attached to that unit. This was possible because all the three Air Force units (BRD, RMD and AMD) were in the same station and under the same AOC-in-C, Maintenance Command. The Committee regret to point out that on the one hand the repair work was falling into arrear and on the other hand experienced technical staff was withdrawn from the BRD and RMD and other Air Force units for the AMD, resulting in further deterioration of the repair capacity.

[Sl. No. 23 of App. V of 37th Report (3LS)]

### Action Taken

Noted. The manpower of 1 BRD was actually decreased in 1963 to meet the requirements of new units raised consequent on the Chinese aggression in October, 1962.

### Recommendation

The Committee cannot but express their great surprise and regret at this lack of planning in the past in regard to the system of maintenance planning.

[Sr. No. 25 of App. V of 37th Report  
(3 LS)]

### Action taken

Noted. It may be stated that Air Hqrs. make continuous efforts to improve upon past performance and plan future maintenance for aircraft in a more systematic manner.

### Recommendation

The Committee are surprised that in the past there was no scientific system for recording consumption data of spares during overhaul. The provision of spares was therefore not free from inaccuracies. The result was that unwanted spares were accumulated and on the other hand the necessary spares were short provisioned or some of them not provisioned at all. In this connection, the Committee understand that in the case of one particular type of aircraft the value of spares and supporting ground equipment order

over a period of six years exceeds 160% of the initial cost of the aircraft. Considering that the average utilisation for each aircraft comes to less than 200 hours a year, amount of spares purchased seems to be excessive.

While the Committee appreciate that no perfect system can be devised to avoid some accumulation or unexpected shortage, what the Committee fail to understand is why even the necessary records of consumption etc., were not maintained. The Committee are, however, glad to be assured that the Air Force have started maintaining consumption data of spares for aircraft production from April, 1964.

In view of the serious difficulties experienced in the past in regard to the provisioning of spares for the aircraft, the Committee hope that continued and serious attention will be bestowed on the various recommendations made by the Lal Committee for improving the system of provisioning and procurement of stores.

The Committee feel concerned over the shortfall in the tasks allotted to the Base Repair Depot during the years 1961 to 1964. What is more the tasks carried out were not in proportion to the actual strength available in the Depot. During the year 1962, although the effective manning was 62% in important trades, the production represented only 46.1% of the target. Similarly the tasks carried out in 1963-64 were not in proportion to the actual manning for important trades. The Committee are, however, glad to note a distinct improvement in the actual manning position *vis-a-vis* the sanctioned establishment on 30-9-1964 as compared to the position on 31-12-63. The Committee hope that this good trend will continue and that the system of quarterly review introduced by the Air HQ will produce results.

[Sr. No. 26, 27 & 28 of App. V of 37th Report (3 LS)]

#### **Action taken**

- Sl. No. 26 Noted.
- Sl. No. 27 Noted.
- Sl. No. 28 Noted.

#### **Recommendation**

The Committee regret that there have been considerable delays in setting up survey boards to recommend whether repairable aircraft should be categorised beyond economical repairs for disposal action.

The Committee desire that the repairable equipment should be periodically inspected and those which are beyond economical repairs should be disposed of or cannabilised in time to provide spare parts for other aircraft which might be needing such spares.

[Sr. No. 29 of App. V of 37th Report (3 LS)]

#### **Action taken**

Air HQs. have issued internal instructions to their Commands regarding prompt formation of Survey Boards. Repair Depot have been asked to initiate immediate action to form Survey Boards for the segregation and disposal of the repairable equipment, beyond economical repairs, as soon as possible after the receipt of the repairable item. Periodical inspection of the re-



pairable equipment has also been provided for to obviate deterioration in storage and to resort to cannibalisation in suitable cases with approval of appropriate authority. Government have also agreed in principle to the disposal of surplus equipment pertaining to certain older types of aircraft like Harvards, Toofani, Liberator, etc. Special Boards to survey repairable/surplus stores were also set up to look into the repairable holdings at A.F. Station, Kanpur and AFD (Air Force Depot), HAL and the surplus electronic and electrical stores at Equipment-Depot Bombay.

#### Recommendation

The Committee are glad to note that the Ministry are taking internal steps to reorganise the existing repairs depots on a more rational and scientific basis with a view to facilitate better production. The Committee desire that the work regarding assessment of repairable aircraft and other equipment as well as re-organisation of the repair depots should be completed expeditiously.

The Committee desire that the functions of No. 2 B.R.D., Maharajpur should be carefully chalked out and its requirements of manpower and machinery properly planned.

[Sr. No. 30 & 31 of App. V of 37th Report (3 LS)]

#### Action Taken

Sl. No. 30—The re-organisation of the repair depots has been done. The assessment of aircraft repair requirements is now done on a more scientific basis and the allocation of repair work between Air Force repair depots and HAL defined for facilitating proper planning.

Sl. No. 31 Noted.

#### Recommendation

The Committee feel concerned over the persistent and heavy shortfalls in the tasks allotted to the Repair and Maintenance Depot, resulting in a large accumulation of repairable items, some of them dating from 1950. They are surprised to learn that the tasks allotted to the R.M.D. in the past bore no relation to its establishment or capacity to undertake those tasks, resulting in considerably reduced output. The Committee, therefore, cannot understand the purpose of assigning such tasks. They cannot escape the conclusion that the R.M.D. suffered from neglect in the past. They have been assured that the technical committee referred to in para 33—would be looking into this problem. The Committee hope that in future, the task allotted to R.M.D. will be properly co-related to the expected arisings, actual establishment and the available capacity. Their observations regarding introduction of a scientific system for manning made in respect of BRD also apply in this case.

[Sr. No. 35 of App. V of 37th Report (3 LS)]

#### Action Taken

The observations are noted. The Technical Committee referred to here has completed its work in respect of current aircraft and this has led to a better appreciation of the requirements of components in the units operating aircraft, optimum stocks that should be held and repair capacity that should be available. This study is however a continuous one. One cannot, however, understate the difficulties in assessing requirements for new aircraft.

M67LSS/68

in providing for erratic consumption of parts or utilisation factors, etc. A procedure has also been introduced to relate tasks of repair more closely to requirements and capacity at the repair depots.

### Recommendations

To sum up, the unsatisfactory features in both these cases are as under :—

(a) There is a very high number of aircraft requiring repair lying with the Air Force.

(b) The main reasons for accumulation of repairable aircraft was stated as inadequacy of man power and shortage of spares. The inadequacy of manpower has been attributed to the sudden expansion of the Air Force. The Committee note with concern that despite the opening of an Air Force Technical Training School in May, 1960 with training capacity of 1000 technicians per year, the shortages in manpower in the Base Repair Depot and Repair & Maintenance Depot have continued. The Sub-Committee were assured that the problem of shortage of technical staff would be solved by the year 1967 and in some trades by 1969 when the training quota was completed. The Committee desire that serious attention should be paid by the Defence Ministry to this problem which is confronting the various repair units and the workshops of the Air Force. They hope that the manning of the new repair depots including Nos. 2 and 3 BRDs will be planned on a scientific basis.

(c) The Committee note that because of the actual manning of the Base Repair being considerably short of the sanctioned establishment, the tasks allotted were not fulfilled. Furthermore, the actual work done by the staff available was also not in proportion to the strength. For instance during the year 1962 although the percentage of manning to the establishment for important trades was 62, the actual production represented only 46% of the target. The Committee, therefore, feel that there is a need for evolving some scientific system to determine the requirements of manpower. They were given to understand that a system has been introduced from 1964 whereby a review for every three months would be made to determine how exactly the work done compared with the manpower and the resources available. The Committee desire that the matter should be kept under constant watch to ensure that these reviews were effective.

(d) With regard to the spares, the Committee were informed that there were a number of difficulties in their provisioning: e.g., first difficulty of foreign exchange; secondly, difficulty in obtaining spares for certain obsolete aircraft; thirdly, lack of scientific system of recording the consumption data of spares. The Lal Committee appointed in 1963 pointed out certain defects in the system of provisioning which were being remedied. The Committee regret to note that although the problem regarding provisioning of spares was not new to the Air Force, no effective steps were taken till 1963 to go into this matter in any detail. Even now the Ministry have not been able to devise a fool-proof system. According to the Defence Secretary's own admission on the one hand the Ministry had difficulty in getting foreign exchange for procurement of spares and on the other hand they utilised the foreign exchange made available to them for purchasing the spares which were not urgently required. The Committee hope that the system would be put on sound and scientific lines in the near future.

(e) The Committee were informed during evidence that it was not proposed to build up more repair facilities for obsolescent aircraft as it would take nearly two to three years to build them in the right dimensions by which time most of these aircraft would have to go out of service. It was proposed to concentrate on the repair facilities for standardised aircraft. While the Committee appreciate this, they would like the Ministry to examine thoroughly whether without clearing the backlog of obsolescent aircraft held in repairable condition, they would be able to meet fully the requirements of the Air Force until new aircraft were available.

(f) There have been considerable delays in setting up survey Boards to recommend whether repairable aircraft should be categorised beyond economical repairs for disposal action.

[S. No. 36(a)(b)(c)(d)(e)(f) of App. V of 37th Report (3 LS)]

### Action Taken

Sl. No. 36 (a) Noted.

(b) As has been noted by the Committee, the pace of expansion in the Air Force put a considerable strain in manning the Air Force adequately particularly in the technical trades, where training and experience of a few years are a pre-requisite to attain the required degree of speed, efficiency and skill. It can be stated that special training measures taken since 1963 have by and large resulted in a considerable improvement in the manning position.

(c) In order to relate more closely the requirements of manpower to the needs of the task, a system of recording manhours actually consumed in different tasks has been introduced.

(d) While a number of recommendations of the Lal Committee have been or are being implemented, continuous review of the provisioning procedures and systems is being done and improvements made as necessary. It may be stated here that spares depots are being organised along side the repair depots not only to provide a closer feeding point to the repair depots but also to help in better assessment of the spare requirements for the repair programmes. Certain other steps—the details of which would be perhaps not important enough for detailed description here—are also being taken to systematise and streamline the provisioning effort and maintenance support.

(e) The review suggested by the Committee is in fact being carried out every year now at the time of planning the repair task requirements for the immediate and long term needs, an element of caution is applied and tasks adjusted to ensure as far as possible the actual needs of the IAF.

(f) Please see remarks against para 29.

### Recommendation

While on the subject of a repair and maintenance of aircraft the Committee would like the Ministry of Defence to give their serious and sustained attention to the following suggestions :—

- (ii) A Maintenance Planning Team should be set up well in advance before a new aircraft is brought into service so that it can chalk out a proper maintenance plan instead of relying completely and mechanically on manufacturer's recommendations.

- (iii) Standing Planning and Provisioning Committee should be set up at each repair and overhaul depot to analyse the tasks given and prepare production plans for the future.
- (iv) The Committee understand that the unserviceability of most of the aircraft in the Air Force is because of shortage of inexpensive items. This factor should be carefully analysed and holdings of such items in field units should be liberalised.
- (v) Quick and effective action should be taken to weed out obsolete and surplus stores which are not required.

[*Sr. No. 37 of App. V of 37th Report (63 LS)*]

#### Action Taken

(ii) Noted.

(iii) Noted.

(iv) Provisioning of such stores has been agreed to be done on annual basis for 45 months requirements. Liberalisation of holdings at unit on a uniform basis for all items is perhaps not desirable since it could lead to surplus holdings of a large number of items. Normally units are expected to demand and hold up to 4 months requirements. But shortage due fluctuations in consumption can occur. Air HQrs. are stated to have taken certain steps to analyse and examine such shortages and evolve remedial steps.

(v) Please see reply to para 33.

#### Recommendation

The Committee desire that the question of provision of adequate covered accommodation in the various supply depots and improvement of the existing godowns should be given serious attention by the Ministry. The Committee feel that ultimately the expenditure on construction of covered accommodation and improvement of existing godowns would be more economical than incurring of recurring losses due to deterioration of food supplies and other perishable commodities for want of suitable covered accommodation.

[*S. No. 43. Para 47, Appendix V of 37th Report (Third Lok Sabha)*]

#### Action taken

The recommendation has been noted for compliance. The problem has to be tackled on a long term basis after due assessment of the deficiency of covered accommodation taking into account the authorised holding of each depot. This is being done by the Army authorities.

#### Recommendation

The Committee also find that there were certain lapses on the part of the Ministry of Defence which should be taken due notice of :

- (b) the delay in clearing the stocks of milk tinned from the docks;
- (c) the delay in applying for marine surveys in respect of some consignments received in four ships.

[*S. No. 47, Para 51, Appendix V of 37th Report (Third Lok Sabha)*]

### **Action Taken**

As regards (b) and (c), it may be mentioned that, consequent to the Chinese aggression in late 1962, the Embarkation Headquarters, Bombay, were faced with the problem of heavy influx of imported Defence stores from 1963 onwards. The establishment was not equipped, both with regard to staff and equipment, to handle this abnormal increase in work load. Unfortunately, it took some time to augment the staff and equipment to match with the increase in work load. Various measures have now been taken to improve handling of Defence consignment at Bombay Port as described in this Ministry's note No. 26(2)/68/D(Mov), dated the 4th September 1968, submitted to the Public Accounts Committee with reference to the recommendations at S. Nos. 1 and 2 in Appendix V to the 15th Report (Fourth Lok Sabha) of the Committee,

3. On the basis of the observations made by the Public Accounts Committee at (b) and (c), in the above recommendation, instructions were also issued to the Embarkation Headquarters, Bombay, on 1st April 1966, that with a view to rule out the possibility of any future loss due to delay in clearing stocks from the docks and applying for marine survey in time, they should ensure that no undue delay occurred in the clearance and onward despatch of stores after landing and that every possible effort is made to hold timely survey on damaged stores and to prefer suitable claims against the party concerned.

## CHAPTER III

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

#### Recommendations

The Committee feel that the period of training given to these officers was inadequate, as it does not seem possible that proper training could be imparted to them during such a short period. The Committee are surprised that the Ministry did not keep themselves informed as to whether there had been proper and full utilisation of the facilities for training in different directions which had been secured under the Agreement e.g., in regard to designs, development and manufacturing methods in the works of the collaborators and their subsidiaries.

[*Sr. No. 4(i) of the App. V. of 37th Rept. (3 L.S.)*]

#### Action Taken

The training imparted to these officers for a period of about 4 weeks was in the nature of familiarisation with production processes. The training of personnel in design and development of aircraft for this project was not considered necessary as subsequently the requirement of aircraft changed. However two officers were trained for longer periods viz., six months each during July 1962—January 1963.

#### Recommendations

The Committee observe that the explanation given by the Special Secretary is hardly consistent with the statement that lack of experience and shortage of technical personnel were among the main reasons for the poor achievement in manufacture.

[*Sr. No. 4(ii) of App. V. of 37th Rept. (3 L.S.)*]

#### Action Taken

10 officers, airmen and civilians who were trained in U.K. were posted out of AMD. Most of them had served in Aircraft Manufacturing Depot for 3 to 4½ years before they were posted out. It is agreed that the knowledge and experience gained by them would have been beneficial to the project. However, the requirement of trained and experienced personnel was far more than this number. The fact that the project suffered due to lack of experience and shortage of personnel, therefore, would not have substantially changed by the retention of these personnel. It may be mentioned that the manufacture of a transport aircraft was undertaken for the first time in the country. The statement made by the Special Secretary may be considered in this context.

[*Ministry of Defence (Deptt. of Defence Production) O.M. No. 10(B)/68/D (HAL-II) dt. 24-9-1968.*]

#### Recommendations

The Committee observed from a note furnished by the Ministry in April, 1965 that these specialists worked with our technicians on the floor guiding

their efforts, correcting their faults and advising them on each of the problems that arose. The pattern of training (according to the Ministry) was such that no records for training were maintained in writing. The Committee suggest that the Ministry should consider whether the fact that for a period of nearly 4 years there has been only a question of assembling the parts imported as assemblies/sub-assemblies has reduced the utility of the foreign specialists maintained in this country or has extended unduly the period of their stay in India.

[Sr. No. 5 of App. V of 37th Rept. (3 LS.)]

#### **Action Taken**

It is accepted that the benefit from the employment of foreign technicians was limited as, during the first few years the activity was confined to the assembly of the aircraft only. From the statement regarding the employment of foreign specialists given in answer to Q. No. 13 of the supplementary Questionnaire it will be seen that on an average 4 foreign specialists were employed at a time. In fact from June 1962 upto August, 1964 the number employed at a time averaged one. This specialist was a Stressman who is approved by the Design Office to work in this capacity.

HAL has started manufacture of parts from raw materials. In order to provide necessary technical know-how in this new venture and to strengthen some other Sections, in June 1964 it was agreed with HSAL that they would loan the services of 4 specialists to Kanpur Division. The Executive Director of HSAL who carried out an assessment of the resources of this Division in July 1964 also had emphasised the necessity of employment of HSAL specialists.

A supplementary list showing the employment of foreign specialists is enclosed as \*Appendix 'A'. It will be seen that at present 3 specialists are employed at Kanpur. The present assessment of HAL is that two of these specialists (other than the Stressman) will not be required beyond one year. It is also proposed to depute an engineer for training as Stressman shortly. Thereafter the services of foreign Stressman will be dispensed with.

In future only specialists required for specific purposes e.g. installation of modifications required by IAC in the basic aircraft and expert in tooling for role equipment for Navigator Trainer version would be engaged by H.A.L.

#### **Recommendation**

The Committee are of the view that while economy and foreign exchange are important considerations even in defence requirement, the same cannot supersede more vital considerations viz. operational efficiency and urgency of IAF requirements. Taking into consideration the fact that Avro 748, Series I & II aircraft did not come up to the specifications or expectations, and the fact that the need of the army and the air force is for an aircraft with specific characteristics, the Committee suggest that the question of

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\*Not printed.

suitability of Caribou Mk II for IAF requirements may also be processed simultaneously, so that in the event of Avro 748 MF being found unsuitable no time will be lost in exploring an alternative aircraft.

[S. No. 6 App. V of 37th Rept. (3 L.S.)]

#### **Action Taken**

The flight tests of Avro 748 MF have been completed by the IAF. Caribou II and French aircraft Breguet 941 have also been tested by the IAF. Avro 748 MF and Breguet 941 have not been found suitable for IAF requirements. Caribou II comes close to meeting requirements. A final decision, however, can only be arrived at after environmental trials of Caribou II Aircraft.

It was not possible to continue negotiations in connection with Caribou as the aircraft had not reached production status. The embargo on military hardware after the September 1965 conflict with Pakistan had also held up negotiations. The ban has now been lifted and matter is under consideration in Air Headquarters. The Public Accounts Committee will be informed in due course of the decision of Government in the matter.

#### **Recommendation**

It is clear that late supply of components was one of the factors which also delayed production programme. The Committee would like to be informed about the action, if any, taken to realise liquidated damages from the collaborators.

[Sr. No. 7 of App. V. of 37th Rept. (3 L.S.)]

#### **Action Taken**

The Licence Agreement of 1959 does not provide for levy of liquidated damages for delay in delivery of components by HSAL. DGISM, London has obtained legal opinion in connection with the levy of liquidated damages under the provisions of ISM Revised Standard Conditions of Contract under which the orders for Avro 748 aircraft were placed on HSAL. The legal opinion was that the provision in the ISM Revised Standard Conditions of Contract was not sufficient to secure damages to us in law. For liquidated damages by its very nature the conditions must vary from case to case, according to circumstances of each case. It was, therefore, futile to fix a standard condition fixing the liquidated damages. The clause regarding liquidated damages was specifically included by DGISM, London in the contracts for Avro 748 aircraft sets 5—16. HSAL did not accept the clause regarding the liquidated damages and stated that it would be subject to final agreement between Government of India and HSAL.

This was discussed with Mr. E. F. T. Jenkins, Executive Director (Contracts) of HSAL during his visit to India in April/May 1966. HSAL did not agree to incorporate a clause for liquidated damages in the Supplementary Agreement. The issue was not pressed as :

- (a) Even where HSAL have agreed to the incorporation of this clause the highest penalty agreed to was  $\frac{1}{4}$ % per month from three months after the date of delivery.
- (b) HSAL had met critical requirements of AMD by Civil air at their own expense.



- (c) In a manufacturing agreement where orders would be placed from time to time and deliveries would be spread over long period during the period agreement is in force, provision of such a clause may work against our interest as the suppliers would quote delivery periods which would keep a safe margin for likely delays.

#### **Recommendation**

The Committee regret to note that no detailed and concrete plan was chalked out for progressive increase of indigenous contents in the aircraft. The Committee note from the above details that it was really from the 17th Aircraft onwards that import of detail parts will give place to indigenous manufacture from raw materials.

[*Sr. No. 8 of App. V of 37th Rept. (3 L.S.)*]

#### **Action Taken**

In view of the curtailment of orders, it was decided that the manufacture of details should be restricted to fuselage only. Hindustan Aeronautics Limited have planned the production of tooling accordingly and the manufacture of parts from raw materials for 17th onwards aircraft has already commenced.

[*Ministry of Defence (Dept. of Defence Production) O.M. No. 10(6) 68'D (HAL-II) dt. 24-9-68.*]

#### **Recommendation**

Since all the components were imported and only assembled here in India, the Committee were unable to understand how the labour and overheads etc. for second aircraft came to about Rs. 30 lakhs. This is exorbitant and needs examination.

[*Sr. No. 9 of App. V of 37th Rept. (3 L.S.)*]

#### **Action Taken**

In the Government sanctions for the manufacture of Avro 748 at AMD, Kanpur, a sum of Rs. 4.50 lakhs is provided for labour and overheads. This estimate was worked out on the assessment that on a production run of 100 aircraft, 1.25 lakhs manhours would be required for the assembly of aircraft. It was estimated that the labour and overhead rate would be Rs. 3.5 per manhour.

For the individual aircraft it was estimated that the labour input for the first aircraft would be 3.44 lakhs manhours. It was assumed that a learning curve of 85% would apply in Kanpur against 80% taken in UK and USA. According to this assumption 2.92 lakhs manhours should have been spent on the second aircraft. Actually however, 3.71 lakh manhours were spent. The increase was due to the fact that the estimate for the first aircraft and the learning curve of 85% were under assessed. HAL have informed that even at present 97% learning curve is operating.

The Board of Officers appointed in May 1964 in connection with the evaluation of assets and liabilities of the Aircraft Manufacturing Depot, Kanpur had assessed the labour and overhead rate of 6.50 per manhour. According to this rate the cost of labour and overheads for the second aircraft works out to Rs. 24.12 lakhs.

The sanctioned estimates regarding the cost of manufacture of aircraft at the Aircraft Manufacturing Depot, Kanpur do not include the deferred revenue expenditure. On the production run of 44 aircraft the deferred revenue charges work out to Rs. 5.87 lakhs per aircraft. The total expenditure on account of labour and overheads and the deferred revenue expenditure thus works out to Rs. 29.99 lakhs.

#### **Recommendation**

The Committee feel that it would be premature to accept the contention of the Ministry that the cost of manufacture of Avro was not unreasonable, till the firm orders for at least 44 aircraft are received and detailed cost worked out.

[*Sr. No. 10 of App. V of 37th Rept. (3 L.S.)*]

#### **Action Taken**

A team of Officers consisting of a Technical Officer and an expert Cost Accountant was set up by the Board of Director, HAL in 1967 to examine the cost of manufacture of HS 748 aircraft at Kanpur. After taking into account all relevant elements of cost including the custom duty and the effect of devaluation, the average cost of production of HS 748 aircraft (Prepared to IAF standard of preparation) is estimated to be Rs.85.50 lakhs and the current cost is estimated at Rs. 76.20 lakhs per aircraft. The actual cost is expected to be lower as some reduction in labour cost is likely to be effected.

It may be mentioned that until recently the Kanpur factory had received orders for only 41 aircraft. This is not an economical batch of production and, therefore, the factory cannot be geared to an economical rate of production. In view of this and other handicaps of anascent aircraft industry, the cost of production is bound to be higher as compared to the cost of a comparable imported aircraft. Nevertheless, the cost estimated for Kanpur factory would not appear to be unreasonable as compared to the price of £ 5.50.000 (Rs. 99.00 lakhs) indicated by Hawker Siddeley Aviation Limited for HS 748 passenger version aircraft.

#### **Recommendation**

The Committee feel that to this extent, the agreement was defective. They also feel that as a result of the package agreement with the collaborators, the reduction in licence fee secured by Government was not adequate compensation for the disadvantages suffered under items (a), (b) and (c) of para 13 of this report.

[*Sr. No. 11(i) of App. V of 37th Rept. (3 L.S.)*]

#### **Action Taken**

As mentioned in the report there was no requirement of 748 M and photographic/reconnaissance role. The option for those requirements had, therefore, in any case to be waived. Even so Government tried to secure as much concession from the collaborators as possible. It may be mentioned that HSAL undertook to grant licence for the manufacture of 748 MF aircraft at a Licence Fee of £ 250,000 which otherwise would have been £ 300,000 (Article 11 of the Agreement). The actual reduction secured is thus £ 200,000.

[*Ministry of Defence (Defence Production) O.M. No. 10(6) 68, D (HAL-II) dt. 24-9-68*].

### Recommendation

The Committee also understand that there was some difference of opinion between the collaborators and Govt. about the interpretation of the agreement. The collaborators were of the view that their obligations in respect of the 748-M were limited to providing such designs and other documentation as A.V. Roe might prepare in the course of its business. According to Govt. it was the obligation of the collaborators "to get a certificate under the Air Registration Board in UK stating that this aircraft with the modifications would be so designed and given to us to meet the airworthiness standard."

The Committee consider it unfortunate that such ambiguities should have crept in the agreement on such an important point and trust that Ministry who may enter into negotiations for collaboration agreements in future will keep in view the need for avoiding such ambiguity.

[S. No. 11(ii) of App. V of 37th Report of (3 L.S.)]

### Action Taken

Noted. It will be ensured that such ambiguity does not recur in the agreements which may be concluded in future.

### Recommendation

The Committee found from the statement furnished to them by the Ministry of Defence in April, 1965 that 8 items of work (including those reported by the CTE) were rectified by the contractor at his own cost while an expenditure of about Rs. 15,200 was incurred by Govt. in rectifying certain defects which have been stated by the Ministry as 'non-contractual responsibility'.

The Committee consider it unfortunate that such defects should have crept in the execution of civil works for a project of national importance. The Government of India should have a proper procedure for investigating and determining whether there has been any failure of responsibility or supervision in all cases where such defects came to notice.

[Sr. No. 13 of App. V of 37th Report (3 L.S.)]

### Action Taken

The Quarter Master General, Army Headquarters has the Chief Technical Examiner on his staff. The charter of duties of the Chief Technical Examiner are as under :

- (a) Site examination of works after completion as also during their progress;
- (b) Checking a percentage of concluded contracts and amendments thereto;
- (c) Examination of a percentage of bills after payment.

The Engineer-in-Chief, Army Hqrs has the Chief Inspector of Works under him who is responsible for inspection of works vis-a-vis contracts provision, design and specifications as under :-

- (a) to inspect works in progress and locate lapses at the earliest possible stage.

- (b) to ensure that executive procedure is understood and followed in the execution of works and economies exercised, where possible.
- (c) to assist MES and other executive agencies to the maximum. The Director General of Works, Army Headquarters has an organisation under him consisting of the Chief Technical Examiner and Chief Inspector of Works for investigating and recommending remedial measures. Whenever any defects are brought to notice, responsible officers are detailed to investigate and determine whether there has been any failure of responsibility or supervision.

#### **Recommendation**

The manufacturing unit was set up as a regular unit of the Air Force and major portion of the resources available at Kanpur were deployed to meet a very tight production schedule. At that time the repair units at Kanpur were already understaffed considerably and the repair work of aircraft required by the Air Force was accumulating. Around the same time a decision had been taken to increase the Air Force strength itself to build up which considerable technical staff was required apart from making up the previous shortages. In spite of this, experienced and trained staff was transferred from the repair and maintenance units to this manufacturing unit, which resulted in deterioration in the position regarding accumulation of repair work. The Committee have separately dealt with the accumulation of repairable aircraft in paras 23-31 of this Report.

[*Sr. No. 19(c) of App. V of 37th Report (3 LS)*]

#### **Action taken**

As the question of posting of Air Force personnel has been dealt with separately in connection with accumulation of work regarding repair of aircraft, no comments are perhaps necessary.

#### **Recommendation**

The cost of manufacture of AVRO 748 Series was estimated at Rs. 21·23 lakhs on the basis of manufacture of 100 aircraft. On the same basis the estimated cost of Series II works out to Rs. 30·13 lakhs at present. In view of the fact that the actual performance of Series II is about equal to that guaranteed for Series I Government would be spending an extra expenditure of about Rs. 9 lakhs approximately (per plane) without advantage of improved performance. (It is significant to note here that the cost of manufacture of Fokker Friendship aircraft was estimated at Rs. 22·69 lakhs in 1959 against Rs. 21·23 lakhs for Avro 748).

[*Sr. No. 19(c) of App. V of 37th Report (3 LS)*]

#### **Action taken**

Information has already been given to PAC regarding the advice of the Ministry of Law in connection with the cancellation of Licence Agreement due to shortfalls in the performance of Series I and Series II aircraft. Since cancellation of the agreement was not possible, the Government negotiated for maximum concession from HSAL.

[*Ministry of Defence (Dept. of Defence Production) O.M. No. 10(6)/68/D (HAL-II) dt. 24-9-68.*]

### Recommendation

- (h) Although one of the most important considerations for starting various manufacturing schemes is progressive increase of indigenous content, in this case no plan was drawn up in advance for the manufacture of various components indigenously. The components to be manufactured indigenously were determined only at the time of placing the orders on the collaborators. At present the programme of indigenous content for the first sixteen Planes furnished by the Ministry shows that the manufacture of detailed parts from raw materials has not started at all:

It is expected to commence only from the 17th Aircraft onwards. The Committee desire that the Hindustan Aeronautics Limited should now draw up in consultation with collaborators a detailed plan for the manufacture of various components, raw materials from the 17th Plane onwards.

- (i) Only two batches of 36 technicians (officers, airmen and civilian) were sent to UK for training in August, 1959 and September, 1959. Strangely, the duration of the training lasted for less than a month only which in the opinion of the Sub-Committee was grossly inadequate. Further, although the project is still in its infancy, some trained personnel have been posted out of the Project. The Committee desire that Hindustan Aeronautics Limited, should carefully examine the question of training more officers and staff in India or abroad and also draw up a plan for the replacement of the foreign technicians working in the factory.
- (i) Even after 5 years of signing the agreement for manufacture of the aircraft, the question of uncertainty regarding continuance of its manufacture has not yet been settled. There was delay in manufacturing the prototype of Avro-748 M (side-loading military freighter version). Therefore, the requirement for this aircraft was cancelled in November, 1962 as the Air Force could not afford to wait in the context of the Emergency. The prototype of Avro-748 MF (rear-loading military freighter assault aircraft) is expected to be received in India in May, 1965, after which the trials would be held in the Indian conditions. The result of the trials of the aircraft by the Royal Air Force starting from August, 1965 are also to be awaited. The decision about the selection of this aircraft or otherwise would be possible only by the end of this year. It is regrettable that uncertainty about the rear-loading military transport aircraft continues although at the time of entering into the agreement the bulk of the requirement of the Air Force was for this type of aircraft. The Committee would like to know the outcome of the trials of the prototype.

[*Sr. No. 19 (h) (i) (e) of App.V of 37 Report (3 LS)*]

#### Action Taken

##### *Sl. No. 19 (h)*

HAL have consulted HSAL in regard to the indigenous manufacture of aircraft components from raw materials. HSAL have advised that in view of the small number of aircraft to be manufactured, the manufacture of components should be restricted to the fuselage. HAL is planning the production of components accordingly.

*Sl. No. 19 (i)*

Please see remarks against Sl. No. 5.

*Sl. No. 19 (l)*

Please see remarks against Sl. No. 6.

### **Recommendation**

During their visit to the Aircraft Manufacturing Depot in the month of February, 1965 the Sub-Committee were glad to find that the manufacturing work was now getting momentum and that from September, 1966 onwards a target of one aircraft per month would be achieved provided sufficient orders were placed. The present order of 27 aircraft was not considered adequate. It would be a pity if this progress is again thwarted for lack of orders. The Committee understand that an order of 15 aircraft was expected from the Indian Airlines Corporation who have been delivered one aircraft for trials. They desire that in case the aircraft is found suitable for the requirements of Indian Airlines Corporation, their requirements should be met from the Hindustan Aeronautics Limited. Any other factor including minor price differences should not be allowed to stand in the way, because meeting the requirements from Hindustan Aeronautics Limited would *inter alia* mean substantial saving in foreign exchange. The Committee also desire that with the transfer of manufacturing unit under the management of a company, its working should be thoroughly reviewed and necessary action taken to effect improvements and avoid failures that occurred in the past. The Committee note that the Executive Director for Production of Hawker Siddeley Aviation Limited reported in July, 1964 on the working of the Kanpur Factory. They hope that necessary action will be taken on this report. They would like to be informed in due course about the action taken on the recommendations of the Executive Director.

[*Sr. No. 20 of App. V of the 37th Report of (3 LS)*]

### **Action taken**

The Main recommendations made by the Executive Director for Production of HSAL and the action taken/proposed to be taken are explained below :

**Labour Force :** The Executive Director of HSAL recommended that the drain of Service personnel must be stopped—preferably by transfers from the Indian Air Force to civilian employment by Aeronautics India Ltd. The skilled labour force will need to be increased very considerably. To this end, training facilities for skilled men and for supervision must be stepped up.

When the Aircraft Manufacturing Depot, Kanpur was transferred to the management of Aeronautics India Ltd. with effect from 1-6-64, the labour force consisted of airmen and civilian employees of the Air Force. It was decided that the company would offer terms and conditions for permanent absorption of airmen and civilian employees. HAL have offered terms and conditions for permanent company employment and the process of conversion of airmen and civilian employees of the Air Force to the company employment has been completed.

The labour force of HAL, Kanpur, which was sufficient for production only 3 HS 748 aircraft per year in 1964, has been considerably augmented through training in the Apprentices Training School and direct recruitment. The present strength of skilled labour is capable of producing 5 aircraft per year.

**Tooling :** The Executive Director of HSAL had recommended that the manufacture of tooling on Type 748 should be restricted to fuselage only. The reason for selecting a fuselage was that this is the major part of the aircraft and it was expected that there would be fair degree of commonality with the 748 MF.

The programme regarding the manufacture of tooling has been planned by HAL in accordance with the recommendations of the Executive Director of HSAL. HAL has already commenced manufacture of detail parts with indigenously manufactured tooling. These detail parts will be used for the manufacture of 17th and onward aircraft.

### **Quality Control**

The Executive Director stated that Quality Control should receive the highest possible priority in view of the fact that the 748 aircraft was about to enter airline service in India. Many instances where the quality of work could be improved were noted during the review and it was agreed that the experience gained in Manchester—both on the production line and as a result of Airline Service—would be made available to Kanpur. For this purpose he recommended that a Senior Inspector should be loaned from Manchester to assist and advise the Chief Inspector, Kanpur.

HAL, Kanpur have recruited 80 inspectors after the visit of Executive Director of HSAL. 30 existing Air Force personnel employed on inspection duty have during this period reverted the IAF mainly due to non-acceptance of the terms and conditions offered to them for permanent absorption in the Company employment. The existing strength of inspectors is 136 against 86 in 1964. Recruitment of more inspectors has been undertaken in keeping with the production requirement.

A Senior Inspector of HSAL came to India and has returned to UK, after a period of attachment to Kanpur. The Chief Inspector of HSAL visited Kanpur recently and has agreed that attachment of HSAL inspectors to HAL was not any more necessary.

### **Production Programme**

The Executive Director of HSAL stated that it would be feasible for HAL to attain the production rate of one aircraft per month from September 1966.

The Indian Air Force has placed orders for 27 HS 748 aircraft on HAL. The Indian Airlines Corporation evaluated a Kanpur built HS 748 aircraft in 1965 and found it suitable for their requirements. In October 1965, the Indian Airlines Corporation gave a letter of intent to HAL for the purchase of 15 HS 748 aircraft. The order for 14 aircraft has been confirmed by the Indian Airlines Corporation. The order of only 41 aircraft does not, on any standards, constitute an economic batch for manufacture. To make the position worse, these aircrafts have to be manufac-

tured in different configuration as follows :

(a) Executive/VVIP Aircraft for IAF	.. .. .	16
(b) Navigator Trainer Aircraft for IAF	.. .. .	7
(c) Signaller Trainer Aircraft for IAF	.. .. .	4
(d) IAC—Passenger version (some without seats)	..	14
		<hr/>
		41

The production programme was reviewed by HAL in early 1966 and it was considered that in view of the small order of 41 aircraft on the factory, it would not be possible to implement the planned production programme.

The plant at Kanpur is capable of a production of 9 aircraft per year (with some additional investment of the order of Rs. 25 lakhs only). It is proposed to build up establishment progressively reaching the production rate of 7 aircraft per year during 1969-70. The increase of production rate to 9 aircraft per year is also under consideration and can be achieved within the same time period, provided additional orders for HS 748 aircraft are placed by the Indian Airlines Corporation.

#### Recommendations

The Committee feel deeply concerned at the magnitude of aircraft awaiting repairs with the Air Force. The total number of aircraft for repair including those waiting to be surveyed etc. comes to 379. This figure the Committee consider very high.

The Committee regret to not that the capacity sanctioned in 1961 for repair of 138 Vampires per year bore no relation to the actual production. This led to the somewhat anomalous situation viz. that on one hand a large number of Vampires were lying for repairs, and on the other, the Ministry had to purchase second-hand Vampires from other countries because of the limited repair capacity at the Base Repair Depot. It is a matter of serious concern that because of accumulation of repairable aircraft, strength of units was depleted.

[*Sr. No. 21 & 22 of Appendix V of 37th Report (3LS).*]

#### Action Taken

##### *S.No.21*

A statement showing the number of repairable aircraft held at No. 1 Base Repair Depot at the beginning of years 1964, 1965, 1966, 1967 and 1968 is enclosed. (Not printed). It will be observed that the number of repairable aircraft has been gradually going down. This has been made possible by improved manning level, spare supply position and other measures adopted to streamline production.

##### *S.No.25*

Due to the decision taken to phase out the Vampire Aircraft, emphasis was not laid on the production of repairable aircraft lying at No. 1 B.R. D. However, this decision was reviewed and it was decided that Vampire aircraft were to continue in service for some time. It may, however, be stated that the purchase of aircraft from Indonesia was of the Vampire Trainer version; and this was to meet additional urgent training requirements and the numbers were determined after taking into account the total assets—whether serviceable or repairable.



### Recommendation

The Committee find it difficult to accept this explanation. In view of the fact that during the years 1957-58 to 1960-61 90% of the amount asked for spares was allocated, the short—age of spares cannot be attributed to lack of foreign exchange during these years.

[*Sr. No. 24 of Appendix V of 37th Report (3LS)*]

### Action Taken

It is pointed out that during the evidence before the sub-committee of the P.A.C., Defence Secretary had stated that.....

“....Occasions, however, did arise when demands for new spares, not commonly required also arose. Subject to the limitations of foreign exchange and difficulties in obtaining spares for obsolete aircraft from abroad, continuous efforts were made to obtain the range of spares required. Also since some of the spares were out of current production, orders for the same entailed special manufacture which involved both extra time and cost.”

Thus the plea of shortage of foreign exchange is only one of the factors and it is, no doubt, a valid factor.

### Recommendation

The Sub-Committee were informed during their visit to the Depot that the total number of repairable items accumulated at the Depot was about 3 lakhs upto December, 1963 against the figure of 1.53 lakhs on 31-12-62 as mentioned in the audit para. The Committee would like the Ministry of Defence to have these figures carefully checked up and properly reconciled. If number of repairable items has increased so abruptly from 1.53 lakhs to 3 lakhs during the course of one year, then the position requires special attention to sort out these items and arrange for their repair/disposal.

[*S. No. 34 of Appendix V of 37th Report (3LS)*].

### Action Taken

Air HQrs. have stated that at this stage, it has not been possible to know the exact reasons for increase in the number of repairable items in 1963 but as stated earlier there has been considerable improvement of late.

### Recommendation

From the above facts, it is clear that both the Base Repair Depot and the Repair & Maintenance Depot have suffered from a certain amount of neglect in the past. The jobs done at these Depots have been persistently less than the tasks allotted year after year. One of the important reasons or those shortfalls and the consequent accumulation of work has been the chronic shortage of trained personnel. Yet despite these difficulties, according to Ministry's own admission 'In view of the high priority allotted to the production of Avro 748 aircraft and the national importance given to the project, major portion of resources available at Kanpur (BRD and RMD) were deployed to meet a very tight production schedule'. The wisdom of this step is not free from doubt, as it could not have been in the best interest of the IAF.

However, during their recent visit to these two Depots, the Sub-Committee were glad to discern a keen sense of awareness of the difficulties involved and a determination to tackle them boldly. The Committee have no doubt that with proper support from the HQ and a realistic policy in regard to the manning of technical personnel and provisioning of spares on scientific lines, these Depots will be able to play their role in keeping the Indian Air Force in proper trim, ready for any eventuality.

[S. No. 36 (h) of the Appendix V of 37th Report (3LS)]

#### **Action Taken**

36 (h) It is difficult, at this point of time, to accept or question the view that the priority given to the Avro Project then—when AMD was also our Air Force Unit was unwise.

#### **Recommendation**

While on the subject of a repair and maintenance of aircraft the Committee, would like the Ministry of Defence to give their serious and sustained attention to the following suggestions :—

- (i) The number of types of aircraft in the IAF should be reduced and standardised.
- (vii) The Committee were surprised to learn that under the extant transport regulations, movement of aviation stores had normally to be by goods train and by the wagon load. Following these regulations literally units went on accumulating rotables for a many months before despatch to the repair agencies. While this went on, some items might be down-graded to scrap, some cannibalised for spares, some might be damaged or deteriorated in storage under field conditions and the few that finally arrived at the repair agency might need much more work and spares than would be otherwise necessary. These out-dated transport regulations should be scrapped forthwith and fast rail and road transport, including civil carriers, should be used for this purpose.

A suitable scheme for setting up an air-courier service for movement of high value rotables and AOG (Aircraft-on-Ground) stores should also be evolved.

[S. 37 (i) (vii) of Appendix V of 37th Report (3LS)]

#### **Action taken**

- (i) This is no doubt a desirable objective and continuous effort has to be made and is being made in this direction. But, in this effort, results are neither quick nor easily obtainable, dependent as we are to a large extent on foreign sources and due to the problems of availability, variety of roles in which the aircraft of different types have to be used, etc.
- (vii) While the existing transport regulations permit fast modes of transport in circumstances of urgency and need or according to the fragile or delicate nature of equipment, it would perhaps be not prudent to permit such transport as a general rule in all cases, without distinction. It is worth noting that sanction to transport by passenger train of all repairable equipment to the repair base and

their return to the units has been sanctioned since 1964 on a temporary basis; and its permanent continuation awaits an evaluation of its benefits. Internal air couriers have also been and are being operated to the extent possible with the available resources.

### Recommendation

The Committee regret to observe that there was lack of planning in shipping the consignments to India which resulted in the ships arriving in a bunch at Bombay during the Monsoon season. The Committee desire that the Ministry should take necessary steps to ensure that shipping of the consignments of milk tinned is properly planned in future. The committee note that there was delay in clearing the milk tinned from the port. They agree with the view of the Board of Officers that notwithstanding the weak tins and cartons the loss incurred would have been considerably less had not about 65% of the consignments been brought to Bombay during the monsoon from June to September, 1963.

*(Sr. No. 40 of Appendix V of 37th Report of the Public Accounts Committee Third Lok Sabha)*

### Action taken

#### (Department of Supply)

The Purchase Authorisations issued by the U.S. Department of Agriculture required that all the milk allowed to be purchase should be shipped by specific dates as indicated on the Authorisations to be eligible for financing under the.....regulations. The demand in this case was an emergent one which was stressed by the I.S.M., Washington on the U.S. Government. Considering the grave emergency (Chinese aggression), the U.S. Government issued the purchase authorisation for the supply of evaporated milk within a limited period, i.e. upto 30th June, 1963, followed by another purchase authorisation for supply by the 31st December, 1963. It appears that the shipments materialised as per the delivery schedules stipulated in the contracts. The Mission had thus planned the shipments in a proper manner according to the contracts placed and purchase authorisations issued and, if at all there was bunching at the discharge port, it was the result of the operational factors involved.

The Ministry of Defence have commented as under in this connection :—

“Tinned milk is no longer imported and the requirements of Defence Services are at present being met from indigenous production of tinned milk and whole milk powder. The question of further imports of tinned milk and proper planning of such imports in future does not therefore arise. Every possible effort is made by the Embarkation Headquarters to clear the stores on landing. However, on the basis of the observations of the P.A.C., the Embarkation Headquarters have instructed again on 1st April, 1966 that with a view to rule out the possibility of any future loss due to delay in clearing stocks from the docks and applying for marine survey in time, they should ensure that no undue delay occurs in the clearance and onward despatch of stores after landing and that every possible effort is made to hold timely survey on damaged stores and to prefer suitable claims against the party concerned.”

### Recommendation

The Committee feel that the losses during transit from the port to the supply depots could have been minimised if the flimsy fibre cartons had been replaced by wooden cases before their despatch by rail. They regret to note that the authorities concerned were not wiser even after noticing damages to the fibre cartons during shipment and at the time of unloading at the port. The Committee are disturbed over the large scale damage during transportation from the port to the supply depots (1866 tonnes valuing Rs. 28·74 lakhs). In view of the dimensions of this loss the Committee take a serious view of this lapse and recommend that responsibility for this must be located.

[S. No. 41 para 45, Appendix V to 37th Report (Third Lok Sabha)]

### Action taken

#### (Ministry of Defence)

In the Report of the Board of Officers appointed to enquire into the extent and causes of loss suffered by Government in the consignments of tinned milk received under.....Agreement, a copy of which was submitted to the Sub-Committee of the Public Accounts Committee in March 1965, the measures taken for survey and despatch of the consignments have been described in Section V, Paras 38 to 49, and losses in transit and in outstation depots in Section VI Paras 50 to 55. It will be seen from these two Sections of the Report of the Board of Officers that only sound cartons were sent to outstation depots by Detachment, CFL, Bombay, and all care and precaution was taken in loading the cartons in the Railway wagons. The sound cartons were stacked in the wagon only five high. Further, the stocks taken over by the Supply Depot, Bombay, were stacked under cover, cartons five high and bags containing loose tins, 3 high on proper dunnage. Outstation despatches were invariably made by the Supply Depot, Bombay, either in wooden boxes procured locally or in empty ghee tins or tea chests and stacking in the wagons was also done only 5 high. The instructions issued by the Army Headquarters with regard to the steps to be taken for minimising losses have also been mentioned in para 48 of the Report.

2. The question of repacking of all the consignments in wooden cases at the Port itself before despatch to outstation depots was also considered during June 1963 when reports of heavy losses were received. It was felt that, apart from the tremendous labour involved, it would entail considerable expenditure, add to the congestion in the Port Depot and delay despatches to consuming Units. The cost was roughly estimated at Rs. 200/- per tonne and at this rate repacking of all the consignments in wooden cases would have involved a total expenditure of over Rs. 31 lakhs. Even then the loss could not have been avoided altogether because not only the outer packing but the tins were also found to be weak and affected by contamination.

3. It is accordingly considered that there was no failure on the part of the authorities concerned in taking proper precautions and, as pointed out by the Board of Officer, losses in transit were attributable to the same causes that had led to the arrival of damaged consignments, namely, weak tins and flimsy out packing.

### Recommendation

The Committee suggest that the extract from the Docks Manager's Report may be suitably brought to the notice of the U.S. Department of Agriculture for such action as they may consider necessary in the matter.

*[Sr. No. 4 Appendix V of 37th Report (Third Lok Sabha)]*

### Action taken

#### (Department of Supply)

The question whether the officials of United States Department of Agriculture could be held responsible for the losses in this case was examined in June, 1965 by our then Abassador in U.S.A. He had intimated that we could not make them responsible for the losses. In view of this, it is felt that no useful purpose would be served by bringing the Dock Manager's Report to the notice of USDA.

### Recommendation

The Committee would like the Defence Ministry and the Ministry of Supply and Technical Development to examine this matter further in detail with a view to ascertain (a) whether it would have been possible for ISM, Washington to have the usual warranty clause incorporated in this deal and (b) if not what is the remedy available to the Govt. against shipments of inferior quality goods.

*[S. No. of 44 of Appendix V of 37th Report of the Public Accounts Committee (Third Lok Sabha)]*

### Action taken

In accordance with clause 3(d) of the Purchase Authorisation, the sale and final settlement of evaporated milk had to be based on the inspection certificates issued by the Inspectors of the U.S. Department of Agriculture. Under..... Regulations which governed the purchase, the inclusion of a warranty clause was not possible. The normal safeguard against shipment of inferior quality goods is to have them inspected before shipment. This was duly arranged through the inspectors of the U.S. Department of Agriculture.

The Ministry of Defence have commented as under in this connection :—

"All A.S.C. Specifications relating to packed food items like tinned fruit, jam, vegetables, fish, meat, tinned milk, etc. provide a warranty clause. The procurement of all such food items for the Defence Services is done by the Army Purchase Organisation in the Department of Food and in all regular contracts concluded by them with the Suppliers a warranty clause is invariably included. In fact a warranty clause was provided by that Organisation in respect of all imports of evaporated tinned milk from U.K., Europe and Newzealand in the past, which were financed by release of free foreign exchange. Tinned milk is no longer being imported and the requirements of the Defence Services are at present being met from indigenous production of tinned milk and whole milk powder."

### Recommendation

The Committee are surprised that in spite of the heavy loss (Rs. 48 lakhs), the matter has not yet been formally brought to the notice of suppliers through U.S. Department of Agriculture, with a view to obtaining suitable compensation. They desire that this should at least be done now.

The Committee understand that the contract with suppliers provided for the buyer having the right to make an additional and independent inspection of goods at his own expense, but it appears that this right was not exercised by the I.S.M. They depended only on the inspection certificate issued by the Inspectors of U.S. Department of Agriculture.

[S. No. 45 of Appendix V of 37th Report of the Public Accounts Committee (Third Lok Sabha)].

### Action taken

Attention is invited to the late Ministry of Industry and Supply O.M. No. P11-8(4) 64 Vol. III, dated 24-11-1965 (Annexure 1). In view of the reasons set forth in para 7 of that office memorandum, any approach to the U.S. Department of Agriculture would have been inexpedient.

As regards the point why the right of additional and independent inspection of goods was not exercised by the ISM, attention is invited to the reply against para 50 *infra*.

# OFFICE MEMORANDUM

## ANNEXURE I

GOVERNMENT OF INDIA

MINISTRY OF INDUSTRY AND SUPPLY

DEPARTMENT OF SUPPLY AND TECHNICAL DEVELOPMENT

(CENTRAL SECRETARIAT—NORTH BLOCK)

No. PII 8(4)/64/Vol. III

New Delhi-1, the 24th Nov. 1965

**SUBJECT :—***Public Accounts Committee—Appointment of Sub-Committee to consider para 14 of the Audit Report (Defence Services) 1964.*

The undersigned is directed to refer to this Department's O.M. of even number dated the 22nd May, 1965, on the cited above subject, wherein a note on paras 16—25 of the Public Accounts Committee Questionnaire was furnished. It may be mentioned that the Sub-Committee of the Public Accounts Committee which had earlier discussed this case on the 20th March, 1965 had desired :—

- (i) That the question of loss should be taken up with the U.S. Department of Agriculture informally to ascertain whether they would be prepared to reimburse the Government of India the loss sustained, due to weak packing which was adopted by the India Supply Mission, Washington on the basis of the informal advice given by them.
- (ii) That the Committee may be informed of the action taken against the officers of the India Supply Mission, Washington who failed to incorporate the ASC specifications suggested by the Ministry of Defence, which were received by the Mission before the various contracts for tinned milk were placed.

2. As regards (ii) above the explanation of the officers has been called for and on examination of their receipt a note will be submitted to the Public Accounts Committee.

3. In so far the question of recovery of loss from the U.S. Government is concerned, the matter was taken up by this Department with the Ambassador of India in Washington in May, 1965 and he was requested to advise whether the U.S. Department of Agriculture, which had informally recommended the normal commercial method of packing were morally responsible for the loss and if so, whether an informal approach for compensating us for the loss should be made to them.

4. The Ambassador has in his reply in June, 1965 stated that the Mission purchased and despatched approximately \*15,568 long tons of evaporated tinned milk packed in tin containers conforming to the normal U.S. Commercial method of packing and packaging. If on the other hand, they had dispatched the tinned milk in wooden cases, the additional cost would

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\*15' 816 tonnes according to Ministry of Defence.

have been Rs. 80,92,000 as compared to the total value of tinned milk on FAS basis viz. \*Rs. 1,96,38,095, i.e. over 33% of the total value and there would have also been considerable delay in supplies. The Mission were thus able to purchase an additional quantity of 6,317 tons of tinned milk by not using the wooden cases for the same amount of foreign exchange.

5. The Ambassador has further stated that the loss due to the damage in shipment and unloading at the port of destination and storage at the port was only 323·691 tonnes after excluding losses in transit from the Port to the Storage Depot and in storage at the depot. Normally transit losses are covered by the trade having their cargo insured, but in the case of Government consignments, the Government act as self insurers. A further quantity of 2820·825 tonnes upto end of February, 1965 appear to have been damaged during storage at port and transit in India.

6. As regards tin containers, the Ambassador has stated that the Mission had pointed out on the 26th Sep., 1963 to the Ministry of Finance (Department of Economic Affairs), New Delhi, that tins of ASC specifications were not available and were not being manufactured by the suppliers in U.S.A. Even if those could be procured, they would have cost the Government extra money apart from the delay of at least three to four months in the commencement of supplies.

7. It would be difficult to prove that the advice of the U.S.D.A. officials has put the Government of India to loss. In any case, we cannot make U.S.D.A. officials responsible for such losses, as the advice given by them was in the light of their experience and in our best interest. The liability for loss thus rests on the recipient Government, as it is open to that Government to accept and act on the informal advice given or ignore it. In any case the Ambassador feels that any claim for the losses put forward will be strongly *resented* by the U.S. authorities. Although the loss is of some magnitude in value in isolation, the question of our making a claim for re-imbursment of loss sustained by us through accepting and acting on the informal advice of the U.S. Department of Agriculture should be reviewed in the context of our overall economic and political relations with the U.S. Administration, *inter alia vis-a-vis* the wheat and rice supply programmes under . . . . . and economic and other assistance. The Ambassador is, therefore, of the view that it is not desirable for us to approach the U.S. Department of Agriculture to compensate us for the losses.

8. This Department have examined the matter carefully and agree with the views expressed by the Ambassador that an approach to the U.S. Department of Agriculture in this regard would be at least inexpedient.

9. This has been seen by Audit.

Sd/- N. R. BANSOD

*Joint Secretary to the Government of India*

To

The Lok Sabha Secretariat  
New Delhi.

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\*The total c & f value of the stores is Rs. 2,43,56,640 including freight charges according to Ministry of Defence.



## CHAPTER IV

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

#### Recommendation

The Committee are glad to learn that the policy of introducing the principle of standardisation of aircraft has been accepted and the same has been incorporated in the India Defence Plan.

The Committee feel concerned over the inordinate delay in this case in sorting out repairable items which have been accumulating in the Repair and Maintenance Depot since 1950. Out of 1.53 lakhs numbers of items accumulated upto 31st December, 1962, only about 75,000 items in all have been surveyed so far, out of which 33,000 items are not required. According to Ministry's own admission some loss might have occurred due to non-repair for long time of some repairable items. The Committee regret that on the one hand the Air Force were short of aviation items, on the other hand some components, which might be of current use, were allowed to lie unattended in a disorganised manner.

As considerable part of the items relate to the aircraft which have already been withdrawn from service, these items should have been surveyed simultaneously with the withdrawal of the respective aircraft and action taken to dispose of such of them as were not required. The Committee desire that an enquiry should be made to find out why action to sort out these items was not taken earlier. The Committee hope that the remaining items would be surveyed more vigorously and action taken to dispose of those not required. The Committee also desire that a system should be introduced under which when a plane is withdrawn from service, its spares etc. should be simultaneously disposed of if not required for any other current aircraft.

[S. Nos. 32 and 33 of Appendix V of 37th Report (Third Lok Sabha)]

#### Action taken

S. No 32 No comments.

S. No. 33. The observations have been noted. Air HQrs. have pointed out that some of the repairable items have been held from before 1950 and have advised that, in view of the long time that has elapsed, they do not consider it useful to inquire into the reasons for the delay in sorting out the repairable items and in disposing of them earlier. It had been stated during evidence before the PAC Sub-Committee that Air HQrs. were earlier reluctant to dispose of old stores. It would also have been wasteful to repair all available items irrespective of whether they were surplus to requirements or obsolete. While it cannot be denied that the accumulation of a large stock of repairable holding was regrettable, as has also been commented upon the PAC, it does seem that any enquiry at this stage will be worthwhile since in the long time that has passed most of the personnel concerned have either gone out of service or posted out. Air HQrs. have, however

since taken action to constitute local boards of surveys to inspect, re-categorise and recommend disposal of various ranges of the repairable equipment, as a result of which repairable holdings were reported to have been brought down to Qty. 15,850 of 1,356 items (July, 1967); and this excludes items of repairable equipment despatched or under despatch to the appropriate repair agencies. The latest position is being ascertained with a view to find out whether there is any further improvement. The old equipment of Spit-fire and Tempest aircraft are stated to have been disposed of.

While the observations of the Committee recommending prompt action for disposal of unwanted stores of aircraft going out of service has been noted, the general attitude in regard to disposal of stores and determination of alternative uses has to be based on extreme caution; but, the object might, in due course, be achieved with progress being made in a *proper cataloguing of all Air Force equipment* which would *inter alia* provide a ready reference ultimately of interchangeability or satisfactory substitutes for other parts in use. A start has been made but admittedly this is a long term process. (Please also see remarks against item 29 above).

#### **Recommendation**

(g) There has been inordinate delay in sorting out repairable items some of which have been accumulated in the Repair and Maintenance Depot since 1950. It is obvious that items which were good and repairable in 1950 may have become obsolete and beyond economical repairs in 1965.

[S. No. 36(g) of Appendix of 37th Report (Third Lok Sabha)]

#### **Action Taken**

(g) Please see remarks against para 33.

#### **Recommendation**

(viii) The Committee understand that sometimes Aircraft are grounded for lack of such small parts as bolts, nuts, rivets, stainless steel wire etc. In the absence of indigenous manufacture of relatively simple general purpose spares, IAF is solely dependent on imported items. The Committee desire that early action should be initiated to establish indigenous manufacture of these items.

[S. No. 37(viii), Appendix of 37th Report (Third Lok Sabha)]

#### **Action taken**

(viii) Action is in hand to find out ways and means of producing some of the aircraft general parts indigenously.

#### **Recommendation**

The Committee regret to note that even though the cable from Washington dated the 5th December, 1962 asked for specific instructions regarding packing and destination etc. the Defence Ministry did not consider it necessary to either send such instructions by cable or even to inform them that the instructions were following in a letter.

Not only this when the letter was actually sent on the 11th December, 1962, instead of sending it directly by airmail it was sent to the External Affairs Ministry for further transmission in the diplomatic bag which was

going only once a week. What is more, when it was known that the letter had not been able to catch the diplomatic mail on 11th and that the letter would not go until 18th, no steps were taken either to inform Washington by cable or to send a copy of that letter by air-mail to ISM, Washington. The Committee desire that this failure should be investigated and responsibility fixed.

[S. No 38, (Para 42) Appendix V to 37th Report (Third Lok Sabha)]

#### **Action taken**

#### **(Ministry of Defence)**

The specification for tinned milk and its packing is too elaborate and lengthy to be conveyed in a cable. It could only have been mailed to ISM Washington. On the 7th December 1962, the Department of Supply informed ISM, Washington, by cable that the Defence Ministry had been requested to cable instructions regarding specifications, packaging, destination and consignee. In the cable sent to ISM, Washington by the Ministry of Finance on the same day, nothing was mentioned about despatch of instructions regarding specifications and packaging presumably because this had been mentioned in the cable sent by the Department of Supply.

2. The specification for tinned milk containing also the packing instruction was sent on the 11th December 1962 to the Indian Embassy, Washington, by Diplomatic Bag, Category 'A', since that was the normal mode of despatch of communications to our missions abroad. Though this could have been sent by air mail, delay could hardly have been anticipated in sending the same through Diplomatic Bag as the latter was to be cleared that very day.

3. Since the letter was despatched from this Ministry on the 11th December 1962, it was apparently not visualised that it would not catch the diplomatic bag before it was cleared that day. No further enquiry in this regard was received from ISM, Washington. The delay in the actual despatch of the letter by Diplomatic Bag from the 11th to 18th was detected from when the cause for the delay in receipt of the letter by ISM, Washington was investigated in March 1965. Under the circumstances, it is considered that it will not be possible to hold any one responsible.

#### **Recommendation**

In the first instance the Committee are surprised that ISM, Washington should be unaware of the A.S.C. Specifications. Since tinned milk was not imported for our Defence Forces for the first time, these specifications should have been well known to our purchase mission abroad. Secondly what the Committee fail to understand is how on receipt of A.S.C. Specifications from the Ministry of Defence, the I.S.M., Washington came to the conclusion that the U.S. (Federal) specifications were not inconsistent with the A.S.C. specification when there was a basic difference between them inasmuch as the A.S.C. Specifications required the use of wooden cases. In the opinion of the Sub-Committee it was a clear failure on the part of I.S.M. Washington in not consulting the Ministry of Defence, who were the Indentor, regarding deviation from the A.S.C. Specifications. The Committee note that the contracts with the suppliers were signed on the 23rd January, 1963, 27th February, 1963 and 2nd May, 1963 after negotiations. It is not clear why at the time of these negotiations, the exact

specification *i.e.* ACS Specification required by the Defence Ministry was not stipulated and revised quotation obtained.

While the Committee appreciate the I.S.M.'s anxiety to purchase to maximum possible quantity of milk to meet the emergent requirements of the Defence Services within the allotted amount, they feel that this cannot be given as justification for deviation from the A.S.C. Specification without consulting the Indentor, which resulted in heavy losses of milk.

The Committee note from the report of the Board of Officers that the tins used by the Suppliers were not even those prescribed in the Federal Specification for overs as shipments. The tins when compared to A.S.C. Specifications and the Federal Specifications for over seas shipments were of weaker plate they were of rimless, benthold type which were unable to withstand high pressure, rough handling and extreme climatic conditions and prolonged outside storage. Another unsatisfactory feature was that in the case of one contract, the specification of carton was further reduced from 275 lbs. to 200 lbs. bursting strength.

[S. No. 39 of Appendix V of 37th Report of Public Accounts Committee (Third Lok Sabha)]

#### **Action taken**

##### **(Department of Supply)**

Attention is invited to the detailed information which was submitted by the Ministry of Defence in reply to the Committee's questions 1-3 in which it was stated that prior to this transaction evaporated tinned milk was being imported from U.K., Europe and New Zealand. As it was the first time that this item was imported from U.S.A. the I.S.M., Washington, did not know the A.S.C. Specifications and did not have any previous experience of the purchase of this store.

The I.S.M., Washington floated the first tender enquiry on 22-12-1962 and it was only 28-12-62 that the A.S.C. Specifications were received in the Mission. The A.S.C. Specifications were compared with the Federal Specifications and the view taken was that there was nothing in consist out between the two sets of specifications. Accordingly, the question of consulting the Ministry of Defence or taking further action to follow the A.S.C. Specifications was not considered necessary at that stage.

As regards the tin containers, the specific type conforming to ASC Specifications were not available and were not being manufactured by the suppliers. The suppliers had, therefore, regretted their inability to use packing of the type required.

In commercial shipments corrugated fibre cases having a bursting strength of 200 lbs. were being used for the export of evaporated milk overseas. In view of this and the fact that the suppliers were demanding 15 Cents per case extra for packing in cases of 275 lbs. strength, the Mission accepted the reduction in the Specifications of the packing.

#### **Recommendation**

The Committee are perturbed over the heavy loss which occurred in this case due to flimsy tins and weak cartons used for packing of milk tinned supplied to India. The Committee are surprised to note the plea of the

Department of Supply and Technical Development that on an overall basis against the total loss of Rs. 48·14 lakhs an expenditure of Rs. 78 lakhs in foreign exchange has been saved which would have been incurred had wooden packing cases been used for outer packing. The Committee are unable to accept this as a valid argument, which proceeds on the assumption that the loss of essential and urgent supplies valued at Rs. 48·14 lakhs did not matter at all. The Committee consider it most unfortunate that so much of supplies indented for the forward areas should have gone to waste. Moreover, the estimate of extra expenditure of Rs. 78 lakhs if wooden cases had been used instead of cartoons needs a careful scrutiny by the Department of Supply & Technical Development. In the Committee's opinion there was a clear failure on the part of the ISM., Washington in dealing with this case, in several respects while deviating from the ASC specifications in regard to packing conditions such as :

- (i) Failure to consult the Indentor (the Ministry of Defence) before agreeing to a material deviation from ASC specifications in regard to packing;
- (ii) Failure to ask the suppliers to give fresh quotations, on receipt of ASC specifications on the 28th December, 1962;
- (iii) Apparent failure to insist that the tins used by the suppliers were in accordance with the Federal specification for overseas shipments (as indicated in the Report of the Board of Officers);
- (iv) Agreeing to a further reduction in specification of cartoon from 275 lbs. to 200 lbs. bursting strength.

The Committee desire that the Ministry of Supply and Technical Development should inquire into these lapses, with a view to fixing responsibility. They should also examine why the right of additional and independent inspection as provided in the agreement was not exercised by I.S.M., Washington.

[S. No. 46 of Appendix V of 37th Report of the Public Accounts Committee (Third Lok Sabha)]

- (i) In so far as the first failure is concerned, it may be stated that in their telegram of the 5th December, 1962, I.S.M., Washington made certain recommendations after consulting U.S. Department of Agriculture about the sizes etc. and also asked for urgent instructions regarding specifications, packaging, etc. In telegram dated the 7th December, 1962, I.S.M., Washington were informed that the Defence Ministry had been requested to cable instructions about packaging, specifications, etc. I.S.M., Washington floated the first tender inquiry on the 22nd December, 1962 but upto that date, instructions regarding packaging, specifications, etc. had not been received by them. In this tender inquiry, it was provided that the packaging and packing should conform to U.S. Federal Specifications. It was also further provided as follows :—

“The cartons/cases or drums should be security strapped with metal strips capable of withstanding, handling and transportation to Indian ports. The packaged products shall be packed in containers which are acceptable to common carriers for shipping to point of destination at the lowest transportation rates for such shipment.”

It was only on 28th December, 1962 that the Indian Specifications reached I.S.M., Washington.

When the Indian Specifications were received in the Mission, the Deputy Director recorded the following note :—

“We have already issued one tender enquiry. Please check up how these specifications differ from those laid down in our tender enquiry.”

The papers were marked to the Accountant concerned. He examined the Indian Specifications and submitted a note in which he stated, *inter alia*, as follows :—

“The specifications received from India have been seen and it is observed that there is nothing therein inconsistent with the Federal or the U.S.A. Specification. In many respects, the U.S. Specifications are higher than those received from India. The tender inquiry as issued is in order and no further action is called for.”

This statement of the Accountant was not correct. In so far as the packaging was concerned, the Indian Specification laid down as follows :—

“Tins :—The milk shall be packed in 1 pound tins conforming to drawing No. IND/GS FD 6. The net contents of each tin shall be 16 oz.”

The drawing was not received in the Mission but the Accountant failed to bring out his point in examining the specifications. As regards packing, the Indian Specification provided as follows :—

“Cases :—The tins shall be packed in strong wooden cases fabricated in accordance with specification No. IND/GS/ FD/2(a), iron hooped or steel strapped or wired and sufficiently strong to withstand journey by roads, rail sea or air. Each case shall contain 48 x 16 oz. tins”.

The specification mentioned above was not received in the I.S.M., Washington. It was, however, clear that the tins were to conform to a particular drawing and these were to be packed in strong wooden cases. The Accountant failed to bring out this fact. Had he done so, it is possible that his superiors would have examined the matter and taken a view on it. Apparently, when the Accountant stated that there was nothing inconsistent between the Indian specification and the Federal specification, his superiors accepted his statement on trust. There was, therefore, a failure on the part of the Accountant in carrying out a proper examination of the Indian specification and to bring out the important point regarding the tins being required to be packed in strong wooden cases. This note of the Accountant was endorsed by the Deputy Director and approved by the Director General. The Deputy Director can also, therefore, be held responsible for this failure to a certain extent. It is, however, felt that the Director General cannot be held responsible for this lapse, as being the head of the Organisation it is impossible for him personally to go into the details of each case when all the facts are stated in categorical terms by subordinate officers as was done in this case. It was not possible for the head of the office to carry out an examination of the details of the A.S.C. specifications and the responsibility therefore rest on the Accountant and, to some extent, on the Deputy Director. It was, therefore, decided that disciplinary proceedings should be initiated against both these officers

The Deputy Director belonged to the Department of Food. The Department of Food have since intimated that the Deputy Director resigned from Government service with effect from the 12th January, 1966 (afternoon). No action is, therefore, possible against him. The Accountant is borne on the cadre of the A.G., U.P. who has been requested to initiate disciplinary proceedings against him. The result of disciplinary proceedings has not yet become available.

(ii) The second failure referred to by the Committee arises directly out of the first. As has been explained above, when the A.S.C. specifications were received in the Mission on the 28th December, 1962, they were compared with the Federal specifications and the view taken was that there was nothing inconsistent between the two specifications. It was on account of this view that no further action to follow the A.S.C. specifications was taken. It is, therefore, felt that the second lapse is corollary to the first lapse and that no further separate action in respect of this lapse is called for.

(iii) As regards the third lapse, it may be mentioned that the J.S.M., Washington, had informed Government in its telegram of the 5th December, 1962 as follows :—

“Discussed with the U.S.D.A. details of available packing sizes etc. Understand evaporated milk commercially packed in 6 oz. or 14½ oz. tins. Possible buy in larger 6.25 tins or 50 lbs. barrels by special order at higher cost since manufacturing plants not equipped pack in bigger sizes. Recommend purchasing in 14½ oz. tins.”

It is clear from the above that the Mission advised the Government to accept commercially packed 14½ oz. tins. The Ministry of Finance (Department of Economic Affairs) replied to India Supply Mission, Washington under advice to the Ministry of Defence in their telegram of the 7th December, 1962 as follows :—

“Yours 979. Consignee is Embarkation Commandant, Bombay. We prefer following sizes :

Evaporated milk 14½ oz. tins.....Your proposal regarding variety and grade acceptable.....”

The Mission apparently presumed from this telegram that their proposal to purchase commercially packed 14½ oz. tins was acceptable to the Indentor. As regards the point as to why they did not prescribe “suitable commercial packing on the lines of A.S.C. specifications”, the Mission have stated that if they had asked for deviation from the Standard of Commercial practice, it would have involved considerable expenditure and consequent delay in the shipment of milk which was stated to be urgently needed. In so far as the packaging is concerned, the Ministry of Finance in their telegram of 24th September, 1963 had asked the Mission that it should be arranged in open spun type cans with tin plate of a certain specification. The Mission replied that the tins to this specification were not being manufactured and, therefore, the suppliers had regretted their inability to use the packaging of the type required.

(iv) As regards the fourth lapse, it may be mentioned that the Mission in their telegram No. 635, dated the 27th June, 1963, had reported to the Minister of Defence that evaporated milk shipped per s-s. Gandhi Jayanti and Jagvijay was packed in cases of 275 lbs. bursting

strength further secured by two flat metal straps. The telegram further reported that in commercial shipments corrugated fibre cases having a bursting strength of 200 lbs. were being used for exporting evaporated milk overseas, and in view of this and the fact that suppliers were demanding 15 Cents per case extra for packing in cases of 275 lbs. bursting strength involving additional expenditure of approximately Rs. 2.67 lakhs, the Mission, had after informally consulting the U.S. Department of Agriculture, placed their last contract specifying the packing on corrugated fibre cases of 200 lbs. bursting strength. The Mission further requested the Ministry of Defence to inquire into the actual cause for losses and to examine whether the loss sustained warranted the Mission to negotiate with the suppliers for a revision of specifications for packing cases which would involve additional expenditure. The Ministry of Defence replied in their telegram of 13th July, 1963 that the specifications for packing cases need not be revised at that stage.

The Ministry of Defence have stated that this decision was taken on the basis of information given by the India Supply Mission, Washington that the entire quantity contracted for with one firm had already been shipped and a quantity of 2,58,000 cases contracted for with another firm had also been shipped, except the last consignment of 42,000 cases which had already been railed to docks for shipment in a vessel sailing on 29th June, 1963. The Mission also pointed out that they had entered into a firm commitment with another firm for supply of evaporated tinned milk from July to November and commitment of freight for July shipment had already been made and suspension of shipments would, therefore, not be possible without imposing heavy financial liabilities.

Further, it is observed that although the first consignment arrived in India in the third week of April, 1963 the information that heavy losses had accrued due to weak packing cases was communicated by the Ministry of Defence to I.S.M., Washington, only on the 22nd June, 1963. When the Mission accepted the packing of 200 lbs. bursting strength in May, 1963 they were not aware of the extent of the losses which had already occurred and that they were due to weak packing. Even the loss report received in the Mission in September, 1963 did not carry with it any details. However, on receipt of a cable dated 21-9-63 from the Ministry of Finance (Department of Economic Affairs) (with reference to Mission's cable dated 20-9-63), the I.S.M., Washington revised the specification of cartons to 275 lbs. bursting strength. It therefore appears that the Mission accepted the reduction in the specification of packing in accordance with their understanding that in commercial practice fibre cases having a bursting strength upto 200 lbs. were being used for exporting avaporated tinned milk overseas and also with a view to economise in expenditure. It has, therefore, been held that the Mission agreed to the reduction in specification of packing cases in the *bona fide* belief that this packing would be adequate and, at the same time, economical. In view of this position, it is felt that no further action is called for in respect of this lapse.

(v) As regard the question why the right of additional and independent inspection was not exercised by the I.S.M., Washington, it may be stated that the purchase of tinned milk (unlike any free foreign exchange purchase) was under.....Regulations and Clause



3(d) of the Purchase Authorisation issued by the U.S. Department of Agriculture specified as follows :—

“The sale and final settlement will be based on an inspection certificate(s) issued by the Inspection and Grading Branch, Dairy Division, Agricultural Marketing Service, U. S. Department of Agriculture showing the quality and weight of evaporated milk and a statement that evaporated milk was packed in accordance with the requirements of the contracts and of Section 4 of this authorisation.”

In view of above, the question of carrying out additional independent inspection to determine the quality or weight did not arise, as the final settlement had to be based on inspection certificate issued by the Inspectors of U.S. Department of Agriculture.

(vi) Regarding the estimate of Rs. 78 lakhs, it may be stated that this was based on the prices ruling in the United States in 1963. The packing cost of \$2.00 approximately per wooden case (to contain 48 Nos. of 14½ oz. tins weighing 51 lbs. approximately) includes labour for the manufacture of wooden cases of 1.03 cubic feet capacity. Since the suppliers of milk do not have boxing facilities (their machinery being adapted to packing in cartons only by mechanical process), the additional cost of transportation and handling plus the charges for manufacture of wooden cases of the above size, mailing/staking them, freight from the manufactures to the milk suppliers, freight from milk suppliers to port of exit, additional freight by sea for increased volume, making an allowance on the cost of cartons, would total upto £2.11. Thus, the total additional expenditure on 801,697 cases contracted for on wooden packing would work out to £1.7 million (Rs. 78 lakhs).

[Ministry of Works, Housing and Supply (Department of Supplies) O.M. No. PII-8(4)/64, dated the 12th December 1968.]

#### Recommendation

The Committee also find that there were certain lapses on the part of the Ministry of Defence which should be taken due notice of :—

- (a) the delay on the part of the Ministry of Defence in forwarding specifications of packing to the I.S.M., Washington;
- (b) the delay in clearing the stocks of milk tinned from the docks;
- (c) the delay in applying for marine surveys in respect of some consignments received in four ships; and
- (d) the failure to change the outer packing from fibre cartons to wooden cases before despatch from the port to the respective destinations which substantially accentuated the losses.

[S. No. 47 (Para 51) of Appendix V of 37th Report (Third Lok Sabha)]

#### Action taken

#### (MINISTRY OF DEFENCE)

The factual position with regard to the observations at (a) and (d) in the above recommendation has been explained in the notes dealing with the recommendations at S. Nos. 38 and 41 in Appendix V to the 37th Report.

## CHAPTER V

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

#### Recommendation

(i) The Committee feel that had the extension of the Ballard Pier been carried out by the Government as had been originally demanded by the Port Trust, it would not have been necessary to incur the expenditure in one lot before the commencement of the work itself; the expenditure would have been spread over the period of the actual execution of the work. It is difficult to appreciate how the position underwent a change merely because the BPT agreed subsequently to execute the job at the cost of Government. The Committee, therefore, are not wholly convinced about the justification of the lump sum payment in this case.

(ii) The Committee feel concerned over the inordinate delay in entering into a formal agreement by the Ministry of Defence with the Bombay Port Trust for the transfer of the land. A substantial portion of the payment for the construction of an alternative landing place was made to the Port Trust more than 3 years back (March 1962). The Committee feel that the settlement of the dispute with the Maharashtra Government regarding their title to the land at the foundation has taken unduly long time, pending which a formal agreement with the Bombay Port Trust for the transfer of the land could not be entered into.

(iii) In reply to a question whether there was any agreement between the BPT and the Maharashtra Government regarding the ownership of the land, the Ministry of Transport has stated as under :—

“The land under reference was vested in the Bombay Port Trust under the Act of 1873.”

If that is so, the Committee are unable to appreciate how the claim of the Maharashtra Government comes in. The Committee desire that the issue may be settled expeditiously with the Maharashtra Government so that a legally valid agreement transferring the rights in the land to the Central Government, may be entered into. The Committee also recommend that the final payment should be made only after the execution of the transfer documents.

[S. No. 1 of Appendix V of 37th Report (Third Lok Sabha)]

#### Action taken

(i) To have a proper appreciation of the reasons justifying lump sum payment in this case it seems desirable to recapitulate the following facts :—

1. The Naval Dockyard Expansion Scheme as planned by the Consulting Engineers involved incorporation into the dockyard of certain assets and lands of the Port Trust at the Ballard Pier, Ballard Bunder and the revetment relating thereto. Soon after the Report of the Consulting Engineers became available, the BPT raised objections to the whole scheme. In this connection

a copy of their letter No. C/7/190, dated the 3rd November 1950 is enclosed.\* The BPT's view was that it would seriously hamper the future expansion of the port for commercial purposes. Even upto 1953, there was no change in the attitude of the BPT and there was opposition from the Trustees in view of the feeling in Bombay business circles against the scheme. It was in August 1954 that, after prolonged negotiations, which at one time involved intervention by the Prime Minister, it was possible to persuade the Port Trust to release these lands with structures thereon to the Navy. The total area involved in this transfer was 15,464 square yards out of which an area measuring 13,196 square yards was handed over to the Navy in 1954-55. The BPT had agreed to transfer their lands and structures to the Navy on an "area to area" and "structure for structure" basis of exchange. In their words, Government undertook to carry out equivalent works in exchange of the areas transferred and it was then (August 1954) stated that this work was expected to start in about 13 months' time. Subsequently, after further discussions, Government agreed to provide a caisson type of wall for the new construction but till August, 1959 no agreement could be reached regarding the details of the wall e.g. its depth, foundation etc. On BPT's writing to Government in this regard, in November 1959, Government agreed that the BPT could carry out these works themselves provided the designs were approved by Government and its share towards the cost was predetermined and finally settled with the BPT and this cost would not be more than what would have been spent if the design proposed earlier by the Defence Ministry's Consultants had been adopted and the work executed under the Ministry's arrangements. On 1st February, 1960 in a letter written by the BPT D.G.N.D.E.S. the Port Trust authorities explained the requirement of determining the lump sum payment to be made to them by the Defence Ministry. For the purpose of determining Defence Ministry's liability it was agreed between the parties in October, 1961 to refer the matter to a joint team of Consultants of the parties on the following terms of reference :—

- (i) To work out the design of the solid caisson type wharf equivalent to the existing Ballard pier in accordance with the agreement reached on 20-8-1954.
- (ii) To estimate the cost of extending Ballard Pier along its present width and alignment for a distance of 750 ft and to assess and suggest the sum of money payable by Government to the Bombay Port Trust in respect of all items enumerated above.
- (iii) To substantiate the above estimate to the satisfaction of BPT and Government and to furnish the necessary details and classifications in this regard and in regard to design worked out in accordance with para (i) above to enable the BPT and Government to come to a settlement on the final amount to be paid by Government to BPT in respect of all items enumerated above.

This joint Report, received in February, 1962 also recommended as under :—

**"We consider that in fulfilment of Government's obligations in accordance with the agreement reached on 20th August, 1954, the Government should pay to the BPT the sum of Rs. 139.66 lakhs.**

2. In the light of the position explained above it would be observed that the agreement with the BPT and the terms of reference to the Joint Team of Consultant provided for lump sum payment in discharge of Government's obligations in respect of all items. There was no agreement or understanding between Government and the BPT at any stage that the payment will be made in suitable instalments. Government had decided to acquire Ballard Pier Area from BPT despite resistance against this demand from 1950 onwards. With this background it would not have been possible to suggest payment by instalments, as it could possibly have given another hurdle to BPT to prolong discussions and cause further delay in execution of the scheme by withholding transfer of the remaining portion of the area.

Moreover, the payment was due to the BPT for the land and structures handed over by the BPT in 1954-55. Government had undertaken to extend the Ballard pier to compensate the BPT for lands and structures, which had to be released by the Port Trust. There was, therefore, no scope or justification for insisting that the payment to BPT would be conditional to their actually executing their portion of the Extension. If the argument that the payment to BPT should depend on actual progress of extending the BPT's portion of the Ballard Pier is taken to its logical conclusion, it would mean that so long as the BPT is unable to carry out the work of extending their portion of the Ballard Pier the Ministry of Defence would not be obliged to make any payment at all, although the lands and structures belonging to the BPT, have been in possession of the Navy since 1954-55. The BPT could not have been expected to accept such a situation. It would thus be apparent that the payment made to the BPT was not in any way contingent on the actual carrying out of these works by them. At the earlier stage of negotiations with the BPT this payment was to be in kind through Government building up a corresponding portion of the extension to the Ballard Pier and handing it over to the BPT. It is only because it was later agreed to permit the BPT to carry out these works that the payment to be made in cash in lieu was determined on the basis of the joint report of the Government's and the Port Trust's Consulting Engineers. The BPT having fulfilled a part of the obligation under the agreement, there could be no question of not fulfilling Government's obligation by making a part of the payment that was due.

3. Although there has been considerable delay in entering into a formal agreement the BPT transferred the *de facto* possession of assets and lands measuring 15,318<sup>4</sup>/<sub>9</sub> square yards to the Navy as under :—

- (a) Between 15th October, 1954 and 16th July, 1955 : 13,196 <sup>7</sup>/<sub>9</sub> Sq. Yards
- (b) Between 8th March, 1963 and 28th March, 1964 : 2,121 <sup>6</sup>/<sub>9</sub> Sq. Yards
- (c) Balance yet to be handed over : 146 <sup>1</sup>/<sub>9</sub> Sq. Yards.

NOTE :—

- (i) The lands at (a) above were handed over as a result of agreement reached at the meeting held in Transport Secretary room on 20-8-1954.
- (ii) The lands at (b) above were handed over on payment of Rs. 1 crore in March, 1962 and Rs. 20 lakhs in March, 1964 to the BPT.
- (iii) Handing over of the land at (c) above is held up pending full monetary settlement.

4. The BPT is an autonomous body and except for a small portion of area the *de facto* possession of the lands and assets thereon had been transferred to the Union Government. The Civil Engineering works in respect of Ballard Pier Extension were also completed in full on the 31st December, 1965 and therefore delay in entering into a formal agreement of transfer did not impede the execution of the works and utilisation of the Pier.

5. It may be explained that the claim of the Maharashtra Government did not pertain to the lands vested in the BPT under the Port Trust Act of 1879, but on a portion of land (at Ballard Mole) stated to have been re-claimed by the Port Trust authorities from the sea bed lying beyond the limits vested in them under the aforesaid Act and later merged with it.

6. The Maharashtra Government claimed title over certain parts of the lands transferred by the BPT to the Navy. Central Government also claimed title to these lands on the basis of certain survey charts of 1880-81 & 1892-93 pertaining to Bombay harbour, which were obtained from the Admiralty.

This Ministry took adequate measures to establish title over these lands. The Defence Minister discussed this case with the Chief Minister, Maharashtra in April 1964, when the latter held that it was premature to discuss the matter when it pertained to legal rights of his Government. The Government of Maharashtra, Revenue and Forests Department in their letter No. LBL 2563/1160409-AI, dated 18-11-1966 have since communicated as under :—

“Since the land from the Ballard Pier area required for the Naval Dockyard Expansion Scheme is within the territorial waters of India this State does not now pursue its claim over it.”

7. *Necessary steps are now being taken to finalise as expeditiously as possible legally valid agreement with the Bombay Port Trust transferring the rights of the property to the Navy.* The Committee's direction that the final payment to BPT should be made only after the execution of the transfer documents, has also been noted for compliance.

*[Ministry of Defence, O.M. No. 11 (2)/66/D (Budget), dated 17-1-67]*

**Recommendation**

The Committee feel that this problem of defection of trained staff requires to be tackled realistically by rationalising and improving the pay scales/service conditions of the technical personnel, commensurate with their experience, training and prospects.

[Sr. No. 14 Appendix V of 37th Report of PAC (Third Lok Sabha)]

**Action taken**

This matter is under consideration. It will take sometime before a final decision can be taken.

**Recommendation**

(vi) Telephonic and telegraphic communications between Equipment Depots, Repairs Organisations, Overhaul Stores Depots, Forward Supply Depots, HQ Maintenance Command and Air Headquarters should be improved.

[Sr. No. 37 (vi) of Appendix V of 37th Report of PAC (Third Lok Sabha)]

**Action taken**

(vi) The proposals made by Air HQrs. recently in this regard are under consideration.

NEW DELHI:

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

*March, 4, 1969*

*Phalguna 20, 1890 (Saka)*

## APPENDIX

### *Summary of Main conclusions/Recommendations*

Sr. No.	Para No. of the Report	Ministry/ Deptt. concerned.	Recommendations
1	2	3	4
1.	1-9	Ministry of Defence	In view of the fact that the Committee on Public Undertakings have examined comprehensively the project for the manufacture of the transport aircraft (H.S. 748) by the Hindustan Aeronautics Ltd. (Kanpur Division), the Committee do not wish to pursue this matter. The Committee would, however, like to emphasize the necessity to undertake planning of projects of this nature and magnitude on a more realistic basis.
2.	1-12	Do.	Considering that a large variety of aircraft was in the past one of the factors responsible for difficulties in procurement of spares and establishment of repair lines, the Committee hope that Government will keep under constant review the question of standardisation of aircraft required by the Air Force for various roles.
3.	1-15	Do.	The Committee regret to note that it has not been possible for the Air Headquarters even at this late stage to ascertain the exact reasons for the increase in the accumulation of repairable items from 1.5 lakhs upto 31st December, 1962 to 3 lakhs by December, 1963 in the Repair and Maintenance Depot.
4.	1-16	Do.	The Committee note that the Air Headquarters have issued instructions regarding prompt formation of survey boards for segregation and disposal of the repairable equipment, as soon as possible after the receipt of the repairable items. The Committee trust that all the three lakh repairable items accumulated in the present case upto December, 1963 would have been inspected and categorised for repair or disposal. They hope that as a result of the measures taken by the Headquarters, there will be no instances of heavy accumulation of repairable items and delay in their inspection in the Air Force Depots.
5.	1-17	Do.	While the Committee appreciate the Ministry's view that the general attitude in regard to disposal of stores pertaining to aircraft going out of service and determination of alternative uses has to be based on extreme caution, they desire that the Air Headquarters should keep the matter under constant review so that unwanted stores do not block much needed storage accommodation for long periods of time.
6.	1-20	Do.	The Committee regret to observe that no headway has been made in indigenous manufacture of general purpose parts like bolts, nuts, rivets, stainless steel wire etc. for lack of which sometimes Air craft are grounded, and for the procurement of which the Air Force has to depend on foreign sources. The Committee desire that Government should pay

1	2	3	4
7.	1-23	Ministry of Defence	<p>serious attention to this matter and enlist the assistance of private industry as far as possible in manufacturing these general purpose parts. This would not only result in saving foreign exchange but also improving the operational efficiency of the Air Force in times of emergency by reducing its dependence on foreign sources.</p> <p>The Committee are not satisfied with the reply of the Ministry of Defence regarding delay in despatch of packing specifications to the India Supply Mission, Washington which reached them a week after the first tender inquiry was floated.</p> <p>Considering the fact that contracts were to be executed for stores worth about Rs. 2 crores and that these stores were emergently needed, the Ministry of Defence could have advised the India Supply Mission Washington by cable, about all the material facts relating to packing specifications. The least that they could have done was to have ensured that the communication that they sent to the Mission in this regard did actually catch the diplomatic bag on the 11th December, 1962, failing which it should have been despatched by air mail.</p>
8.7	1-24	Do.	<p>The Committee would also like Government to ensure that a procedure is introduced by which urgent communications sent by diplomatic bag which are not cleared on the expected day, are not allowed to remain in the External Affairs Ministry but are invariably withdrawn and sent by airmail.</p> <p>The Committee also note from the reply of the Department of supply that the specifications supplied by the Ministry of Defence to the India Supply Mission were not complete. The Committee do not feel happy over the casual manner in which the particulars of specifications were despatched to the I.S.M. Washington for a transaction involving about Rs. 2 crores.</p>
9.	1-25	Do.	<p>The Committee take a serious view of failure of the I.S.M. Washington to detect the discrepancy between the U.S. packing specifications incorporated in the contracts and the specifications received from India. The Committee note that disciplinary proceedings against the officials at default are under way.</p>
10.	1-26	Do.	<p>The Committee would, however, like to point out that the Head of the Purchase Mission did not exercise the care that should have been shown while approving a contract of this magnitude.</p>
11.	1-27	Do.	<p>The Committee note from the reply of the Department of Supply that the right of additional and independent inspection provided for in the contract was not available of by the India Supply Mission as the final settlement of the claim was to be based on inspection certificates to be issued by U.S. Department of Agriculture. The Committee are unable to understand why in that case a redundant clause of this nature should at all have been incorporated in the agreement.</p>



Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
<b>DELHI</b>			33.	Oxford Book & Stationery Company, Scindia House, Connaught Place New Delhi-1.	68
24.	Jain Book Agency, Connaught Place, New Delhi.	11	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3	35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	83
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	36.	Hind Book House, 82, Janpath, New Delhi.	95
27.	J. M. Jaina & Brothers Mori Gate, Delhi.	11	37.	Bookwell, 4, Sant Narakari Colony, Kingsway Camp, Delhi-9.	96
28.	The Central News Agency 23/90, Connaught Place, New Delhi.	15	<b>MANIPUR</b>		
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20	38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	<b>AGENTS IN FOREIGN COUNTRIES</b>		
31.	Bahree Brothers, 188 Lajpatrai Market, Delhi-6.	27	39.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.-2.	59
32.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	66			

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