

**PUBLIC ACCOUNTS COMMITTEE  
(1965-66)**

**FIFTY-FIRST REPORT  
(THIRD LOK SABHA)**

[Paras 7 & 8 of Audit Report (Defence Services), 1965]



**LOK SABHA SECRETARIAT  
NEW DELHI**

*April, 1966/Chaitra, 1888 (Saka)*

*336.3951 R* Price : Rs. 2 30 Paise

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PUBLIC ACCOUNTS COMMITTEE  
(1965-66)

CHAIRMAN

Shri R. R. Morarka

MEMBERS

2. Shrimati Akkamma Devi
3. Shri Ram Dhani Das
4. Shri Gulabrao Keshavrao Jedhe
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12. Shri G. Yallamenda Reddy
13. Shri Prakash Vir Shastri
14. Shri Surendra Pal Singh
15. Shri U. M. Trivedi
16. Shri M. P. Bhargava
17. Shri Chandra Shekhar
- \*18. Shri S. C. Deb
- \*19. Shri R. S. Panj hazari
20. Shri Ram Sahai
21. Shri Niranj an Singh
22. Shri Atal Bihari Vajpayee.

SECRETARIAT

Shri N. N. Mallya—*Joint Secretary.*

Shri H. N. Trivedi—*Deputy Secretary.*

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

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\*Ceased to be Members of the Committee consequent on their retirement from Rajya Sabha on 2-4-1966 under Article 83 (1) of the Constitution.

## INTRODUCTION

1. The Chairman of the Public Accounts Committee, as authorised by the Committee do present on their behalf the 51st Report on paras 7 and 8 of the Audit Report (Defence Services) 1965.

2. The Public Accounts Committee considered these cases at their sitting held on 20th January, 1966. A brief record of the proceedings of the sitting forms Part II of this Report.

3. At the sitting held on 20th January, 1966 the Public Accounts Committee decided to appoint a Sub-Committee to consider these cases in detail. The Report of the Sub-Committee which is appended hereto was considered and approved by the Public Accounts Committee at their sitting held on 21st April 1966 and should be treated as the Report of the Committee.

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

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

They would also like to express their thanks to the officers of the Ministry of Defence for their co-operation in giving detailed information during the course of evidence.

NEW DELHI;

21st April, 1966.

Vaisakha, 1, 1888 (S).

R. R. MORARKA

Chairman,

Public Accounts Committee.

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**REPORT OF THE SUB-COMMITTEE**

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# I

## INTRODUCTION

I, the Chairman of the Sub-Committee of the Public Accounts Committee, as authorised by the Sub-Committee do present on their behalf this Report on the cases referred to in paras 7 & 8 of Audit Report, Defence Services, 1965.

1.2. At the sitting held on 20th January, 1966 the Public Accounts Committee decided to appoint a Sub-Committee to consider these cases in detail. Accordingly, a Sub-Committee consisting of the following members was formed on the 25th January, 1966:

1. Shri R. R. Morarka—*Chairman.*
2. Shri M. P. Bhargava
3. Shri Surendra Pal Singh
4. Shri M. R. Krishna
5. Shri U. M. Trivedi

1.3. The Sub-Committee held two sittings on the 17th and 18th March, 1966. They also held an extra sitting on 7th April, 1966 at the instance of the Ministry of Defence when they heard the evidence of the Secretary, Defence Production, who was the officer concerned, when this contract was placed.

1.4. The Sub-Committee considered and finalised this report at their sitting held on 21st April, 1966.

1.5. The Sub-Committee place on record their appreciation of the assistance rendered to them in the course of the examination by the Comptroller & Auditor General of India.

They would also like to express their thanks to the representatives of the Ministry of Defence for the co-operation in giving detailed information asked for by the Sub-Committee during the course of evidence.

NEW DELHI;  
21st April, 1966.  
Vaisakha, 1, 1888 (S).

R. R. MORARKA,  
*Chairman,*  
Sub Committee of the  
Public Accounts Committee.



## PURCHASE OF ANIMALS FROM ABROAD—PARA 7, PAGES 7-8

The Ministry of Defence requested the Indian Embassies abroad in June, 1963 to make limited trade enquiries from reliable suppliers of mules and breeding stock, and to intimate the results by the end of July, 1963. In July, 1963 a supplier from Rome, with whom an earlier agreement was already in force for supply of animals came to India on his own initiative and after negotiations with the Ministry of Defence agreed in July, 1963 to supply 1,500 Mountain Artillery mules and 3,000 General Service mules by the end of December, 1964 at the rates of Rs. 1,933 and Rs. 1,666 respectively per animal, subject to the condition that the Government would not make purchases from any other source in Europe or America during the currency of the Agreement.

2.2. Before a decision was taken by the Ministry, a firm from Argentina offered a limited supply of 697 mules and 303 other breeding stock at the rate of Rs. 1,133 per animal. This offer was not considered by the Government on the ground that, apart from the supply offered being limited, the firm gave no commitment regarding future supplies and that their rate was unworkable on a long term basis. The Indian Embassy in Rome was, therefore, advised on the 14th August, 1963 to conclude the agreement with the Italian supplier.

2.3. Subsequently, on the 20th August, 1963, the same Argentine firm which had initially offered part supply of mules agreed to supply the entire requirements of 1,500 Mountain Artillery mules at Rs. 1,453 each and 3,000 General Service mules at Rs. 1,370 each during November, 1963 to July, 1964. The supplier from Rome was asked in September, 1963 to exclude Argentina from the scope of the restrictive clause but he did not agree to this request and an agreement (with the restrictive clause) was ultimately concluded with him on the 14th September, 1963 for meeting the entire requirements of the Defence Services. The extra expenditure incurred by Government by not taking advantage of the offer of the Argentine firm amounted to Rs. 16 lakhs (approximately).

2.4. At the instance of the Sub-Committee the Ministry of Defence furnished a note (Appendix I) explaining in detail the circumstances leading to the award of the contract in 1963. Briefly,

the case has been stated as follows:

2.5. With a view to ascertaining the availability of animals in the foreign markets to meet the requirements of the Army during 1963-64, Indian Embassies in different countries, from where the animals were known to be available, were requested on 22nd June, 1963 to make limited trade enquiries from potentially reliable suppliers and to intimate the results to the Ministry of Defence by the end of July, 1963. Such enquiries were addressed to the Embassies in Washington, Paris, Belgrade, Rome, Madrid, Copenhagen, Moscow, Buenos Aires and High Commissions in U.K. and Australia. The number of M.A. & G.S. Mules to be procured was not indicated as the actual number required had not been finally assessed. The Embassies were advised that no formal tenders need be invited and that while general publicity to the requirements might be avoided with a view to ensuring that prices of animals were not pushed up in the international market, they might use their discretion in the matter and publicise the requirements to the extent necessary.

2.6. Before replies were received from the Missions abroad, the supplier from Rome, who had been supplying animals for the Army in the past few years and who had then a contract in force for supply of animals, called on the Ministry of Defence at his own initiative, in the second week of July, 1963, to discuss matters connected with the delivery of animals against the then existing contract and the future requirements. During the discussions on 12th July, 1963, various alternatives were considered; and ultimately the supplier offered to supply 1,500 M.A. mules and 3,000 G.S. mules, representing the total Defence requirements, at the same rates as in the then existing contract with him, i.e. £145 and £125 respectively provided, no other suppliers in the North, South or Central America or Europe were given a contract by the Government for supply of animals. He further offered to supply 500 M.A. mules and 1,500 G.S. mules by 15th June, 1964 and the balance by 31st December, 1964. He agreed to keep his offer open till the 20th July, 1963.

2.7. Preliminary negotiations were conducted with this supplier without entering into any contractual commitment, having regard to the satisfactory supplies made by him during the past two to three years of large numbers of animals, the magnitude of the Defence requirements, the fact that this supplier's prices on the last two occasions when global enquiries were made had been the lowest and the experience of the Ministry that there were few other reliable sources for supply of mules in large numbers and upto specifications. The Italian supplier was asked on 19th July, 1963, to keep his offer open so as to enable the Ministry to give full consideration to the offers from other suppliers.

2.8. In view of this offer a telegram was sent on 14th July, 1963 to the Embassies concerned asking for a report within the next 4 days regarding the offers received by them from the suppliers in the respective countries.

2.9. In reply the Embassy in Argentina stated on 17th July, 1963, that no offer had been received till then. While the Embassy in Washington stated that limited tender enquiry would take one month's time, the High Commission in London informed on 15th July 1963 that no quotations had been received; firms had been expedited on phone and they could not quote before 22nd July, 1963.

2.10. On the 23rd July, 1963 a telegram was received from the Embassy in Argentina intimating that a reportedly reliable exporting firm had offered at least thousand M.A. and G.S. mules at £ Sterling 85 each c.i.f. Bombay. Earlier the Ministry of Defence had made enquiries on 18th June, 1963 from the Ministry of Transport about freight rates from Argentina and they were advised on 25th June 1963 that freight would be of the order of £90 per animal, exclusive of feed and insurance charges. A further reference was made on 26th July 1963 to the Ministry of Transport on receipt of the Argentine offer. It was then indicated that even the tramp rate would not normally be less than £65, exclusive of insurance feeding charges and medical attendance. The rate quoted by the Argentine supplier, therefore, seemed to the Ministry of Defence *prima facie* unworkable.

2.11. The Indian Embassy in Argentina was requested on 23rd July 1963 to intimate the likely proportion of M.A./G.S. Mules in the offer of thousand mules made by the firm and the f.o.b. prices and to confirm that the quotation of £85 c.i.f. Bombay was correct and genuine and animals would be to specifications. On 24th July 1963 the Embassy confirmed the price of £85 c.i.f. and indicated the f.o.b. price as £50. With a view to examine fully the offer of the Argentine firm a further telegram was sent to the Embassy on 26th July, 1963 indicating that requirements were 1,500 M.A. Mules and 3,000 G.S. Mules and that these requirements were very urgent. The Embassy was also asked to intimate whether the supplier was experienced and reliable and he would agree to supply the entire requirements by end of 1964 at the rates quoted as it was necessary to enter into a firm contract with a reliable supplier for assured supplies according to the contracted dates.

2.12. On the 29th July, 1963 the Embassy in Argentina advised that the supplier was not experienced in export or procurement of animals and that he mainly exported milk products. The firm's reliability was confirmed on the basis of informal enquiries made by

the Embassy. On 31st July, 1963 the Embassy informed further that the firm had offered to supply 500 G.S. Mules and 100 M.A. Mules with assortment of other required animals for shipment in mid-October, 1963 but they were unable to enter into any commitment until October, 1963 with regard to further supplies.

2.13. On 1st August, 1963 a letter dated 23rd July, 1963 was received from the Embassy in Argentina enclosing the offer dated 19th July, 1963, from the Argentina firm. In this letter the Embassy indicated that most of the reliable potential suppliers of the required animals in Argentina were no longer inclined to treat the enquiries for the purchase of animals on c.i.f. basis seriously on the plea that they were unable to make any shipping arrangements for the animals from Argentina to India. They also mentioned that it would seem from the offer of the firm that not only were they in a position to supply a good number of animals immediately, generally in accordance with the terms and conditions and specification of animals set out by the Government of India, but with proper spacing were also in a position to meet the full defence requirements.

2.14. Again on the 6th August, 1963, the Indian Embassy in Argentina intimated that the suppliers were willing to sign immediately a contract for shipment in 2nd half of September of 597 G.S. Mules, 100 M.A. Mules, 216 M.A. Mules breeding Brood Mares and 87 horse Breeding Brood Mares. The prices of all the animals were quoted at £85 each c.i.f. In the beginning of August, therefore, there were only two parties (the Italian Supplier and the Argentine firm) whose offers could be considered. For several reasons outlined in the note at Appendix I and briefly indicated below, the Ministry came to the conclusion that it would not be desirable to place an order with the Argentina firm:

- (i) The offer from the Argentine firm was for a fraction of the Defence requirements. Moreover, they kept on changing the quantities offered from time to time and at no stage did they give any guarantee that they would be in a position to supply the balance of the requirements.
- (ii) As advised by the Ministry of Transport the freight alone from Argentina to Bombay would have been £90 per animal. The uniform price of £85 quoted by the Argentina firm was, therefore, considered to be utterly unworkable and gave a clear indication that the firm had no experience, whatsoever of procuring and shipping animals.
- (iii) The Italian Supplier had stated that prices offered by him were subject to the condition that no order would be

placed by Government with any other supplier in North, Central or South America or in Europe. It was feared that if the order was split up the Italian supplier would not keep his offer open.

- (iv) A report submitted by a technical officer who had visited Argentina in February, 1963, showed that the stallions used in Argentina were poor in quality, small in size and not many mules were available in Argentina.

2.15. It was for these reasons that a deliberate decision was taken to enter into contract with the Italian supplier for supply of all the animals, except horse stallions which were purchased from Australia at a lower price.

2.16. This decision was communicated to the Embassy in Italy on 13th August, 1963. The Embassy in Argentina was advised on the same date that the offer of the Argentine firm need not be pursued as the firm was not willing to enter into future commitment for supply of urgent requirements.

2.17. After this decision, on 20th August, 1963, the Argentine firm sent a revised quotation in respect of all the animals. The letter was received in India on 27th August, 1963. The prices quoted were significantly higher for all types of animals. For M.A. Mules, for example, the price quoted was £ 109 and for G.S. Mules £ 102.15 against £ 85 quoted earlier. As the prices quoted by the firm were still lower than that of the Italian supplier, the matter was further examined and discussed at a meeting on the 7th September, 1963 with representatives of Ministry of Finance (Defence), Ministry of Law and Army Headquarters. It was felt that the fears of the Ministry about unreliability of the Argentine firm were well-founded as it had been quoting in piecemeal and had raised the price for all types of animals. This at least showed that their original offer at a low price of £ 85 each for all types of animals was not genuine. The capacity of the firm for the performance of the contract was also doubted.

2.18. Keeping in view the report of the technical officer about availability of animals in Argentina referred to earlier it was thought that the offer of the firm to supply the entire requirements by July, 1964 was unrealistic. It was, therefore, considered that it would not be safe to conclude a contract of such a magnitude with the Argentine firm who was not thoroughly reliable. It was, however, agreed that the Embassy in Italy might be requested to ascertain from the supplier whether he was agreeable to exclude Argentina from the restriction on Government of India in entering into a contract with any other supplier if the supply on him was reduced by

1000 animals (1/3rd M.A. and 2/3rd G.S. Mules). It was further agreed that if the Italian supplier was not agreeable and if the Embassy in Rome had already made a commitment to him in regard to the proposed contract orally or in writing, the commitment should be honoured. Accordingly a telegram was sent to the Embassy in Rome on 7th September, 1963 asking them to obtain the supplier's agreement to this proposal. A negative reply was received on 11th September, 1963 from the Embassy in Rome.

2.19. Taking a practical view of the case it was agreed that contract with the Italian Supplier should be finalised. The whole idea behind the deal was to ensure supply of full requirements and introduction of an element of uncertainty would have defeated that purpose. It was also feared that the Italian Supplier might back out due to the technical position that the contract was not being concluded. A telegram was, therefore, issued on 11th September, 1963 to the Embassy in Rome asking them to take action to sign the contract with the party. The contract was accordingly signed on 14th September, 1963.

2.20. From the above it will be seen that the main considerations which weighed with the Ministry of Defence in awarding the contract to the Italian supplier, ignoring the lower offer of the Argentine firm, were as follows:—

- (1) In the past the performance of the Italian supplier had been satisfactory.
- (2) The rates quoted by this supplier on the last occasions, when global enquires were made, were the cheapest.
- (3) The requirements for animals were urgent.
- (4) The offer of the Argentine firm was rejected because:—
  - (a) it was for a fraction of the defence requirements.
  - (b) the rate quoted was considered totally unworkable,
  - (c) the Italian supplier would not have agreed to the splitting of the order; and
  - (d) the supply position of mules in Argentina was not considered to be adequate.
  - (e) The Argentine firm was considered in experienced in the supply of animals.
- (5) There was no other offer except that from the Argentine firm.

The Sub-Committee propose to deal with these reasons seriatim in the subsequent paragraphs of this report.

*Past performance of the Italian supplier*

2.21. The Sub-Committee were informed that a contract was given to this supplier for the first time in 1959. It was claimed by the Ministry that the past performance of the supplier was satisfactory and hence this new contract also was given to him. The Sub-Committee, however, observe from the statements at Annexure XIV to Appendix I that there had been short supplies on several occasions. Further it had also been stated in the note furnished by the Ministry (Appendix I) that the delay in the delivery of certain categories of animals against the contracts concluded in 1962 and 1963 was considered in July, 1965 and after consulting Ministry of Law and the Department of Supplies an amount of £ 600 was recovered from the supplier as liquidated damages.

2.22. In the course of evidence the Sub-Committee drew the attention of the witness to these short falls in supply and delays. The Additional Secretary, Ministry of Defence stated that by and large in the previous contracts he had supplied most of the items in time. He added:

“Penalty is imposed even for the slightest default. Even for one day’s delay, we are, according to the terms of the contract, entitled to levy a penalty. Merely because we have levied a penalty on him does not mean that by and large he has failed to supply the items.”

2.23. The attention of the witness was further drawn to the contract concluded on 22nd December, 1962 in which the supplier was to complete the delivery by the end of November, 1963. In this contract the party had defaulted. The Sub-Committee, therefore, enquired as to how the Ministry was satisfied about the timely performance of the supplier when awarding him the contract in 1963. The Additional Secretary admitted that as against 1500 animals to be supplied by 15th June, 1963 about 1250 had been delivered and so there was a default to the extent of 250 animals. He, however, added that that was the only contract out of many where there was some delay. On being pointed out that in respect of contract entered on 10th November, 1962 also the party had defaulted, the witness stated that there were defaults for short periods in respect of some animals. As regards 5 animals that were to be delivered by end of March, 1963 but actually supplied in March, 1964 (2) and December 1965 (3) the witness stated that that was a small number.

2.24. From the above evidence it is clear when the contractor had defaulted in supplies on some occasions and that even at the

time of negotiations (July, 1963) such defaults were continuing. The Sub-Committee are not satisfied that the conclusion of the Ministry that the performance of the supplier was satisfactory was fully justified.

*Rates offered by the supplier on the earlier occasions.*

2.25. The Ministry of Defence have stated in a note (Appendix II) that for the contracts concluded till 1962-63 the Indian Missions abroad were asked to call for tenders from reliable suppliers and after receipt of quotations contracts were concluded after negotiations to obtain the best possible prices. From the comparative statements of quotations received in response to enquiries made in the years 1959-60, 1960-61 and 1961-62 the Sub-Committee find that there were several offers cheaper than those of the Italian supplier as shown below:

	Quotations received.	
	MA Mules	GS Mules
<i>1959-60</i>		
Italian supplier	2,400 *(2,053)	2,200 *(2,00)
Indian Firm	2,800 *(2,050)	2,800 *(2,000)
Argentina Firm	2,761	2,066
<i>1960-61</i>		
Italian supplier	2,080 *(2,000)	1,867 *(1,800)
Indian Firm	2,056	1,953
Spanish Firm	1,877	1,717

In the subsequent year 1961-62, the Ministry invited both the F.O.B. and C.I.F. quotations from the suppliers. The rates offered were as follows:

Particulars of country/supplier	MA MULE		GS MULE	
	FOB Price 230	CIF Price	FOB Price 1350	CIF Price
<b>ITALY</b>				
1. Italian Supplier	£94	£141	£75	£126
	Rs. 1253-1/3	Rs. 1880	Rs. 1000	Rs. 1580
2. "B"	..	£342	..	£292
		Rs. 4560		Rs. 3893-1/3
3. "C"	£119	£179	£97	£157
	Rs. 1596-2/3	Rs. 2386-2/3	Rs. 1293-1/3	Rs. 2093-1/3
4. "D"	Lit 210000	Lit 310000	Lit 172500	Lit 272500
	Rs. 2800	Rs. 4200	Rs. 3300	Rs. 3700

\*Revised offer.



Particulars of country/supplier	MA MULE		GS MULE	
	FOB Price 230	CIF Price	FOB Price	CIF Price 1350
<b>FRANCE</b>				
1.	<u>£100</u>	<u>£235</u>	<u>£100</u>	<u>£225</u>
	Rs. 1466-2/3	Rs. 3133-1/3	Rs. 1333-1/3	Rs. 3000
<b>SPAIN</b>				
1.	<u>£90</u>	..	<u>£80</u>	..
	Rs. 12,00	..	Rs. 1066-2/3	..
<b>ARGENTINA</b>				
1.	..	..	<u>F35</u>	..
	..	..	Rs. 466-2/3	..
2.	<u>£39</u>	..	<u>£34</u>	..
	Rs. 520	..	Rs. 453-1/3	..
3.	<u>\$15000</u>	..	<u>\$14000</u>	..
	Rs. 476·8	..	Rs. 445	..

In the next year 1962-63 again the quotations asked for were both F.O.B. and C.I.F. The quotation received were as follows:—

Name of Embassy/ Country/Suppliers	MA MULE			G.S. MULE			Remarks
	No.	C.I.F.	F.O.B.	No.	C.I.F.	F.O.B.	
Embassy of India, Beirut	300	..	<u>£555-60</u>	200	..	<u>£555-60</u>	
(i) Offered by Cypriot Government.			Rs. 733·33 to Rs. 800			Rs. 733·33 to Rs. 800	
(ii) Syria & Jordanian Breeding Areas.				300-500		Rs. 500-950	
E. Italian Supplier	3000	<u>£5145</u>	..	4000	<u>£5125</u>	..	
		Rs. 1933·33			Rs. 1666·66		
4. Argentine (Bunos Aires)	Over 1000	..	<u>£57</u>	Over 1000	..	<u>£57</u>	
			Rs. 760			Rs. 760	
6. France							
(i) Union Nationale Interprofessionnelle de Cheval, Paris	200	..	<u>£5100</u>	200	..	<u>£5100</u>	
			Rs. 1333·33			Rs. 1333·33	
(ii) Viandes at Betail Paris	500	..	1·750NF 1·775NF	500	..	1·550- 1575NF	

It is significant to note that the Italian supplier quoted only the C.I.F. price.

2.26. The Sub-Committee, therefore, enquired in the course of evidence as to how the quotations of the Italian supplier were considered to be the cheapest. The Defence Secretary explained that in 1959 the Indian firm which had quoted cheaper rates, was represented by an ex-officer of the Indian Army, who had been proceeded against for acts of indiscipline. In view of this back-ground there were serious doubts about the capacity of the firm to fulfil the contract. He added that the matter was considered at the Defence Minister's Committee and the decision not to place the order on the Indian supplier was taken for the following reasons:

1. The operational requirements had to be met urgently.
2. The back ground and the past record of the firm did not warrant any optimism about its performance particularly due to its lack of experience.
3. The lowest tender was Rs. 43,000 less in a total value of Rs. 20 lakhs and as compared with the next tender of the Italian firm which was more experienced and reliable a difference of Rs. 21,500 in any case was not of a substantial nature to justify taking this risk.

The other firm from Argentina had also offered cheaper rates originally but they had imposed certain conditions viz. that price would be liable to fluctuation and the firm would not give insurance cover for seven days. These conditions did not fulfil the requirements of the Defence Services. Subsequently, when the matter was taken up with the firm they raised the price by 25 Dollars per animal.

**2.27. The Sub-Committee are surprised how the Italian supplier was considered to be "more experienced and reliable" in 1959 when the Ministry of Defence were dealing with him for the first time.**

2.28. In 1960-61, of the two lower quotations one was from the Indian firm which had been disqualified from quoting. The other offer was from a party from Madrid. The witness stated that the animals quoted by the Madrid Company were not of the requisite standard, the shank measurements and age composition of the animals, were different from specifications. No negotiations were carried out with this party because quotations were not for animals of the requisite type.

**2.29. The Sub-Committee fail to understand why even enquiries were not made and negotiations carried out with the Spanish firm, whose rates were the cheapest. They feel concerned to find from**

a note at Annexure F to Appendix IV that certain relaxation in specifications had been agreed to in the case of the Italian supplier in respect of contracts concluded in 1962 and 1963. This indicates that the two firms were not uniformly treated.

2.30. The Sub-Committee are further constrained to observe that:—

- (a) There was no proper open tender system followed.
- (b) The system of negotiations was not based on any rational system but arbitrary rule of thumb.
- (c) The requirements seem to have been relaxed in the case of the Italian supplier while in other cases the tenders have been rejected on the ground that no such relaxation was possible; and
- (d) While both C.I.F. and F.O.B. prices were invited, only C.I.F. prices were considered and F.O.B. prices completely ignored even for evaluating the quotation.

2.31. As for the years 1961-62 and 1962-63 the Defence Secretary stated that the question whether F.O.B. or C.I.F. rates should be accepted was considered at that time and it was decided that F.O.B. quotations should not be accepted. The reason seemed to be the fact that Government did not have facilities to take the animals on F.O.B. basis. He added that animals had to be collected and maintained at the port and shipment was to be arranged. Since Government was not in a position to organise these things, F.O.B. prices were not taken into consideration. The Sub-Committee pointed out that under F.O.B. rates collection and maintenance of animals at the ports was the responsibility of the supplier. Shipment was also to be arranged by the supplying firm, although Government could name the ship, if they had any preference. Otherwise, it was the firm's responsibility and liability to put the goods on the ship. The witness explained that this matter was discussed in 1959 when the following view was expressed:

“The high degree of precision and co-ordination required in such an arrangement was very difficult of achievement in actual practice in a matter like supply of animals by dealers in a foreign country. Infructuous expenditure was bound to be entailed if when our ships had reached the country of supply the supplier was not ready to board animals or vice versa and it was for this reason that it

was decided at an earlier meeting that only c.i.f. quotations should be encouraged.

A note giving the disadvantages of concluding contracts on F.O.B. basis furnished by the Ministry of Defence is at Appendix VI.

**2.32. The Sub-Committee feel that the above quotation and the note furnished by the Ministry do not dispute the obligation under the f.o.b. terms of the supplier to load the Cargo on ships.**

2.33. The Sub-Committee pointed out that there was a difference of £ 102 per animal in the f.o.b. (£ 39) and c.i.f. (£141 accepted) rates. They enquired whether Government was aware of the freight between Argentina and India. The witness stated that in 1961 this point was not specifically examined.

2.34. In reply to another question the Additional Secretary, Ministry of Defence informed the Sub-Committee that quotations were invited both on f.o.b. and c.i.f. basis with a view to getting comparison about the prices.

**2.35. The Sub-Committee are of the opinion that having called for F.O.B. and C.I.F. quotations, Government was bound to consider and compare both the rates before selecting a firm. They are amazed at the explanation that Government was not in a position to organise collection maintenance and shipment of animals at the ports particularly when this was the express responsibility of the supplier under the F.O.B. terms. The full implications of the 'F.O.B.' terms were not obviously appreciated by the officers concerned. It is unfortunate, that F.O.B. quotations were completely ignored and not taken into account even with a view to examining the reasonableness or otherwise of the C.I.F. rates offered. This precaution was all the more necessary in the year 1962-63 since only C.I.F. quotation was received from the Italian party.**

2.36. The facts disclosed in the preceding paragraphs clearly establish that at no time the rates offered by the Italian supplier were the cheapest as claimed by the Ministry of Defence in justification of their awarding contract to him in 1963.

*The Urgency of Defence Requirements for Animals:*

2.37. Another reason for conducting preliminary negotiations with the supplier in 1963 was stated to be the magnitude of the Defence requirements. The Sub-Committee enquired as to when the requirements of mules for the year 1963-64 were determined for the first time. The Defence Secretary stated that according to the figures received from Army Headquarters on 10th June, 1963, there was a shortage of 1664 M.A. mules and 5326 G.S. mules in the Army. It was then proposed that 1500 M.A. mules and 3000 G.S. mules might

be imported and the balance procured locally. The first action in this direction was to send a letter to the various Embassies asking them to make enquiries. The witness added that at the time letter was addressed to the Embassies (22nd June, 1963) no formal or firm decision had been taken by Government as to the exact number of animals to be imported. A firm decision in this regard was taken between 21st and 25th July, 1963, when the orders of the Defence Minister were obtained. The witness further added that on the 8th July, 1963 the Italian supplier who had apparently been contacted by the Indian Embassy at Rome came to Delhi and discussed this matter with an officer in the Ministry of Defence. It was in the course of discussions with the supplier that a view was taken that 1500 M.A. mules and 3000 G.S. mules might be imported. On being asked whether till the time of placing the order on the supplier, Government had not taken a formal decision about their requirements, the witness stated that the decision with regard to the exact number and negotiations regarding price and schedule of delivery took place simultaneously. Asked as to whether the Embassies were informed about their total requirements before finalising the contract with the Italian supplier, the witness stated that a firm telegram to the effect was sent only to Argentina on the 26th July, 1963. On the 14th July, 1963, however, (which was Sunday) a telegram was sent to the Embassies mentioning that the Italian supplier had offered to supply 1500 MA mules and 3000 GS mules and asking them whether any offers had been received by them in response to the enquiry made in the earlier letter dated 22nd June, 1963.

2.38. Since the letter written by the Ministry to the Embassies on 22nd June, 1963, did not disclose any urgency, the Sub-Committee enquired as to why it was considered necessary to issue a telegram on the 14th July, 1963, which was a Sunday, calling for replies within 4 days. The witness stated:

“Dr. .... said that he could keep the offer open upto 20th July and we felt that we could get other offers, we will know whether there is a possibility of getting animals at a lower price.”

He, however, admitted that the time given to the Embassies was short and that they should not have accepted the insistence of the Italian supplier to keep the offer open upto 20th July, 1963 only.

2.39. The Sub-Committee then enquired as to when the urgency for the animals was felt by the Ministry of Defence in 1963. The witness stated that on the 8th August, 1963 the D.C.O.A.S. had expressed the view that the Army requirements were emergent and that the positioning of Mountain Divisions depended on firm supplies according to schedule.

2.40. In reply to a further question the witness added that when the letter of 22nd June, 1963 was sent, there was no particular time limit or schedule by which animals were to be obtained. The urgency seemed to have arisen in July 1963 because apart from the need for animals as quickly as possible on the one hand, the Italian supplier had given an offer which was open only upto 20th July, 1963.

2.41. In his evidence before the Sub-Committee the Secretary, Defence Production urged that as early as in November, 1962 in one of the meetings with the then Prime Minister it had been mentioned that "mules was a very urgent requirement". The procurement of mules from Cyprus, which did not ultimately materialise was as a result of the interest shown by the Prime Minister in this matter. He added that the question of supply of mules was also discussed in the Defence Minister's meeting with the Chiefs of Staff on 30-11-62. The Sub-Committee pointed out that after these discussions an order for supply of 4,000 mules was placed on the Italian supplier on 22nd December, 1962. These discussions held in November, 1962 could not therefore be relevant to the contract in question which was placed in September, 1963. The witness then referred to the meetings of the Military Affairs Committee held in March and April, 1963 in which the question of procurement of animals was also discussed. He also referred to the notes written by Army Headquarters in January, February and March, 1963 indicating the requirements of mules and the need for their early procurement. The Sub-Committee pointed out that originally the requirement of mules was assessed at 4,492 in February, 1963 but it was reduced to 1664 in June, 1963. The witness stated:

"It changes with the experience. As they gain experience they cut down a number of things in order to increase the effectiveness of the Army. Requirement of mules was one of those many items. As you will find the number has changed after gaining experience. I am merely saying that you should not draw too much conclusion from inconsistencies in figures."

2.42. The Sub-Committee enquired as to what action was taken by the Ministry to procure mules if the requirement was considered to be urgent in February and March, 1963. The witness stated:

"As regards attempts to obtain mules, we increased our own production capacity which, of course, did not have any material effect. Then we put our requirements in what we call the 'Shopping List' which was projected to all the friendly countries. Cyprus was one that came up first. We proceeded very energetically but that came to nothing."

2.43. In a note subsequently furnished to the Sub-Committee, they have been informed that these lists were prepared from time to time individually for each of the countries concerned. The Sub-Committee are however surprised to learn from the same note that the item in question *viz.* "mules" was not included in the shopping list for U.S.A., U.K., U.S.S.R., France, Canada and West Germany.

In reply to another question he added:

"The reason why we did not do anything to float tenders from February to June, firstly, we were in the market for a large number of mules; secondly, we were chasing the various Governments where there was any favourable response; thirdly, the animals can only come in winter—they are not brought during summer or rainy season. And we were waiting for Cyprus where we seemed to be very confident."

2.44. On being pointed out that letter written by the Ministry to the Indian Embassies on 22nd June, 1963 did not disclose any urgency, the witness stated that it had been mentioned in that letter that mules were required by end of May, 1964 and that in the form of agreement enclosed with the letter it was mentioned that time was of the essence of the contract.

2.45. The Sub-Committee are not convinced by this explanation. The above facts disclose that the long term requirement of mules was continuously being assessed and discussed. They do not establish any special urgency. The requirement was also reduced from 4,492 to 1664. Even so no concrete steps were taken to procure these animals. Had the matter been initially considered of special urgency the Ministry of Defence would have been more prompt and initiated action for purchase with greater speed. The urgency was of a general nature. In any case there is nothing at all to indicate any increase in that urgency between 22nd June, 1963 when the Embassies were addressed and 14th of July, 1963 when a telegram (Annexure IV to Appendix I) was sent to the Embassies.

2.46. The Sub-Committee cannot help the feeling that in negotiating this deal the officials of the Ministry were more anxious not to lose the Italian Supplier's offer than to meet the requirements of the Defence Services. Having addressed the Indian Missions abroad, the only proper course to follow would have been to await the replies by the due date, *viz.* 31-7-1963. There was no urgency to justify hasty negotiation with the Italian Supplier, when even the total requirement of animals had not been finalised. The hasty negotiation by the officials of the Ministry in this matter and the manner in which they readily allowed themselves to be hustled into this deal are apt to create an impression that the whole affair

was weighed in favour of the Italian deal hampering all other enquiries and to create a situation in which only the Italian Supplier's offer could be accepted.

2.47. The Sub-Committee are also surprised to note that on 14-7-1963, (which was a Sunday) a telegram was sent to the Indian Embassies calling for reply within 4 days when in their circular letter dated 22-6-63, the Ministry of Defence had asked for the necessary information till 31-7-1963. The Sub-Committee feel that by issuing this telegram on 14-7-63 and asking for the reply within 4 days, the Government was deprived of the information which they would have received by the end of July, 1963 as originally stipulated.

2.48. The Sub-Committee further find that in the circular letter of 22nd June, 1963, the date of delivery was mentioned as end of May, 1964. Later on when the contract was entered into with the Italian supplier the date of delivery was extended upto December 1964. By this process the supply was not obtained earlier either. The Defence Secretary stated in evidence that in the course of discussions various proposals were made and it was ultimately decided that the supply should be completed by the end of 1964.

2.49. In response to the urgent telegram issued to the Embassies on 14th July, 1963, Washington Embassy had stated that limited tender enquiry would take one month's time. The High Commission in London had informed that no quotation had been received. Firms had been expedited on phone and that they could not quote before 22nd July, 1963. The Sub-Committee enquired in evidence whether any reply was sent to these Embassies. The Defence Secretary stated that the matter was not pursued further.

2.50. The Sub-Committee regret to observe that even though no contract was finalised with the Italian supplier till September, 1963, the Ministry of Defence did not consider it worthwhile to obtain information regarding world market prices from the various Embassies. They did not even pursue the matter with the Indian Embassy in Washington and the High Commission in London who had indicated that more time was required to collect this information.

*Rejection of the lower offer from Argentine Firm:*

2.51. (a) The Ministry of Defence have pleaded that the offer by the Argentine firm was rejected because it was for a fraction of the Defence requirements and the firm kept on changing the quantities offered from time to time. It has been stated:

"Initially they offered to supply 1000 MA and GS Mules without indicating the actual proportion of the two. Subsequently when they were asked to be more specific



and after our actual requirements were communicated on 26-7-63, they revised the offer to 500 GS mules and 100 MA Mules with assortment of other animals, they revised it still further to 597 GS Mules; 100 MA Mules, 216 MA Mule breeding brood mares and 87 horse breeding mares. At no stage did they give any guarantee that they would be in a position to supply the balance of our requirements; they indicated that no commitment for supply of balance could be made until October. It is possible that by October, 1963 they might or might not have agreed to supply the remaining animals in which case we would have lost the opportunity of placing a firm order with a supplier known for his reliability in meeting our requirements. It is also possible that if we were forced to make a contract on a subsequent date with Dr. . . . , he might have increased his prices and also the deliveries would be delayed."

**2.52 The Sub-Committee are not convinced by this explanation. Since in their letter dated 22nd June, 1963, addressed to the Embassies the Ministry had not specified even their approximate requirements but had only desired that the offer should not be for less than 250 animals it is not understood how they could expect the Argentine firm to quote for their total requirements from the very beginning. It was only on 26th July, 1963 for the first time that the Ministry had given the Embassy an inkling of their total requirements and on the 1st August, 1963 they were informed that not only were the firm in a position to supply a good number of animals immediately, generally in accordance with the terms and conditions and specification of animals set out by the Government of India, but with proper spacing were also in a position to meet the full requirements. In view of this communication from the Indian Embassy the plea taken by the Ministry that the firm had not given the guarantee that they would be in a position to supply the balance of the requirements is not convincing.**

2.53. (b) Further it has been mentioned that "the uniform price of £85 quoted by the Argentine firm was considered to be utterly unworkable and gave a clear indication that the firm had no experience whatsoever of the business of procuring and shipping animals." It has been added:—

"We are advised by the Transport Ministry that the freight alone from Argentina to Bombay would account for £90 per animal. In addition we would have to add the cost of insurance, feeding charges for more than 6 weeks, escort and veterinary assistance during the

voyage. Obviously, therefore, the firm was quoting without any regard to its desire to fulfil the contract. Although therefore our Ambassador in Argentina had stated that the firm was reliable, it was obvious that the reliability of the firm was in respect of its standing in the business world in general and not with reference to its ability to perform this particular contract. In fact there was a clear indication in the telegram sent by our Ambassador in Argentina that the firm had no experience whatsoever of either procuring or transporting animals."

2.54. In the course of evidence the Sub-Committee pointed out that in the earlier contracts f.o.b. rate had been quoted as low as £35 per animal. The offer of the Argentine firm to supply animals at £85 per animal at the c.i.f. rate, leaving a margin of £50 for freight etc. could not be considered as unworkable. They also pointed out that the Indian Embassy in Argentina had intimated in their Telegram dated 24th July, 1963 that the "Exporting firm can arrange 1000 animal capacity ship thus cutting shipping cost." The Defence Secretary explained that the rate was considered unworkable primarily because the firm had no experience of shipping animals.

Referring to the note from the Ministry of Transport (Annexure VI) the Sub-Committee pointed out that this note was not even indicative, much less categorical about the rates etc. They drew the attention of witnesses to the following statement made in the note:—

"This would ordinarily appear to be unworkable unless the shipowner concerned has a distress vessel on his hand and has been lucky enough to find return cargo or other employment for his vessel after he has unloaded the mules. In the circumstances it will be appreciated that it is not possible to make a firm statement on the point whether the freight quoted is workable and genuine or not because we have no knowledge of the other local circumstances and the existence of some of the factors detailed above which may enable the shipowner to carry the mules at the low rate quoted."

2.55. The Additional Secretary explained that in the subsequent paragraph of the same note the Ministry of Transport had pointed out that the freight rate for mules from U.K. to India was £110 exclusive of insurance feeding cost and medical attendance and that the quotation from a continental firm had been of the order of

£90. He added that even if a distress vessel were available, special arrangements were required to be made for carriage of animals. The animal carrying ships had to be specially built inside and they were required to have stalls. Later in the course of discussions the Sub-Committee were further informed that in a letter dated 25th June, 1963, the Ministry of Transport had stated that a shipping firm, who specialised in the carriage of livestock, had informed them that the freight for the carriage of mules from Buenos Aires to Bombay would be £90 per mule exclusive of the cost of fodder. The duration of voyage was stated to be about 30 to 35 days. The Sub-Committee pointed out that earlier in 1961 the Italian supplier had himself quoted f.o.b. and c.i.f. rates at £94 and £141, respectively. This indicated a difference of £47 only on account of freight etc. The witness stated:—

“We prepared this comparative statement now. I do not know whether in 1961 when considering this, anybody had deliberately worked out what the freight charges were from the basis of the previous quotations.”

2.56. The Sub-Committee pointed out that the Argentine firm had agreed to sign a penalty clause and in the event of default Government could have claimed damages. The witness stated that in case the firm failed to supply the animals they would have been compelled to approach some other party who would have raised the prices.

2.57. The Sub-Committee then enquired as to how the Argentine firm was considered unreliable when they later increased the price. The Additional Secretary explained that it went to show that the earlier quotation from the firm was unrealistic. According to the Embassy the firm had no experience in procurement and transporting animals. The first quotation was considered to be unrealistic because the freight alone from Argentina to India was more than that. Secondly, the price was raised when the number of animals was increased. This gave the impression that “they were quoting not so much with a view to fulfil the contract but just with a view to quote.” The attention of the witness was drawn to a letter from the firm in which they had explained the reasons for increasing the rates. They had stated:—

“The prices are higher than previously quoted due to the G.O.I's insistence for a contract covering total number of animals needed. Also because we had a much cheaper freight rate for our original offer plus the fact that on account of heavy demand for live cattle abroad has further increased rates for live animals.”

2.58. The witness admitted that the increase in price was not unjustified. He agreed that a beginning could have been made and that according to the standing instructions an educational order could be placed on the firm. Asked as to why the standing instructions were not followed, the witness added that "sometimes the exigency of requirements may lead us to take immediate action."

2.59. The Sub-Committee are of the opinion that there was no scope for entertaining any doubts about the offer of £85 per animal from the Argentine firm and for treating it as "unworkable" and 'unrealistic', because:

- (a) the offer was made by an experienced businessman;
- (b) the firm's reliability was confirmed by the Indian Embassy,
- (c) it was confirmed that there was no mistake about the quotations, and
- (d) the firm was prepared to accept the penalty clause.

2.60. In response to earlier enquiries, the firm had quoted f.o.b. rates as low as £ 35 per animal. Thus there was a margin of £ 50 per animal for freight etc. in the offer of the firm. In the first place the Ministry of Transport in their reply had stated that in the absence of knowledge of the local circumstances and other factors it was not possible to make a firm statement whether the freight quoted was workable and genuine or not.

Secondly, the Sub-Committee observe that against the contract for the year 1961-62, the Italian supplier had himself quoted f.o.b. and c.i.f. rates at £ 94 and £ 141 respectively leaving a margin of £47 only for freight etc.

Finally, in their telegram dated 24th July, 1963 the Indian Embassy, Argentina had informed the Ministry of Defence that the firm was able to arrange a thousand capacity ship thus cutting their shipping cost.

2.61. It is also surprising that when the party gave low quotations, it was considered unreliable, but when it increased the quotations with full justification, it was considered to be an additional reason of unreliability.

2.62. The Sub-Committee feel that had the above factors been properly assessed by the Ministry of Defence they could not have summarily rejected the lower offer of the Argentine firm as they had done in this case. Even if the Ministry had any doubt they could have at least placed an "educational" order for a smaller

number of animals as admitted by the representative of the Ministry. Since the firm had agreed to sign a penalty clause no risk was involved and in the event of a default Government could have recovered suitable damages. It is most unfortunate that the Ministry at the time of placing the order with the Italian firm did not make proper calculation of the freight rates etc. and in the result suffered a huge loss.

2.63. (c) Giving another reason for the rejection of the offer of the Argentine firm the Ministry had stated in the note that the Italian supplier had clearly indicated that the prices quoted by him were subject to the condition that no order would be placed with any other supplier in North, Central or South America or in Europe. In case, therefore, the order was divided between the Argentine firm and the Italian supplier the latter would not have kept his offer open. In that contingency Government would have been faced with the prospect of having to make a contract for a small number of their requirements with a firm "whose reliability for performance of the contract was doubtful."

2.64. The Sub-Committee enquired as to why such a conditional offer was accepted by the Government. The Additional Secretary stated that that was not one of the fundamental conditions like price, delivery or specifications. He added:

"It is normal for every supplier to say 'if you want to buy, then exclude these areas'. It is not abnormal for a supplier to impose such a condition."

Asked whether such conditions had been incorporated in other contracts awarded by the Ministry of Defence, the witness added that he was not able to say off hand whether there were any such contracts. He added that this contract was not determined on the basis of tenders. In a negotiated contract conditions by both sides could be discussed and finalised.

2.65. The Sub-Committee are constrained to observe that a very unusual condition was accepted by the Ministry without proper justification. In the course of evidence, the Additional Secretary tried to justify his stand by saying that it was not abnormal for any supplier to impose such conditions; but when asked to substantiate his statement he could not quote even a single instance.

2.66. The Sub-Committee are also unable to appreciate how a condition put forth by one party could determine the merits of the offer of the Argentine firm. Apart from the desirability and justification for agreeing to such a condition from the supplier, the fact remained that until a contract was signed with the Italian supplier this condition had no meaning. This only indicates that the authorities had by then made up their mind to place an order with the Italian supplier.

2.67. (d) Lastly it had been stated that another important consideration was the need to explore an assured source of supply for equipping the new mountain divisions which were then to be raised. It has been stated:

"From the past performance of Dr. .... as well as the unreliability of the Argentine supplier, it was felt that the programme of equipping the Mountain Divisions would be adversely affected if the Argentine supplier was not able to fulfil his contractual obligation. We were reinforced in this assumption by the report dated 5-7-63 of our technical officer who had visited Argentina on a previous occasion in February, 1963 for the purpose of selecting animals against an earlier contract made in November, 1962 with Dr..... The report of the technical expert showed that stallions used in Argentina were poor in quality, small in size, not many mules were available in Argentina and according to the Director General, Remount and Veterinary of Argentina only 4 to 5 hundred mules might be available during the season. The officer could select only 76 GS mules and 264 MA mules out of a collection of 2475 mules during his deputation to that country."

2.68. During evidence the Sub-Committee referred to the Report of the technical officer who had gone to Argentina in connection with the selection of animals and had made on the spot study of the supply position and availability of mules in that country. The witness stated that this report was also considered at the meeting of officers held on 7-9-63 and it was then concluded that stallions used in Argentina were poor in quality and small in size and the progeny too was accordingly short in height. Not many mules were available in Argentina and the Director General, Remount and Veterinary of the Argentina Government with whom the officer had discussed the subject had estimated that 400 to 500 mules might be available during a season. The Sub-Committee pointed out that this statement was not in keeping with the report of the technical officer. According to this report, the Argentine Government had indicated that at least 400 to 500 mules could be supplied in the particular season. The witness admitted that "Here the conclusions seem to be wrong."

2.69. The Sub-Committee deprecate the manner in which the report of the technical officer was interpreted and conclusions drawn, which were not quite correct. In this connection the follow-

ing extracts from the report of the technical officer are self-explanatory:

**"Mules are bred at liberty and mule breeding mares in majority of the farms are of better quality and of good size as compared with other countries.**

Mules are well developed with good confirmation except for a little long back. They possess well developed muscles and well opened up chests and good action. One can hardly reject a mule for its poor action."

(Page 4 para 12)

"The Director General further added that he would be able to procure at least 400-500 mules during the next season and he extended all possible assistance to the Government of India on procurement of mules."

(Page 6 para 19)

"Of course mule breeding mares are of good height and quality and with proper size and good quality of Donkey Stallions, they could produce top class MA mules of requisite height and standard. No doubt the farmers have very vast extensions 1500 acres to 300,000 acres with good pastures and it costs barely nothing for them to breed mules as they are let loose in those extensions with Donkey Stallions with little control and guidance. The mules bred with these stocks were of good quality."

(Para 7 Appendix c)

**In a letter dated 3rd June, 1963 the Indian Embassy in Argentina had indicated the following position regarding the availability of mules in Argentina:**

"It can be arranged through local agents to collect details about the availability of mules in different parts of Argentina at no initial cost. The agents fee would only be paid on the mules accepted. It would also be possible to collect these mules in a central place near the embarkation port and keep them there till required for loading on a ship. The period to be spent in collecting camp can be reduced to the minimum in consultation with the shipping agents."

**Further in their letter dated 23rd July, 1963 the Indian Embassy in Argentina had stated that Argentina had good potential resources to meet the entire requirements of Defence.**

**The firm also in their letter dated 19th July, 1963 had informed that there were enough mules in the country to meet the requirements for 1963-64. The Committee are, therefore, surprised how in the face of this evidence with them the Ministry concluded that not many mules were available in Argentina.**

2.70. (e) Giving another reason for not accepting the offer of the Argentine firm the Secretary, Defence Production stated in the course of his evidence that he had a bitter experience in the case of procurement of mules from Cyprus and that he did not want to take any such risks any more.

**2.71. The Sub-Committee are unable to appreciate this plea. If Government was not successful in procuring animals from Cyprus, this was not an adequate reason for them not to follow to the normal procedure of purchasing through tender system much less, to reject an attractive offer of the Argentine firm which was even prepared to accept the penalty clause.**

*Other Offer*

2.72. In their letter dated 22nd June, 1963 addressed to the Embassy of India in Argentina a mention had been made of an offer of 1000 MA Mules by the Government of Argentina, part of which was to be a free gift. The Sub-Committee enquired in the course of evidence whether this matter was pursued further by the Ministry and if so, with what results. In a note, the Ministry has subsequently informed the Sub-Committee that after the receipt of the letter dated 13th June, 1963 from the Ministry of External Affairs, the Ministry of Transport were requested to advise on the most economical and suitable shipping arrangements that can be made for transporting animals from Argentina, with a view to take advantage of f.o.b. offers received from that country. On the 28th August, 1963, the Ministry of External Affairs were informed of the advice given by the Ministry of Transport as well as the contract concluded with the Italian supplier. It was, however, reiterated that the contract with the Italian supplier did not preclude the acceptance of any offer of a free gift made by the Argentine Government or direct purchase after the period of the contract with the Italian supplier was over, if satisfactory shipping arrangements could be made. The Ministry of External Affairs informed the Ministry of Defence on 3-9-63 that the Argentine Ambassador in India was not sure whether the gift was not tied up with the question of purchase of the balance of the requirements; but that he would make a reference to his Government. From the records available with the Ministry of Defence it was not possible to say whether this matter was pursued either by the Defence Ministry



or the Ministry of External Affairs. But it would appear that the Ministry of External Affairs would not have received any further communications on this subject from the Argentine Embassy.

**2.73. The Sub-Committee regret to observe that a good will gesture from a friendly country was not properly pursued by the Ministry of Defence. In addition to the free gift of 200 mules the country had also offered to supply mountaineering equipment free of cost. It is unfortunate that the Ministry of Defence took more than two months to reply to the communication from the Ministry of External Affairs in this regard and that the reply was sent only after a decision had been taken to place the contract with the Italian supplier, which included a condition precluding Government from purchasing animals from elsewhere during the currency of the contract.**

*Finalisation of the Contract with the Italian supplier.*

2.74. In a letter received on 27.8.1963 the Argentine firm offered revised quotations which were higher than the previous offer for all types of animals. Since the prices were still lower than that of the Italian Supplier, the matter was further examined at a meeting held on 7-9-1963 with the representative of the Ministry of Finance (Defence), Ministry of Law and Army Headquarters. It was then felt that the fears about unreliability of the firm were well founded as it had been quoting piece meal and had raised the price for all types of animals. It was considered that it would not be safe to conclude a contract of such a magnitude with the firm but it was agreed that the Indian Embassy in Italy might be requested to ascertain from the Italian Supplier if he was agreeable to exclude Argentina from the restrictions on the Government of India in entering into a contract with any other supplier. In that case an order for a part of the requirements could be placed on the Argentine firm. It was also agreed that if the supplier was not agreeable and if the Indian Embassy in Rome had already made any commitment to the Italian Supplier in regard to the proposed contract, orally or in writing the commitment should be honoured. Accordingly, a telegram was sent to the Indian Embassy in Rome on 7th September, 1963 asking them to obtain the supplier's agreement to this proposal. A negative reply was received from the Embassy on 11th September, 1963 asking for further instructions. It was then agreed that the contract should be finalised. A telegram was, therefore, issued to the Indian Embassy in Rome on 11th September, 1963 asking them to take action to sign the contract with the Italian Supplier. The contract was accordingly signed on 14th September, 1963.

2.75. The Sub-Committee observed from this correspondence that in their telegram, dated 11th September, 1963, the Indian Embassy had not mentioned whether any commitment had been made to the supplier, or not. In the absence of this information it was not clear as to how the Ministry decided to finalise the contract with the Supplier. In the course of evidence when the Sub-Committee pointed out this anomaly, the Defence Secretary explained that this communication was interpreted to mean that there was a commitment. The Embassy was, therefore, asked to complete action regarding signing of the contract as already advised.

2.76. The Sub-Committee are astonished to find how such an interpretation could be given to the telegram (Appendix I—Annexure XIX) received from Indian Embassy in Rome, which in turn asked for "instructions". This further strengthens the impression gained by the Sub-Committee that the officials dealing with this case were eager to conclude the contract with the Italian supplier.

*Performance against the contract*

2.77. It had been stated in the note (Appendix I) that the Italian Supplier supplied all the animals against the contract signed on 14th September, 1963, with the exception of the following:

- |                          |    |   |
|--------------------------|----|---|
| (a) Horse Breeding Mares | 7  |   |
| (b) MAMB Mares           | 10 | (All the 10 were shipped by him but they died during voyage or within 7 days after landing in India). |
| (c) Donkey Mares         | 5  | (All the 5 were shipped but they died during voyage or within 7 days after landing in India).         |
| (d) GS Mules             | 5  | -do-  |

The delay in delivery of certain categories of animals by the supplier against the contract concluded with him in 1962 and 1963 was considered in July, 1965 and after consulting Ministry of Law and the Department of Supplies, an amount of £ 600 was recovered from him as liquidated damages.

2.78. At the instance of the Sub-Committee the Ministry had furnished copies of correspondence with the Ministry of Law and Department of Supplies leading to the decision to recover this amount of damages from the supplier. The Sub-Committee find that a sum of £ 8,790 was deducted by the Embassy from the amounts due to the supplier. Subsequently liquidated damages payable in

terms of the contract were assessed at £ 6,340. This amount was further reduced to £ 2,940-6-0, after giving certain concessions on account of casualties and ignoring delays of short periods etc. Ultimately, however, only a token amount of £600 was recovered from the supplier on the ground that normally 10 per cent of the damages stipulated in the contract were recovered by the DGS&D in such cases, where no actual loss accrues to Government.

**2.79. The Sub-Committee do not approve of this practice of showing leniency in the matter of imposition of penalties. Such an attitude will reduce the penalty clauses of contracts to a mere formality. The Sub-Committee are of the view that in cases of delays in fulfilment of contracts, where time is stated to be the essence of the contract, penalty clause should be enforced more strictly.**

**They desire that the question of levy of liquidated damages may be examined de novo in consultation with the D.G. S. & D. and the Ministry of Law in case of contracts where time is of the essence of contracts keeping in view the observation of the Committee.**

2.80. In the course of evidence the Sub-Committee further learnt that three Indian firms/individuals had been representing the Italian supplier during the period and had contacted the Ministry of Defence on various occasions. One of them was stated to be a close relation of a Minister in the Central Government.

**2.81. From the foregoing facts the Sub-Committee find that contracts to the extent of Rs. 3-34 crores were awarded to the Italian Supplier from 1959 onwards. The Sub-Committee also note that ever since the Italian Supplier came on the scene in 1959 all the contracts for the purchase of mules from abroad seem to have gone to him only. On no occasion the rates offered by him were the cheapest; still through negotiations etc. contracts were awarded to him. In the case of the contract placed in September, 1963, the Sub-Committee have commented upon the following unsatisfactory features in this Report:**

- (i) Having addressed the foreign missions in the matter, the Ministry of Defence did not wait for their replies but negotiated with the supplier on the pretext that his performance against the earlier contracts had been satisfactory and that his rates were the cheapest in the past. These contentions were, however, not borne out in evidence.**

- (ii) Even though no special urgency was shown till 8th July, 1963 upto which date even the requirements for animals had not been finalised, the whole matter gained momentum soon after negotiations were held with the supplier. An urgent telegram calling for information within 4 days was sent to the Indian Missions abroad on 14th July, 1963.
- (iii) The officials of the Ministry agreed to the inclusion of an unusual clause in the contract which precluded Government from purchasing animals from elsewhere.
- (iv) An offer from a firm, whose reliability had been confirmed was rejected without proper examination of the freight rates, availability of animals in Argentina etc. A wrong interpretation was given to the report of the technical officer and other communications from the Indian Embassy confirming the genuineness of the offer were ignored.
- (v) In their anxiety to finalise the contract, more was read in the communication from the Indian Embassy, than what it contained.

The Sub-Committee cannot help the impression that the officers dealing with this case were hustled in the contract and did not adequately safeguard the financial interest of the exchequer. They desire that this case should be investigated in detail by an independent high powered committee.

### III

#### LOCKING UP OF FUNDS IN THE PURCHASE OF ANIMALS FROM ABROAD—PARA 8, PAGE 8

3. In November, 1962, Government entered into a contract with a foreign firm for the supply of 1,000 horses at Rs. 2,455 each in order to meet the 'urgent requirements of the Army for the year 1962-63'. Nine hundred and ninety five horses actually purchased and paid for against this contract were received in the country by the end of March, 1963. Only 479 horses had been issued to the user units up to the end of June, 1964. 46 of the remaining horses had died leaving a balance of 470 (costing Rs. 11.54 lakhs) which were still held in the depots after more than fifteen months of their arrival in India.

3.2. A note furnished by the Ministry at the instance of the Sub-Committee is at Appendix VII. It has been stated that proposals for the procurement of 3491 horses to meet the requirements of new units to be raised, deficiencies in existing units and maintenance requirements were received from Army Headquarters in November, 1962. The raising of the new units was to be completed by December, 1963, but since the procurement of the horses, their acclimatization and training would have taken time, arrangements had to be made for the immediate purchase of horses. It has been further mentioned in the note that the normal period of acclimatisation for imported horses is one year. In addition, a period of 36 weeks is normally allowed for training of imported horses, but this period, was reduced to 20 weeks due to the emergency. It, therefore, takes 1½ years for the animals to reach the units after their receipt in the Depots on arrival from abroad. Although facilities were available for training these horses in the Remount Depots, in this particular case due to an outbreak of Glanders from 10th April to 12th November, 1963, the training and acclimatisation of horses were adversely affected for about 7 months. Again due to an outbreak of Influenza since 25th April, 1964, the progress of training was retarded.

3.3. At the outset the Sub-Committee enquired as to why quotations were not obtained from other countries and that in the absence of other offers how did the Government satisfy themselves that the rate offered by the Polish Firm (Rs. 2,455 per horse) was the lowest. The Addl. Secretary, Ministry of Defence explained that a few days

ago quotations had been invited for the supply of horses. The lowest offer was from the Italian supplier (referred to in para 7 of Audit Report Defence Services, 1965) for Rs. 1865 per animal. Since the hands of this contractor were already full with a number of other orders for supply of mules etc., it was decided not to place this contract on him. The next offer was for Rs. 2455 per horse. The witness added that in the case of the Polish firm another consideration which weighed with the Government was the fact that payment was to be made in rupees. Thus there was a saving of foreign exchange.

3.4. Asked as to why order was placed for 1000 animals only against the requirement for 3491 horses, the witness stated that the demand was revised by the end of December, 1962, bringing down their requirements considerably. The Sub-Committee enquired whether the Ministry was aware at the time of placing the order in November, 1962 that their requirement would be reduced. The witness stated that it was known at that time that the position was being reviewed and the demand might be increased or reduced.

3.5. Referring to the statement made in the note that the normal period of acclimatization and training of horses was 1½ years, the Sub-Committee enquired as to how the purchase which materialised in March, 1963, could meet their requirements for 1962-63. The witness stated that but for this action the setting up of Mountain Divisions of the Army would have been delayed. He, however, agreed that action should have been initiated earlier but it was not possible to say at this stage as to why action was not taken earlier.

3.6. It had also been stated in the note that the training and acclimatization of the horses were adversely affected for about 7 months due to an outbreak of Glanders and Influenza. The Sub-Committee enquired whether this was due to overcrowding in the depots. The witness stated that although there was over-crowding it was not the cause for these ailments. The over-crowding might have led to the spreading of the disease.

3.7. Referring to another statement in the note that the issue of animals to units was held up due to non-completion of training and that a number of units had to be issued with only a percentage of their entitlement, the Sub-Committee enquired if the trained reserve was not sufficient. The Defence Secretary stated that at the end of 1962 the whole demand suddenly increased and it took sometime to make up the training reserve.

3.8. The case, the Committee regret to observe, also reveals a certain lack of advance planning and delay in initiating the work of procurement. If as stated by the Ministry, the normal period of

acclimatization and training of horses was 1½ years, the Army Headquarters should have placed their demand for the horses required for units to be raised in December, 1963, much earlier than in November, 1962. Further, it was disclosed in the course of evidence that there was over-crowding in the depots which might have been responsible for the spread of the disease among the animals. This would indicate that suitable action was not taken by the authorities to augment the capacity of depots for the horses even after placing orders for their procurement.

3.9. The Sub-Committee are also not satisfied with the explanation for not placing an order on the lowest tenderer viz. the Italian supplier when the difference between the rates was as high as 50 per cent. Since the Italian Supplier was considered to be an experienced and reliable party, who had been supplying animals since 1959, the Sub-Committee do not understand why cheaper rates offered by him were not availed of simply because his hands were full with other orders.

NEW DELHI;  
 April, 21st, 1966.  
 Vaisakha 1, 1888(S).

R. R. MORARKA,  
 Chairman,  
 Sub-Committee of the  
 Public Accounts Committee.

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**APPENDICES**

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## APPENDIX I

### MINISTRY OF DEFENCE

**SUBJECT:—***Para 7 of Audit Report Defence Services 1965—Purchase of Animals from abroad.*

On partition most of the breeding establishments fell to the share of Pakistan. As a result we have had to resort to import of animals for meeting the full transport requirements of the Army in hilly areas. Although steps have been taken to promote indigenous equine breeding we have not so far attained self-sufficiency.

2. With a view to ascertaining the availability of animals in the foreign markets to meet the requirements of the Army during 1963-64, our Embassies in different countries, from where the animals are known to be available, were requested on 22nd June 1963 to make limited trade enquiries from potentially reliable suppliers and to intimate the results to this Ministry by the end of July 1963. Such enquiries were addressed to our Embassies in Washington, Paris, Belgrade, Rome, Madrid, Copenhagen, Moscow, Buenos Aires and our High Commissions in U.K. and Australia. Copies of the letters addressed to our Missions abroad are enclosed (Annexures I to III).

3. The number of MA & GS Mules to be procured was not indicated as the actual number required had not been finally assessed. However, it was made clear to the Embassies that we would like to consider offers for a minimum number of 250 animals only as it would not be worthwhile to send our Selecting Officers for making selection of animals if the number available was less than 250. They were advised that no formal tenders need be invited and that while general publicity to our requirements might be avoided with a view to ensuring that prices of animals were not pushed up in the International market, they might use their discretion in the matter and publicise the requirements to the extent necessary.

4. Before replies were received from our Missions abroad, Dr. Gaddini of Rome, who had been supplying animals for our Army in the past few years and who had then a contract in force with us for supply of animals, called on this Ministry at his own initiative, in the second week of July 1963, to discuss matters connected with the delivery of animals against the then existing contract and our

future requirements. In the course of discussions on the 11th July, 1963, one alternative that was suggested to Dr. Gaddini was that his offer to supply by May 1964, 500 MA mules and 1,000 GS Mules, could be considered; but in that event, Government would be free to enter the market after the end of November 1963 to purchase the shortfall, against our total requirements, either directly or through other contractors. Dr. Gaddini agreed to consider the suggestion made and gave his reply on the 12th July 1963. During the discussions on 12th July 1963, various alternatives were considered; and ultimately Dr. Gaddini offered to supply 1500 MA mules and 3,000 GS mules, representing our total requirements, at the same rates as in the then existing contract with him, i.e. £ 145 and £ 125 respectively; provided, no other suppliers in the North, South or Central America or Europe were given a contract by us for supply of animals. He further offered to supply 500 MA mules and 1500 GS mules by 15th June 1964 and the balance by 31st December 1964. He agreed to keep his offer open till the 20th July, 1963.

5. Preliminary negotiations were conducted with Dr. Gaddini without entering into any contractual commitment having regard to the satisfactory supplies made by him during the past two to three years of large numbers of animals, the magnitude of our requirements, the fact that this supplier's prices on the last two occasions when global enquiries were made had been the lowest *vide* statement enclosed at Annexure XXI and our experience that there were few other reliable sources for supply of mules in large numbers and upto our specifications. The Italian supplier was asked on 19-7-1963 to keep his offer open so as to enable us to give full consideration to the offers from other suppliers.

6. In view of Dr. Gaddini's offer a telegram was sent on 14th July 1963 to our Embassies concerned (copy at Annexure IV) asking for a report within the next 4 days regarding the offers received by them from the suppliers in the respective countries.

7. In reply our Embassy in Argentina stated on 17-7-1963 that no offer had been received till then while our Embassy in Washington stated that limited tender enquiry would take one month's time. Our High Commission in London informed us on 15-7-1963 that no quotations had been received, firms had been expedited on phone and they could not quote before 22nd July 1963.

8. On the 23rd July 1963 a telegram was received from our Embassy in Argentina (copy at Annexure V) intimating that a reportedly reliable exporting firm had offered at least thousand MA and GS Mules at £ Sterling 85 each c.i.f. Bombay.

9. We had made enquiries on 18th June 1963 from the Ministry of Transport about freight rates from Argentina and we were advised on 25-6-1963 that freight would be of the order of £ 90 per animal exclusive of feed and insurance charges as indicated to them by M/s Clausen and Co. who specialise in the carriage of livestock. On a further reference made on 26-7-1963 to the Ministry of Transport on receipt of the Argentine offer they indicated to us on 26-7-1963 (Extract of Note attached at Appendix VI) that even the tramp rate would not normally be less than £65 exclusive of insurance, feeding charges and medical attendance. The rate quoted by the Argentine supplier, therefore, seemed *prima facie* unworkable.

10. Our Embassy in Argentina was requested on 23-7-1963 (copy of telegram at Annexure VII) to intimate the likely proportion of MA/GS Mules in the offer of thousand mules made by the firm and the f.o.b. prices and to confirm that the quotation of £ 85 c.i.f. Bombay was correct and genuine and animals would be to our specifications.

11. On 24-7-1963 the Embassy confirmed (copy of telegram at Annexure VIII) the price of £ 85 c.i.f. and indicated the f.o.b. price as £ 50. With a view to examine fully the offer of the Argentine firm a further telegram was sent to our Embassy on 26-7-1963 (copy at Annexure IX) indicating that our requirements were 1500 MA Mules and 3000 GS Mules and that these requirements were very urgent. The Embassy was also asked to intimate whether the supplier was experienced and reliable and he would agree to supply our entire requirements by end of 1964 at the rates quoted as it was necessary to enter into a firm contract with a reliable supplier for assured supplies according to the contracted dates.

12. On the 29th July 1963 (copy of telegram at Annexure X) our Embassy in Argentina advised that the supplier was not experienced in export or procurement of animals and that he mainly exported milk products. The firm's reliability was confirmed on the basis of informal enquiries made by the Embassy. On 31st July 1963 our Embassy in Argentina informed us further (copy of telegram at Annexure XI) that the firm had offered to supply 500 GS Mules and 100 MA Mules with assortment of other required animals for shipment in mid-October 1963 but they were unable to enter into any commitment until October 1963 with regard to further supplies.

13. On 1st August 1963 a letter dated 23-7-1963 (copy at Annexure XII) was received from our Embassy in Argentina enclosing the offer dated 19th July 1963, from the Argentine firm. In this letter the Embassy indicated that most of the reliable potential suppliers

of the required animals in Argentina were no longer inclined to treat our enquiries for purchase of animals on c.i.f. basis seriously on the plea that they were unable to make any shipping arrangements for the animals from Argentina to India. They also mentioned that it would seem from the offer of the firm that not only were they in a position to supply a good number of animals immediately, generally in accordance with the terms and conditions and specification of animals set out by the Government of India, but with proper spacing were also in a position to meet our full defence requirements.

14. Again on the 6th August 1963, our Embassy in Argentina intimated (copy of telegram at Annexure XIII) that the suppliers were willing to sign immediately a contract for shipment in 2nd half of September of 597 GS Mules, 100 MA Mules, 216 MA Mule breeding Brood Mares and 87 horse Breeding Brood Mares. The prices of all the animals were quoted at £ 85 each c.i.f.

15. In the beginning of August, therefore, we were faced with the following situation:—

- (1) Offers had been received from 2 firms other than Dr. Gaddini in Italy for 4 out of seven kinds of animals required by us.
- (2) Offer from Dr. Gaddini for all 7 types of animals required by us.
- (3) Offer from an Argentina firm for 697 MA & GS mules 216 MA Mule breeding brood mares and 87 horse breeding brood mares.
- (4) There were no offers from Australia, UK, USSR for the MA Mules, GS Mules, donkey mares and donkey stallions but there were some offers for horse breeding mares, MA Mule breeding mares and horse stallions. The prices of the other 2 Italian firms for three of the four types of animals mentioned earlier were definitely higher. In one case, the prices offered by the other two firms from Italy viz. M/s Ferruccio Fabri of Rome and COMM Giuseppe Brecciaroli of Rome, for donkey mares were lower than those quoted by Dr. Gaddini of Rome. A comparative statement giving the rates quoted by the different firms as also the number of various types of animals required by us is attached at Annexure XXII.

16. As already pointed out earlier there were no offers from UK, USSR and Australia for the MA Mules, GS Mules, donkey stallions and donkey mares. For horse breeding mares and mule breeding

mares prices offered by the firms in these countries were much higher than those offered by Dr. Gaddini. In respect of horse stallions, the prices quoted by two Australian firms were slightly lower than that quoted by Dr. Gaddini. For the same type the price quoted by the UK firm was higher than that quoted by Dr. Gaddini. One Australian firm's price was much lower than that quoted by Dr. Gaddini. On an overall consideration, however, it was obvious that the only 2 parties whose offers could be considered were Dr. Gaddini and Crawford, Keen & CIA of Argentina. The question that we had to decide was whether we should accept the offer of the Argentine firm which on the face of it was cheaper. For several reasons outlined below we came to the conclusion that it would not be desirable to place an order with the Argentine firm. The considerations which weighed with us in coming to this conclusion were the following:—

- (i) In the first place the offer by the Argentine firm was for a fraction of our total requirements. Moreover they kept on changing the quantities offered from time to time. Initially they offered to supply 1000 MA and GS Mules without indicating the actual proportion of the two. Subsequently when they were asked to be more specific and after our actual requirements were communicated on 26-7-1963, they revised the offer to 500 GS mules and 100 Mules with assortment of other animals, they revised it still further to 597 GS Mules, 100 MA Mules, 216 MA Mule breeding blood mares and 87 horse breeding mares. At no stage did they give any guarantee that they would be in a position to supply the balance of our requirements; they indicated that no commitment for supply of balance could be made until October. It is possible that by October 1963 they might or might not have agreed to supply the remaining animals in which case we would have lost the opportunity of placing a firm order with a supplier known for his reliability in meeting our requirements. It is also possible that if we were forced to make a contract on a subsequent date with Dr. Gaddini, he might have increased his prices and also the deliveries would be delayed.
- (ii) The uniform price of £ 85 quoted by the Argentine firm was considered to be utterly unworkable and gave a clear indication that the firm had no experience whatsoever of the business of procuring and shipping animals. We were advised by the Transport Ministry that the freight alone from Argentina to Bombay would account for £ 90 per animal. In addition we would have to add the cost of insurance, feeding charges for more than 6 weeks, escort

and veterinary assistance during the voyage. Obviously therefore the firm was quoting without any regard to its desire to fulfil the contract. Although therefore our Ambassador in Argentina had stated that the firm was reliable, it was obvious that the reliability of the firm was in respect of its standing in the business world in general and not with reference to its ability to perform this particular contract. In fact there was a clear indication in the telegram sent by our Ambassador in Argentina that the firm had no experience whatsoever of either procuring or transporting animals.

- (iii) Dr. Gaddini had indicated clearly that the prices offered by him were subject to the condition that no order was placed with any other supplier in North, Central or South America or in Europe. Even if therefore we had thought of dividing the business between the Argentine firm on the basis of the numbers promised by it and Dr. Gaddini of Rome, it was certain that Dr. Gaddini would not have kept his offer open. In that contingency we would have been faced with the prospect of having to make a contract for a small number of our requirements with a firm whose reliability for performance of the contract was doubtful. In such an event we would have been compelled to go back to Dr. Gaddini who was then likely to raise his prices and make his terms stiffer.
- (iv) Another important consideration was the need to explore an assured source of supply for equipping the new Mountain Divisions which were then proposed to be raised. From the past performance of Dr. Gaddini as well as the unreliability of the Argentine supplier, it was felt that the programme of equipping the Mountain Divisions would be adversely affected if the Argentine supplier was not able to fulfil his contractual obligations. We were reinforced in this assumption by the report dated 5-7-1963 of our technical officer who had visited Argentina on a previous occasion in February 1963 for the purpose of selecting animals against an earlier contract made in November 1962 with Dr. Gaddini. The report of the technical expert showed that stallions used in Argentina were poor in quality, small in size, not many mules were available in Argentina and according to the Director General, Remount & Veterinary of Argentina only 4 to 5 hundred mules might be available during the season. The officer

could select only 76 GS mules and 264 MA mules out of a collection of 2475 mules during his deputation to that country.

17. It was for these reasons that a deliberate decision was taken to enter into contract with Dr. Gaddini for supply of all our animals, except horse stallions which we purchased from Australia at a lower price. So far as Donkey Mares were concerned, Dr. Gaddini had reduced his quotation to conform to the lower rate quoted by the other two Italian Suppliers. As mentioned earlier, the quotation initially received from Argentina was considered unworkable and hence the question of asking Dr. Gaddini to reduce his quotation to that offered by the Argentine Firm did not arise. From the table at Annexure XIV an idea can be had of the performance of this supplier in respect of various contracts made with him from 1960-61 onwards.

18. This decision was communicated to our Embassy in Italy on 13th August 1963 (copy of telegram at Annexure XV). Our Embassy in Argentina was advised on the same date (copy of telegram at Annexure XVI) that the offer of the Argentine firm need not be pursued as the firm was not willing to enter into future commitment for supply of our urgent requirements.

19. After this decision, on 20th August 1963, the Argentine firm sent a revised quotation in respect of all the animals (copy at Annexure XVII). The letter was received in India on 27th August, 1963. The prices quoted were significantly higher for all types of animals. For MA Mules, for example, the price quoted was £ 109 and for GS Mules £ 102.15 against £ 85 quoted earlier for all types of animals. As the prices quoted by the Argentine firm were still lower than that of the Italian supplier, the matter was further examined and discussed at a meeting on the 7th September 1963 with representatives of Ministry of Finance (Defence), Ministry of Law and Army Headquarters. It was felt that our fears about unreliability of the Argentine firm were well-founded as it had been quoting in piecemeal and had raised the price for all types of animals. This at least showed that their original offer at a low price of £ 85 each for all types of animals was not genuine. The capability of the firm for the performance of the contract was also doubted. Our anxiety was to ensure receipt of the animals of the required specifications within the stipulated period and we were not to take any chance in this matter.

20. Keeping in view the report of our officer about availability of animals in Argentina referred to earlier it was thought that the offer of the firm to supply our entire requirements by July 1964 was

unrealistic. It was already known that the Argentine firm was not experienced in the supply of animals and it had earlier quoted £ 85 per animal c.i.f. Indian Port and had subsequently increased the prices. It was, therefore, considered that it would not be safe to conclude a contract of such a magnitude with the Argentine firm who was not thoroughly reliable. It was, however, agreed that our Embassy in Italy might be requested to ascertain from Dr. Gaddini whether he was agreeable to exclude Argentina from the restriction on Government of India in entering into a contract with any other supplier if the supply on Dr. Gaddini was reduced by 1000 animals (1/3rd MA and 2/3rd GS Mules). In case he agreed to such a course, the number of mules to be supplied by him was proposed to be reduced correspondingly in the contract. It was further agreed that if Dr. Gaddini was not agreeable and if our Embassy in Rome had already made a commitment to Dr. Gaddini in regard to the proposed contract orally or in writing, the commitment should be honoured. Accordingly a telegram (copy at Annexure XVIII), was sent to our Embassy in Rome on 7th September 1963 asking them to obtain Dr. Gaddini's agreement to this proposal. A negative reply (copy at Annexure XIX) was received on 11th September, 1963 from the Embassy in Rome.

21. Taking a practical view of the case it was agreed that we could proceed with the finalisation of the contract with Dr. Gaddini. The whole idea behind the deal was to ensure supply of our full requirements and introduction of an element of uncertainty would defeat that purpose. It was also feared that Dr. Gaddini might back out due to the technical position that the contract was not being concluded. A telegram (copy at Annexure XX) was, therefore, issued on 11th September 1963 to our Embassy in Rome asking them to take action to sign the contract with Dr. Gaddini. The contract was accordingly signed on the 14th September 1963.

22. Dr. Gaddini supplied all the animals against the contract signed on 14th September, 1963 with the exception of the following:—

(a) Horse Breeding Mares .. 7

(b) MAMB Mares .. 10 (In fact all the 10 were shipped by him but they died during voyage and within 7 days after landing in India).



- (e) Donkey Mares . . . 5 (All the 5 were shipped but they died during voyage or within 7 days after landing in India).
- (d) GS Mules .. 5 (All the 5 were shipped but they died during voyage or within 7 days after landing in India).

23. The delay in the delivery of certain categories of animals by Dr. Gaddini against the contract concluded with him in 1962 and 1963 was considered in July 1965 and after consulting Ministry of Law and the Department of Supplies, the amount of £ 600 was recovered from him as liquidated damages.

D.A.D.S. has seen.

Sd/- (G. L. SHETH),  
Additional Secretary.

ANNEXURE I

CONFIDENTIAL

No. A./30763/Q/RV-2/379-S/R/D (QS)

GOVERNMENT OF INDIA  
MINISTRY OF DEFENCE,

New Delhi, the 22nd June, 1963  
1 Asadha 1885 (Saka).

To

The Embassy of India.  
in USA, Washington  
in France, Paris  
in Yugoslavia, Belgrade  
in Italy, Rome  
in Spain, Madrid  
in Denmark, Copenhagen.

SUBJECT:—*Purchase of Animals from Abroad.*

Sir,

It is proposed to import during the year 1963-64 MA Mules and GS Mules to meet the Army requirements of mules and 8 donkey mares and 14 donkey stallions to meet the requirements of Army Studs. The actual number of MA and GS Mules is pending finalisation and will take some time to be finalised. A copy of the specifications of the various types of animals is enclosed.

2. It has been decided to make limited trade inquiries in potential markets through our missions in the respective countries, so that it may be possible to negotiate the prices, if advantageous to us, with the parties making the best offers.

3. I am accordingly to request you to make informal trade enquiries from the reliable suppliers in the area falling under your jurisdiction and advise the Ministry by the end of July 1963 at the latest about the potentially reliable suppliers along with their quotations at CIF Bombay|Calcutta rates in pound sterling|Indian rupees for various types of animals indicated above. No formal tenders

need, however, for the present be called for and it is requested that while general publicity of this requirement may be avoided with a view to ensure that prices of the animals are not pushed up in the International market, you will however use your discretion in the matter and publicise this requirement to the extent considered necessary.

4. The CIF rates will include the cost of transportation of the animals to India (Bombay|Calcutta), feed of animals enroute, attendance during the period of voyage, cost of insurance for individual mortality among animals up to 7 days after landing and veterinary cover during transportation and also take into account other conditions enumerated in the attached specimen form of contract which is generally used in such cases.

5. We consider that it will not be worthwhile to send our selecting officers for making selection of animals in quantities of less than 250 animals to a country and as such we will like to consider only offers of animals for a minimum number of 250 and above. The supplier may be requested to indicate the minimum/maximum number of animals that he can supply at rates quoted by him and the period during which the animals can be supplied. The Government of India would like these supplies to be completed and landed in India during the period beginning from November 1963 to the end of May 1964.

6. If you consider it necessary or advantageous, you may also pursued enquiries with the Government of the country concerned if they would be agreeable to make the supplies to us on a Government to Government basis and if so, on what terms and rates.

Yours faithfully,

Sd/- S. R. GURUSWAMY,

*Under Secretary to the Government of India.*

## SPECIFICATIONS

### *Mountain Artillery Mules*

- Colour** — Bay, black, brown or chestnut.  
A few iron grey can be accepted.
- Height** — Not less than 14-0 hands                   Up to 10 per cent—  
                  nor more than 14-3 hands                         height may be  
(1·42 to 1·50 metres)   up to 15-0 hands.
- Shank** — Not less than 7 inches.
- Age** — 75 per cent to be within age group of 3 to 6 years;  
25 per cent to be between 7 and 8 years.
- General** — Mules to have good bone and substance, true and  
straight action, i.e. no tendency to brush in front or  
behind, straight backs and to be sound in every res-  
pect. Must be veterinarily sound and free from  
disease.
- Girth** — Mules measuring 14-0 hands to be not less than 63  
inches and those measuring over 14-0 hands to be not  
less than 64 inches.

### *General Service Mules*

- Colour** — Bay, black, brown or chestnut. No greys or roans will  
be accepted. A few iron grey can be accepted.
- Height** — Not less than 13-0 hands nor more than 14-2 hands  
(1·32 to 1·47 metres).
- Girth** — Not less than 58 inches.
- Age** — 75 per cent to be within age group of 3 to 8 years;  
25 per cent to be between 7 and 8 years.

**General**

- Mules to have good bone and substance, true and straight action, i.e. no tendency to brush in front or behind, straight backs and to be sound in every respect and capable of pack or draught work. Mules to be veterinarily sound and free from disease.

**Donkey Mares****Height**

- 13-1 to 13-2 hands (1·34½ to 1·37 metres).

**Shank**

- 6¾ inches to 7½ inches.

**Girth**

- Approx. 60 inches.

**Age**

- 3 to 6 years.

**General**

- Mares should be of roomy type, fit for breeding. Should be veterinarily sound. If possible spital organs may be examined to see that ovaries, uterus and vagina are normal.

**Donkey Stallions****Height**

- 13-2 to 14-0 hands (1·37 to 1·42 metres).

**Shank**

- Not less than 7 inches to 7½ inches.

**Girth**

- Not less than 60 inches.

**Age**

- 3 to 6 years.

**General**

- Should be compact, close coupled, heavy muscled animal of good quality, must be veterinarily sound for breeding operations.

**Method of Measuring Animals**

Animals are measured by hands (a hand being 4 inches) or in metres.

**Height**

- The height is taken by a special measuring standard from the ground to the highest point of withers.

**Girth**

- The girth is measured from just behind the withers around the belly. The tape used, should be pulled as tight as possible without actually using force.

**Shank**

- The shank measurement is taken by measuring circumference of the portion 3 inches below the knee.

## FORM OF AGREEMENT

**THIS AGREEMENT** made the \_\_\_\_\_ day of one thousand nine hundred and \_\_\_\_\_ between President of India (hereinafter referred to as the Government of India) of the one part and M/s \_\_\_\_\_ a company duly incorporated and having its registered office situated at \_\_\_\_\_ in the State of \_\_\_\_\_ (hereinafter referred to as the Suppliers which expression shall where the context so admits include its successors and assigns) of the other part **WHEREBY IT IS HEREBY AGREED** as follows :—

1. The suppliers agree to sell and the Government of India agree to purchase on the terms and conditions hereinafter contained \_\_\_\_\_ (animals) of the respective numbers, descriptions and prices set out in the Schedule hereto.

2. The suppliers shall at such places and at such times as shall be mutually agreed between the parties make \_\_\_\_\_ (animals) available for selection by an officer deputed in that behalf by the Government of India (hereinafter referred to as the Selecting Officer). The Selecting Officer shall be at liberty to carry out any test which he considers necessary to ensure that the \_\_\_\_\_ (animals) are veterinarily sound and free from disease and for this purpose may have the animals examined by himself or through a local veterinary surgeon.

3. The prices offered and accepted are C.L.F. Bombay/Calcutta and include all expenses that would be involved towards the transportation, feed and up-keep from the place of selection to the place of handing over to the Government of India in India (Bombay/Calcutta), insurance charges covering voyage risk in respect of total marine loss and individual mortality of animals whilst they are in custody of carriers and up to one week after landing will remain the liability of the suppliers.

4. All arrangements for the loading and transportation of animals from the place of selection to the place of disembarkation will be made by the suppliers. Conducting parties required to accompany the animals during their transportation period and till they are handed to the Government of India will be provided by the suppliers at their own expense. The stay of this party in India and their return to the \_\_\_\_\_, (name of the country) will also be the liability of the suppliers.

5. The animals approved by the selecting officer will be purchased and branded by the selecting officer. Nine copies of descriptive rolls will be prepared by the suppliers for the animals selected and purchased. One copy of the rolls will be retained by the suppliers and other eight copies distributed as under:—

- (a) One copy to be handed over by the suppliers to the selecting officer;
- (b) One copy to be furnished by the suppliers to the bank with other documents for 80 per cent payment;
- (c) One copy to be sent by the suppliers with the escort of the animals;
- (d) The remaining five copies will be furnished to———  
(High Commission/Embassy concerned) for distribution to:—
  - (i) Embarkation Commandant, Bombay/Calcutta (one),
  - (ii) Director of Remounts & Veterinary Services, Army Headquarters, New Delhi, (three) and
  - (iii) For keeping on———(Mission/Embassy) records (one).

The animals will be delivered together with the insurance documents to an authorised representative of the Government of India at Bombay/Calcutta, in a reasonably good condition within seven days of their disembarkation. The representative of the Government of India will compare these animals with the descriptions already recorded and confirmed by the suppliers on the descriptive rolls. Animals which do not answer the description as per these rolls will not be accepted.

6. Payment will be made either by Reserve Bank of India or by the Indian High Commission/Embassy concerned on terms specified below:—

- (a) 80 per cent CIF Bombay/Calcutta invoice value of the animals shipped will be paid on presentation of shipping documents;
- (b) Balance 20 per cent CIF Bombay/Calcutta invoice value of the animals shipped, less CIF Bombay/Calcutta invoice value of casualties, if any, during voyage or within seven days of landing in India (Bombay/Calcutta) will be paid within 30 days of delivery and acceptance of animals in India, on production of Government of India certificate of acceptance of animals.

7. Animals will be shipped by the suppliers as soon after selection as is possible so as to arrive in INDIA latest by the date specified in the Annexure to the schedule.

8. In the event of suppliers failure to comply with any of the clauses of the contract to the satisfaction of the Government of India, they will be liable to pay damages to the Government of India up to 10 per cent of the total value of the contract in addition to such incidental expenses which would have been incurred by the Government of India. Similarly, if any, animals are rejected at the place of handing over to the representative(s) of the Government of India in accordance with the provisions of paragraph 5 above they will be replaced by the suppliers at their own cost or they will be liable to the full charges incidental to such rejection.

9. *Liquidated Damages.*—Time is the essence of the contract. In the event of the failure of the suppliers to deliver any of the animals (up to 3 per cent in case of a large No. of animals, say over 200, being expected) within the time specified for delivery, it is agreed that the purchaser reserves the option to recover, as liquidated damages and not by way of penalty, for the period after the animals were due until actually delivered or until the purchaser secures the animals from others, a sum equivalent to 2 per cent of the contract value of the undelivered animals for each month or part of month's delay.

10. *Distribution of Documents:*

(a) 12 copies of the invoices will be prepared by the suppliers and distributed as under:—

5 copies to————(Country) Bank,

1 copy to————(High Commission/Embassy),

3 copies to Embarkation Commandant, Bombay/Calcutta,  
India,

1 copy to Master of Vessel,

2 copies to the Director of Remounts and Veterinary Services,  
Army Headquarters, New Delhi.

(b) Descriptive rolls of animals to be distributed as mentioned in para 5 above.

(c) Bills of Lading—2 original bills of lading to be sent to the port consignee namely, the Embarkation Commandant, Bombay/Calcutta. One copy direct by Air mail and the 2nd via Master of the Vessel. 1 copy of original bill of lading, to be submitted to the bank at the time of claiming———— per cent payment.



2 copies of non-negotiable bill of lading evidencing ocean transportation fully paid to the port of Bombay/Calcutta, should be submitted to the Embarkation Commandant, Bombay/Calcutta. One copy of non-negotiable bill of lading to————(Mission/Embassy concerned).

11. All disputes and differences arising out of or in any way touching or concerning this agreement whatsoever, shall be referred to the sole arbitration of any person nominated by the Secretary of the Ministry or Department of the Government of India administratively dealing with the contract at the time of such nomination, or if there be no Secretary, the administrative head of such Ministry or Department at the time of such nomination. It will be no objection to any such appointment that the person appointed is a Government servant, that he had to deal with the matters to which the agreement relates, and that in the course of his duties as such Government servant he has expressed views on all or any of the matters in dispute or difference. The award of such Arbitrator shall be final and binding on the parties to this agreement. It is a term of this agreement that in the event of such Arbitrator to whom the matter is originally referred being transferred or vacating his office or being unable to act for any reason, such Secretary or administrative head as aforesaid at the time of such transfer, vacation of office or inability to act, shall appoint another person to act as Arbitrator in accordance with the terms of this agreement. Such person shall be entitled to proceed with the reference from the stage at which it was left by his predecessor. It is also a term of this agreement that no person other than a person nominated by the Secretary or administrative head of the Ministry or Department as aforesaid should act as Arbitrator and, if for any reason that is not possible, the matter is not to be referred to arbitration at all.

Subject as aforesaid, the Arbitration Act, 1940, shall apply to the arbitration proceedings under this clause.

12. This Agreement shall be read and construed according to the law of India.

IN WITNESS whereof the parties have hereunto set their hands the day and year first above written.

SIGNED for and on behalf of

\_\_\_\_\_

by its duly authorised officer  
in the presence of  
Sd/-

Sd/-

SIGNED for and on behalf of  
THE PRESIDENT OF INDIA  
in the presence of  
Sd/-

Sd/-

SCHEDULE

Item No.	Qty.	Unit	Description	Unit Price	Total Price
1.					
2.					
3.					
4.					
5.					
6.					

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TOTAL

Total Cost :

**ANNEXURE II**  
**No. A/30763/Q/RV-2/379-S/R/1/D(QS)**  
**GOVERNMENT OF INDIA,**  
**MINISTRY OF DEFENCE,**  
*New Delhi, the 22nd June, 1963*  
**1 Asadha 1885 (Saka)**

**To**

The Embassy of India  
in USA, Washington  
in France, Paris,  
in Yugoslavia, Belgrade  
in USSR, Moscow  
in Denmark, Copenhagen

The High Commissioner of India  
in the United Kingdom, London  
in Australia, Canberra.

**SUBJECT:—Purchase of Animals from Abroad.**

Sir,

It has been estimated that during 1963-64 the Army will have to import 87 horse breeding brood mares, 216 MA Mule breeding brood mares and 24 Horse Stallions to meet the requirements of Army Studs. The exact numbers to be imported are, however, pending finalisation and will take some time to be finalised. A copy of the specifications of the various types of animals is enclosed.\*

2. It has been decided to make limited trade inquiries in potential markets through our missions in the respective countries, so that it may be possible to negotiate the prices, if advantageous to us, with the parties making the best offers.

3. I am accordingly to request you to make informal trade enquiries from reliable suppliers in the area falling under your jurisdiction and advise the Ministry by the end of July 1963 at the latest about the potentially reliable suppliers along with their quotations at CIF Bombay/Calcutta rates in pounds sterling/Indian rupees for various types of animals indicated above. No formal tenders need, however, for the present be called for and it is requested that while general publicity of the requirements may be avoided with a view to ensure that prices of the animals are not pushed up in the International market, you will however use your discretion in the matter and publicise this requirement to the extent considered necessary.

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\*Not Printed.

4. The CIF rates will include the cost of transportation of the animals to India (Bombay/Calcutta), feed of animals enroute, attendance during the period of voyage, cost of insurance for individual mortality among animals upto 7 days after landing and veterinary cover during transportation and also take into account other conditions enumerated in the \*attached specimen form of contract which is generally used in such cases.

5. We consider that it would not be worthwhile to send our selecting officers for making selection of animals in quantities of less than 250 animals to a country and as such we will like to consider only offers of animals for a minimum number of 250 and above. The supplier may be requested to indicate the minimum/maximum number of animals that he can supply at rates quoted by him and the period during which the animals can be supplied. The Government of India would like these supplies to be completed and landed in India by the end of 1963.

6. If you consider it necessary or advantageous, you may also pursue enquiries with the Government of the country concerned if they would be agreeable to make the supplies to us on a Government to Government basis and if so, on what terms and rates.

Yours faithfully,

(Sd.) S. R. GURUSWAMY,

Under Secretary to the Government of India.

ANNEXURE III

No. A/30763/Q/RV-2/379-S/R/3/D(QS).

GOVERNMENT OF INDIA  
MINISTRY OF DEFENCE

New Delhi, the 22nd June 1963

1 Asadha 1885 (Saka)

To

The Embassy of India in Argentina,

Buenos Aires.

SUBJECT:—*Purchase of Animals from abroad.*

Sir,

It is proposed to import during the year 1963-64 MA Mules and GS Mules to meet the Army requirements of mules and 8 donkey mares, 14 donkey stallions, 87 horse breeding brood mares, 216 MA Mules breeding brood mares and 24 Horse Stallions to meet the requirements of Army Studs. The actual number of MA and GS mules as also that of the breeding stock are pending finalisation and will take some time to be finalised. A copy of the specifications of the various types of animals is enclosed\*.

2. It has been decided to make limited trade inquiries in potential markets through our missions in the respective countries, so that it may be possible to negotiate the prices, if advantageous to us, with the parties making the best offers.

3. I am accordingly to request you to make informal trade enquiries from reliable suppliers in the area falling under your jurisdiction and advise the Ministry by the end of July 1963 at the latest about the potentially reliable suppliers along with their quotations at CIF Bombay/Calcutta rates in pounds sterling/Indian rupees for various types of animals indicated above. No formal tenders need, however, for the present be called for and it is requested that while general publicity of the requirements may be avoided with a view to ensure that prices of the animals are not pushed up in the International market, you will however use your discretion in the matter and publicise the requirements to the extent considered necessary.

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\*Not Printed.

4. The CIF rates will include the cost of transportation of the animals to India (Bombay/Calcutta), feed of animals enroute, attendance during the period of voyage, cost of insurance for individual mortality among animals upto 7 days after landing and veterinary cover during transportation and also take into account other conditions enumerated in the \*attached specimen form of contract which is generally used in such cases.

5. We consider that it will not be worthwhile to send our selecting officers for making selection of animals in quantities of less than 250 animals to a foreign country and as such we will like to consider only offers of animals for a minimum number of 250 and above. The supplier may be requested to indicate the minimum/maximum number of animals that he can supply at rates quoted by him and the period during which the animals can be supplied. The Government of India would like the supplies of mules to be completed and landed in India during the period beginning from November 1963 to the end of May 1964 and the breeding stock by the end of 1963.

6. I am to mention in this connection that the Ambassador of Argentina in India has kindly conveyed to the Ministry of External Affairs, Government of India, the readiness of the Argentine Government to supply upto about 1000 MA Mules on FOB basis. A part of this supply is likely to be in the nature of a gift while the balance will be paid for. The Government of India are anxious to accept this offer and are at present exploring the possibilities of arranging suitable shipping for conveying the animals from Argentina to India. I am accordingly to request that the market in Argentina in so far as MA Mules are concerned may be explored in consultation with the Government of Argentina to effect the necessary co-ordination in the procurement.

Yours faithfully,

Sd/- S. R. GURUSWAMY,

*Under Secretary to the Government of India.*

**ANNEXURE IV**

**O.T.C.**

**CCB No. 4965**

**Telegram : SECRET**

**From: Foreign, New Delhi.**

**To: Indembassy, Washington D. C.**

**Indembassy, Moscow.**

**Indembassy, Paris**

**Indembassy, Belgrade.**

**Indembassy, Rome.**

**Indembassy, Buenos Aires.**

**Hicomind, London.**

**Hicomind, Camberra.**

**DTG JULY 141400**

**IMPORTANT**

**No. 14688.**

Reference purchase animals abroad. Dr. GADDINI Rome has offered 1500 M.A. and 3000 G.S. Mules, Horse and Donkey Stallions, Horses, M.A. Mule and Donkey Mares as required. Before finalising Government would like to know whether any offers received v.r.t. Defindia letter dated 22nd June, 1963. If so uptodate position regarding supplies delivery schedules and prices offered be intimated within next four days.

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**MINISTER: SECRETARY: ADDITIONAL SECRETARY (SHRI H. C. SARIN): JOINT SECRETARY (SHRI S. S. L. KAKKAR): DEPUTY SECRETARY (SHRI S. SOUNDARARAJAN): MINISTRY OF DEFENCE (SHRI T. D. SACHDEVA—DEPUTY SECRETARY): PS TO PM (2): SG: FS: CS: SS: JS & C: JSS: DIRW: ATTACHE NGO (2): CABINET SECRETARY:**

**JOINT SECRETARY (SHRI K. S. SUNDRA RAJAN) MINISTRY OF FINANCE (EAD).**

**Sd/-**

**SUPERINTENDENT CCB.**

**SECRET**

**ANNEXURE V**

**O.T.C.**

**Telegram:**

**SECRET**

**CCB No. 6580**

**From: Indembassy, Buenos Aires**

**To : Foreign, New Delhi.**

**DTG JULY 221700**

**DTR JULY 230400**

**IMPORTANT**

**no. 17**

Continuation our telegram No. 16 of 17th.

Reportedly reliable exporting firm offers at least 1000 M.A. and G.S. mules at pounds sterling 85 repeat 85 each c.i.f. Bombay Inspection of animals by end August and shipment before 12th October. Details airmailed.

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## ANNEXURE VI

*Extracts from File No. A/35062/Q/RV2, regarding purchase of animals from abroad during 1963-64*

\* \* \* \* \*

### MINISTRY OF TRANSPORT & COMMUNICATIONS

(Department of Transport)

Shri S. S. L. Kakkar, Joint Secretary, Ministry of Defence, discussed this case with me with a view to ascertain whether the freight element of £ 35 in the c.i.f. price of £ 85 per mule was workable or not and could be considered as genuine. There is no doubt that the freight rate of £ 35 per mule from Argentine to India is on the low side and as mentioned by Shri P. I. Mehta looks very attractive. Whether this freight is workable or not is difficult to state though one would be entitled to say that the rate is unduly low on account of the fact that in £ 35 the following elements are included along with others which are mentioned in para 4 of the Ministry of Defence letter No. A/30763/Q/RV-2/379-S/R/D(QS), dated 22nd June, 1963:—

- |                                 |            |
|---------------------------------|------------|
| (a) Cost of feeding the animals | £ 10       |
| (b) Insurance                   | £ 1—10 sh. |

Thus the net freight after deducting (a) and (b) along with other items mentioned in para 4 of the letter of the Defence Ministry referred to above would be £ 23.10 sh per mule. This would ordinarily appear to be unworkable unless the shipowner concerned has a distress vessel on his hand and has been lucky enough to find return cargo or other employment for his vessel after he has unloaded the mules. In the circumstances it will be appreciated that it is not possible to make a firm statement on the point whether the freight rate quoted is workable and genuine or not because we have no knowledge of the other local circumstances and the existence of some of the factors detailed above which may enable the shipowner to carry the mules at the low rate quoted.

For the purpose of record it may be mentioned that the U.K.—India freight rate for mules for 20 and more is £110 exclusive of in-

insurance, feeding cost and medical attendance. Moreover, the quotation from a continental firm has been of the order of £90. As these are Conference rates some allowance may be given for tramp rates. In any case, the tramp rate would not be normally less than £65 exclusive of insurance, feeding cost and medical attendance as against £23/10 or £25/- quoted.

Sd/- NAGENDRA SINGH,

26-7-1963

*MINISTRY OF DEFENCE*

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ANNEXURE VII

O.T.C.

CCB No. 5213

Telegram: **SECRET**

From: Foreign, New Delhi.

To: Indembassy, Buenos Aires.

DTG JULY 231800

IMPORTANT

No. 14696.

Reference telegram No. 17 of twenty-second. Intimate telegraphically likely proportion MA and GS mules offered. DG Shipping has intimated shipping cost alone from Buenos Aires to Bombay pounds sterling 90 repeat 90 exclusive of feed and insurance. Please verify and confirm if offer of pounds sterling 85 c.i.f. Bombay correct and genuine. Also quote f.o.b. price. Confirm animals will be to our specifications.

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ANNEXURE VIII

O.T.C.

CCB No. 6670.

Telegram: *SECRET*

From: Indembassy Buenos Aires.

To: Foreign, New Delhi.

DTG JULY 241530

DTR JULY 250325

IMPORTANT

No. 18.

Reference telegram No. 14696 of 23rd. Number of animals of required specifications, and likely proportion MA and GS Mules, readily available will be intimated within fortnight on completion spot survey being conducted by suppliers. Offer pound sterling 85 c.i.f. and pound sterling 50 repeat 50 f.o.b. Exporting firm can arrange 1000 animal capacity ship thus cutting shipping cost.

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**ANNEXURE IX**

**O.T.C.**

**SECRET**

Telegram:

CCB No. 5324

From: Foreign, New Delhi.

To: Indembassy, Buenos Aires.

DTG JULY 261950

**MOST IMMEDIATE**

No. 14705

Reference telegram 18 July 24. Our requirements 1500 repeat 1500 MA and 3000 repeat 3000 GS mules. These defence requirements very urgent. Necessary to enter into firm contract with reliable supplier for assured supplies according to contracted dates. Indicate whether supplier experienced and reliable if necessary after verification from Argentine Government. Will he agree to supply our entire requirements by end 1964 at rates quoted. For offer of 1000 mules what ship is he chartering. Indicate expected date of despatch. Send reply by Monday 29th on as many points as possible.

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**ANNEXURE X**

**O.T.C.**

**SECRET**

**Telegram:**

**From: Indembassy, Buenos Aires.**

**To : Foreign, New Delhi.**

**DTG JULY 291800**

**DTR JULY 300630**

**IMPORTANT**

**No. 19.**

Your telegram No. 14705 of 26th July. Supplier not repeat not experienced in export or procurement of animals. They mainly export milk products. Firm's reliability informally confirmed by British Embassy, Buenos Aires Chamber of Commerce and Inspector General of Justice with whom it is registered as a private limited concern. Shall telegraph additional information by 31st July.

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**ANNEXURE XI**

**O.T.C.**

**SECRET**

**Telegram:**

**CCB No. 6907**

**From: Indembassy, Buenos Aires.**

**To : Foreign, New Delhi.**

**DTG JULY 311400**

**DTR AUGUST 010150**

**IMPORTANT**

**No. 21.**

Continuation our telegram No. 19 29th July. Preliminary survey by suppliers indicates that about 500 GS mules 100 MA mules with assortment of other required animals could be available for shipment in mid October. They have promised final figures and prices for other animals on completion of survey by 6th August. Suppliers unable to enter into commitment until October regarding further supplies. According to suppliers 1000 animals capacity ship available from Zappenfeld of Riede Mannstasse 6 Metten EMS West Germany. Name of ship and agents will be telegraphed on 6th August as also total number of animals for which suppliers are in position to sign contract for October shipment.

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ANNEXURE XII

**MOST IMMEDIATE**

No. COM(GEN)17/63

EMBASSY OF INDIA  
BUENOS AIRES

JULY 23, 1963

To

The Under Secretary to the Government of India,  
(Shri S. R. Guruswamy),  
Ministry of Defence,  
NEW DELHI.

**SUBJECT:**—*Purchase of animals from abroad.*

Sir,

Please refer to the marginal noted communications on the above subject.

1. Ministry of Defence, New Delhi, letter No. A/30763/Q/RV-2/379-S/R/3/D(QS) dt. 22-6-63.
2. Telegram No. 14688 dt. July 14, 1963 from Foreign, New Delhi.
3. Telegram No. 16 dt. 17-7-1963 from Indembassy, Buenos Aires to Foreign, New Delhi.
4. Telegram No. 17 dt. 22-7-1963 from Indembassy, Buenos Aires to Foreign, New Delhi.

2. Most of the reliable potential suppliers of the required animals in Argentina are no longer inclined to treat our enquiries for purchase of animals on CIF basis seriously on the plea, as previously stated by them, that they are unable to make any shipping arrangements for the animals from Argentina to India. In this connection your attention is invited to para 4 of our letter No. COM(GEN)24/62 dated November 20, 1962. Our enquiries from time to time tend to show that Argentina has good potential resources to meet the entire



requirements of our Ministry of Defence for purchase of animals from abroad with proper spacing of deliveries. The only question to be thrashed out in this connection remains that of transport. It may be possible to fix this up by arrangements either with the India Steamship Co. or through Lloyds, London.

3. In the present instance and with reference to your communications referred to above, we have, however, received CIF Bombay quotations for the supply of 1000 MA and GS Mules, due intimation of which was sent to you by our telegram No. 17 of July 22, 1963 as a follow up of our earlier telegram No. 16 of July 17, 1963. A copy of letter dated July 19, 1963 received from the exporters, Messrs. Crawford, Keen & Cia. S.A. of Buenos Aires is enclosed for perusal. We have informally verified from the British Embassy that this British firm of Messrs. Crawford, Keen are reliable exporters. However, hitherto they have not dealt with the export of animals. Our enquiries indicate, however, that they are capable of handling this job. It would also seem from their offer that not only are they in a position to supply a good number of animals immediately, generally in accordance with the terms and conditions and specifications of animals set out by the Government of India, but, with proper spacing, are also in a position to meet our full Defence requirements.

4. You are requested please to inform us urgently as to whether or not you wish us to pursue this offer with Messrs. Crawford, Keen & Cia. S.A.

5. With reference to para 6 of your letter of June 22, 1963 mentioned above, you are requested also to kindly inform us whether you still wish us to pursue the matter concerning the supply of 1000 MA mules on FOB basis with the Argentine Government. If so, you may like to let us have some more details as to the talks held so far between the Ambassador of Argentina in India and the Ministry of External Affairs. We should also like to know in this regard whether the mules to be secured from the Argentine Government are presently in use with them or whether these are to be procured from the open market.

**Enclosure to Annexure to XII**

**CRAWFORD, KEEN & CIA. S.A.**

**COMMERCIAL, INDUSTRIAL INMOBILIARIA**

*Buenos Aires, July 19th 1963*

Gen: Tara Singh Bal,  
Ambassador of India to the Argentine,  
BUENOS AIRES.

Your Excellency:

We are in a position to offer the Government of India 1,000 M.A. and G.S. mules which will be ready for inspection by the end of August. These mules will be delivered C.I.F. Bombay with insurance covering seven days after arrival; and, during the voyage there will be special veterinary care.

The price of each animal C.I.F. Bombay will be £ 85 - - English currency.

*Payment.* It would be appreciated if we, as shippers, received 80% of the total cost at the time of embarkation.

*Time factor.* If the offer is accepted we would like the Indian Government Inspection Officer for their selection to be here about the beginning of September so that the animals can be shipped from this country by October 12th. This is rather important because we have a change of government on that date which may cause exchange fluctuations.

We can also supply brood-mares, donkey stallions, etc., but is impossible to give the cost at this time, although it would be done within a week or two. It is essential to have a batch of 1,000 animals for each shipment and mules can be replaced by other animals if necessary.

It is estimated that there are enough mules and other animals in the country to supply the Indian Government's requirements for 1963/64 at the prices around those of the first shipment, unless, of course, when there are violent fluctuations of exchange.

We have the honour to remain, Sir.

Yours sincerely

**CRAWFORD, KEEN & CIA. S.A.**  
**COMMERCIAL, INDUSTRIAL & INMOBILIARIA**

ANNEXURE XIII

O.T.C.

Telegram.

From : Indembassy, Buenos Aires.

To : Foreign, New Delhi.

DTG AUG 061700

DTR AUG 070600

IMPORTANT

No. 22

Continuation our telegram No. 21 July 31st. Suppliers willing to sign immediately contract for shipment in second half of September to Bombay following animals:—

597 GS mules, 100 MA mules, 216 MA mules breeding brood mares and 87 breeding brood mares.

Prices of all the animals c.i.f. Pounds Sterling 85 each. To the extent that more MA mules are available these will replace GS mules if so preferred. Selecting officer to arrive here by end August. Suppliers will meet his actual expenses in Argentina. Telegraph if contract be signed.

---

### ANNEXURE XIV

*Statement showing Contracts concluded with Dr. Gaddini of Italy for Supply of Animals from 1960-61 onwards and their fulfilment*

Sl. No.	Date of contract	Animals contracted for	Delivery date	Animals supplied	Date of delivery	Price per animal	Remarks
1	2	3	4	5	6	7	8
			1960-61				
1	7-10-60	MA Mules 1140	Not later than 31-3-61	148	5-11-60	£150/-	
				173	25-11-60		
				176	7-12-60		
				154	26-12-60		
				159	31-1-61		
				177	14-2-61		
				1	14-2-61		
				152	6-3-61		
				<hr style="width: 50%; margin: 0 auto;"/> 1140			
		GS Mules 2190	Do.	331	5-11-60	£135/-	Short supply 1.
				308	25-11-60		
				305	7-12-60		
				330	26-12-60		
				322	31-1-61		
				303	14-2-61		
				4	14-2-61		
				286	6-3-61		
				<hr style="width: 50%; margin: 0 auto;"/> 2189			

	Donkey Stallions	12	Do.	6 7	31-1-61 6-3-61	£ 242/-	(One was for U. P. Government).
				<u>13</u>			
	Donkeys Mares	14	Do.	5	6-3-61		(One was for U.P. Government) Short Supply 10
2	30-9-61	MA Mules	80	1961-62 28-2-62	1 1 78	26-11-61 5-1-62 25-1-62	£120/-
				<u>80</u>			
	GS Mules	3700	2765 by 28-2-62 935 by Oct./Nov. 1962	529 461 471 372 477 447	10-11-61 25-11-61 5-1-62 25-1-62 26-2-62 10-3-62	£120/-	Short Supply 8
				<u>2757</u>			
				794 141	4-1-63 4-1-63		
				<u>935</u>			
	Donkey Stallions	3	28-2-62	3	25-1-62	£ 226/-	
	Donkey Mares	11	Do.]	5 6	25-1-62 10-3-62	£165/-	
				<u>11</u>			

1	2	3	4	5	6	7	8
			1962-63				
3	4-11-62	GS Mules	440	End of March 1963	82 358	14-1-63 19-2-63	£118/-
					440		
		Donkey Stallions	11	Do.	1 4 4 2	4-1-63 14-1-63 11-6-63 22-2-64	£200/-
					11		
4	10-11-62	Coach Horses	5	End of March 1963	2 3	25-3-64 Dec. 65	£150/-
					5		
		MA Mules	272	Do.	256 16	19-2-63 3-4-63	£145/-
					272		
		HB Brood Mares	23	Do.	7 16	24-4-63 27-12-63	£150/-
					23		

		MA MB Mares	11	Do.	3 8	24-4-63 27-12-63	£130/-	
					<u>11</u>			
5	22-12-62	GS Mules	1000	500—15-6-63 500—30-11-63	48 245 70 49 159 236 139 52	19-2-63 3-4-63 24-4-63 17-5-63 11-6-63 5-10-63 2-11-63 18-11-63	£125/-	Short supply 2.
					<u>998</u>			
		MA Mules	3000	1500—15-6-63 1500—30-11-63	402 252 149 433 366 312 147 593 248 94 4	3-4-63 24-4-63 17-5-63 11-5-63 5-10-63 2-1-63 18-11-63 15-12-63 27-12-63 1-1-64 2-1-64	£145/-	
					<u>3000</u>			

1	2	3	4	5	6	7	8
6	14-9-63	MA MB Brood Mares 216	1963-64 31-12-63	15 61 77 53	27-12-63 25-3-64 6-3-64 27-12-64	£130/-	Short supply 10.
		Donkey Stallions	14	Do.	6 8	22-2-64 27-12-64	£200/-
		Donkey Mares	8	Do.	3	6-4-64	£130/- Short supply 5.
		HBB Mares	87	Do.	38 42	27-12-63 25-3-64	£145/- Short supply 7.
		MA Mules	1500	500—15-6-64 1000—31-12-64	294 385 143 52 232 322 72	2-1-64 22-2-64 17-3-64 26-3-64 6-4-64 8-11-64 27-12-64	£145/-
					1500		



GS Mules

3000

1500—15-6-64  
1500—31-12-64

34 18-11-63  
239 15-12-63  
290 27-12-63  
123 31-12-63  
149 7-1-64  
76 22-2-64  
416 17-3-64  
272 25-3-64  
74 6-4-64  
654 7-4-64  
768 27-12-64

£125/-

Short supply 15.

2995

**ANNEXURE XV**

**SECRET**

Copy of telegram No. 14729 dated 13-8-1963 to Indembassy, Rome.

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REFERENCE YOUR TELEGRAM 38 OF AUGUST 5(.)  
GADDINI'S OFFER WITH MODIFICATIONS AS AGREED BY  
HIM ACCEPTED BY GOVERNMENT(.) DRAFT CONTRACT BE-  
ING SENT BY BAG(.) PLEASE CONFIRM IF 18TH AUGUST FOR  
FIRST SELECTING OFFICER TO ARRIVE ROME FOR SELEC-  
TION OF ANIMALS IN ARGENTINA STANDS(.)

**ANNEXURE XVI**

**SECRET**

Copy of telegram No. 14720 dated 13-8-1963 to Indembassy Buenos Aires.

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YOUR TELEGRAM 23 OF AUGUST 11(.)  
AS ARGENTINE FIRM NOT WILLING TO ENTER INTO FUTURE  
COMMITMENT FOR SUPPLIES OF ARMY'S URGENT REQUIRE-  
MENTS OFFER NEED NOT BE PURSUED(.)

**ANNEXURE XVII**

*Confidential/Most Immediate*

No. Com(Gen)17/63.

**EMBASSY OF INDIA**

**BUENOS AIRES**

*August 20, 1963.*

**The Under Secretary to the Govt. of India,**

**(Shri S. R. Guruswamy)**

**Ministry of Defence,**

**NEW DELHI.**

**SUBJECT:—Purchase of Animals from Abroad.**

**Sir,**

Please refer to your telegram No. 14730 dated August 13, 1963 on the above subject.

2. The suppliers Messrs. Crawford, Keen & Cia. S.A. have since addressed another communication to the Ambassador containing an offer for the supply of Government of India's entire requirement of animals during the period 1963-64. Their letter dated August 20, 1963 is sent herewith, in original, for your consideration. You may like to compare the prices quoted by Messrs. Crawford, Keen with those received from other sources and intimate to us immediately by telegram your reaction to it.

Yours faithfully,

Sd./- H. K. MAHAJAN,

*Second Secretary.*

20-8-1963.

**Enclosure to Annexure XVII**

**SAN MARTIN 232 (R.4)**

**CRAWFORD, KEEN & CIA S.A.**

**COMMERCIAL, INDUSTRIAL & INMOBILIARIA**

**DIREC, TELEG "MULCAHY"**

**BUENOS AIRES, August 20th, 1963.**

**General**

**Tara Singh Bal,**

**Ambassador of India to the Argentine,**

**BUENOS AIRES.**

**Your Excellency:**

We are in a position to supply your government with the following animals, subject to your Veterinary inspection, C.I.F. Bombay. Price per unit is appended:

Donkey Mares	8	£ 126.10
Donkey Stallions	14	£ 170.00
Horse Breeding brood mares	87	£ 125.00
MA Breeding brood mares	216	£ 117.10
Horse Stallions	24	£ 205.10
MA Mules	1.500	£ 109.00
GS Mules	3.000	£ 102.15

Shipment will be effected between November 1963 and July 1964. The animals will be shipped with insurance covering up to seven days after arrival at the port of discharge and are under veterinary care throughout the voyage.

Demurrage due to lack of berthing, or unloading facilities, at the port of discharge shall be met by the G.O.I. It is also understood that all Custom charges, duties, etc., at the port of discharge shall be met by the G.O.I.

The prices are higher than previously quoted due to the G.O.I.'s insistence for a contract covering total number of animals needed. Also because we had a much cheaper freight rate for our original offer plus the fact that on account of heavy demand for live cattle abroad has further increased rates for live animals.

Pre-selected animals will be concentrated at four or five places in the country for final inspection of the G.O.I. inspecting officers. It is requested that the inspecting officer/s be prompt in their arrival and speedy in their selection of animals to avoid unnecessary delay at the port of embarkation.

Time to commence on arrival of the vessel at the Discharging Port, whether in berth or not. Discharging to be completed within 48 hours consecutively, after arrival of the vessel, Sundays and Holidays included. After the expiration of the above mentioned period, the feeding and care of the animals to be for receiver's account. In case the animals are not disembarked within the established time, demurrage must be paid at the rate of U\$S. 1·200.—, or the equivalent in £ sterling transferable, per day or pro rata.

Ship owners agree to accept the amount heeded for payment of Port Dues, taxes, etc., while in the port of Bombay in Indian Rupees.

A "red clause" should be included in the corresponding Letter of Credit, or payment order, to cover expenses incurred for the purchase of animals up to 20 per cent of C.I.F. value, and for forage to the extent of £4. per head for the journey and other incidental expenses, such as payment of veterinary surgeon and groom, both contracted for the voyage.

The Clause 9 of the charter party demands an irrevocable L/C. for U\$S. 75·000.—which will be in part payment of the freight but this will not be necessary if the G.O.I., or any of its agencies appears as charterers or guarantees performance of charterers.

Our quotations are based on present ex-change regulations; should the Argentine authorities enforce new regulations prior to the completion of shipments, any difference thereby arising is for the account of the G.O.I.

Yours sincerely,

Sd./-.

CRAWFORD, KEEN & CIA. S.A.  
COMMERCIAL, INDUSTRIAL & INMOBILIARIA.

F/T.

P.S. Our offer from the Ship Owners is good until the 26th inst. however we do not doubt that it could be extended until September 2nd. but we would appreciate an answer at your earliest convenience.

ANNEXURE XVIII

O.T.C.

SECRET

Telegram

CCB No. 6373

From: Foreign, New Delhi.

To : Indembassy, Rome.

DTG SEP 071955

IMPORTANT

No. 14765.

From Defence.

Reference your telegram No. 49 September 2nd. Ascertain whether GADDINI agreeable to exclude Argentina from the scope of his restriction on the Government of India to enter into contract for the supply of animals if the number of mules to be supplied under the proposed contract is reduced by 1000 one third of which would be MA rest GS mules. Government have an attractive offer from Argentina for supply of animals. In case GADDINI not agreeable to above and if commitment already made for the proposed contract with him, orally or in writing, further action to sign the contract as per draft may be completed. Cable reply by 10th September.

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**ANNEKURE XIX**

**O.T.C.  
SECRET**

**From : Indembassy, Rome.**

**To : Foreign, New Delhi.**

**DTG SEPTEMBER 101220**

**DTR SEPTEMBER 110330**

**IMPORTANT**

**No. 51.**

**For Defindia.**

**Reference your telegram No. 1476b.**

**GADDINI not agreeable to exclude Argentina from the scope of the restriction on the Government of India to enter into contract for the supply of animals for the present. He is prepared to leave the matter open for the supply of animals to be effected from Septemoer 64 to December 64 on the condition that a fresh contract will have to be negotiated and prices fixed separately. GADDINI anxious to have the contract signed before the next selecting officer arrives here. Wire instructions.**

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**ANNEXURE XX**

**O.T.C.**

**SECRET**

**From: Foreign, New Delhi.**

**To : Indembassy, Rome.**

**DTG SEPTEMBER 111730**

**IMPORTANT**

**No. 14770.**

**From Defindia.**

Reference your telegram No. 51 dated September 10th. As already advised in our telegram No. 14765 of September 7th action to sign the proposed contract with GADDINI as per draft should be taken and completed immediately since GADDINI is not agreeable to our proposed amendment. Confirm necessary action taken.

---

ANNEXURE XXI

Comparative Statement of Quotations relating to the contract concluded with Dr. Gaddini

Contract dated 30-9-1961

Particulars of Country/Supplier for which tenders invited	MA MULE		GS MULE		DONKEY STALLION		DONKEY MARE	
	FOB Price	CIF Price	FOB Price	CIF Price	FOB Price	CIF Price	FOB Price	CIF Price
		239		1350		3		11

Italy:

1. Dr. Emilio Gaddini, Via IV Novembre, 152 ROMA . . .	<u>£94</u>	<u>£141</u>	<u>£75</u>	<u>£126</u>	<u>£187</u>	<u>£242</u>	<u>£120</u>	<u>£175</u>	∞
	Rs. 1253-1/3	Rs. 1880	Rs. 1000	Rs. 1680	Rs. 2493-1/3	Rs. 3226-2/3	Rs. 1600	Rs. 2333-1/3	∞
2. Dott. Giascond Bosco, Via Goldoni, 25 Caltanissetta . . .	..	<u>£ 342</u>	..	<u>£ 292</u>	..	<u>£ 345</u>	..	<u>£ 260</u>	
		Rs. 4560		Rs. 3893-1/3		Rs. 4600		Rs. 3466-2/3	
3. La Monacca, Vincenzo Via Ugo Foscolo, No. 25 Canicatti (Agrigento) . . .	<u>£ 119</u>	<u>£ 179</u>	<u>£ 97</u>	<u>£ 157</u>	<u>£ 160</u>	<u>£220</u>	<u>£60</u>	<u>£120</u>	
	Rs. 1595-2/3	Rs. 2386-2/3	Rs. 1293-1/3	Rs. 2093-1/3	Rs. 2133-1/3	Rs. 2933-1/3	Rs. 800	Rs. 1600	
4. La Monaca, Antonio Via Prior Capponi, No. 40 Canicatti (Agrigento) . . .	<u>Lit 210000</u>	<u>Lit 310000</u>	<u>Lit 172500</u>	<u>Lit 272500</u>	<u>Lit 262500</u>	<u>Lit 363000</u>	<u>Lit 90000</u>	<u>Lit 190000</u>	
	Rs. 2800	Rs. 4200	Rs. 2300	Rs. 3700	Rs. 3500	Rs. 4900	Rs. 1200	Rs. 2600	

*France:*

1. Union Nationale Interprofessionnelle des Chevaliers (UNIC) PARIS

<u>£ 110</u>	<u>£ 235</u>	<u>£ 100</u>	<u>£ 225</u>	<u>£ 200</u>	<u>£ 420</u>	<u>£ 150</u>	<u>£ 370</u>
Rs. 1466-2/3	Rs. 3133-1/3	Rs. 1333-1/3	Rs. 3000	Rs. 2666-2/3	Rs. 5600	Rs. 2000	Rs. 4933-1/3

*Spain:*

1. Abelardo Carballo Toro (Zamora)

<u>£ 90</u>	..	<u>£ 80</u>	..	<u>£ 65</u>	..	<u>£ 70</u>	..
Rs. 1200		Rs. 1066-2/3		Rs. 866-2/3		Rs. 933-1/3	

*Argentina:*

1. Senor Carlos A Zaballos

<u>£ 35</u>	..
Rs. 466-2/3	

2. M/S. Alfaland S.A.

<u>£ 39</u>	..	<u>£ 34</u>	..	<u>£ 64</u>	..	<u>£ 43</u>	..
Rs. 520		Rs. 453-1/3		Rs. 853-1/3		Rs. 573-1/3	

3. Senor Samuel Axelband

<u>\$ 15000</u>	..	<u>\$ 14000</u>	..	<u>\$ 22000</u>	..	<u>\$ 15000</u>	..
Rs. 476·8		Rs. 445		Rs. 699·3		Rs. 476·8	



(iii) Wright Stephenson & Co— 50 to 100 horses per month w.e.f. Jan 1963	50—100	£363-1-6	..	..	..	..	..	..	..	..	..	..	..	..
		<u>Ra.3880</u>												
3. E. Gaddini of Italy	..	..	..	3000	£S 145	..	4000	£S 125	..	1,24,66,666	..			
					<u>Ra.1933/33</u>			<u>Ra.1666·66</u>						
4. Embassy of India in ARGENTINE (BUENOS AIRES)	Over 1000	..	£ 68	Over 1000	..	£ 57	Over 1000	..	£ 57	..	24,2660			
			<u>Ra.906·66</u>			<u>Ra.760</u>			<u>Ra.760</u>					
(i) By Trade/Firms														
(ii) By Argentine Army (Trained horses)	Over 1000	..	US\$100	..	..	..	..	..	..	..	4,75,000			
			<u>Ra. 465</u>											
5. Embassy of India in BELEGRADE—By M/S GROEXPORT of YUGOSLAVIA	Sufficient Number	..	\$ 240	..	..	..	..	..	..	..	..			
			<u>Ra.1140·00</u>											
6. Embassy of India in PARIS—Union Nationale Interprofessionnelle de Cheval PARIS.	100	..	£S 250]	200	..	£S 100	200	..	£S 100	..	8,66,666			
			<u>Ra.3333·33</u>			<u>Ra.1333·33</u>			<u>Ra. 1333·33</u>					

ANNEXURE XXII

Comparative Statement of Quotations for Supply of Animals

(ALL RATES ON C.I.F. BASIS)

(Contract dated 14-9-63)

Sl. No.	Name of the country and Suppliers	MA MULES	GS MULES	DONKEY STALLIONS	DONKEY MARES	HORSE BREED-ING MARES	MA MULE BREED-ING MARES	HORSE STALLIONS	Remarks
1	2	3	4	5	6	7	8	9	10
		£ Stg.	£Stg.	£Stg.	£Stg.	£Stg.	£ Stg.	£ Stg.	
<b>1 ITALY</b>									
	Ferruccio Fabri, Rome	160 to 165-5/7	148-4/7 to 154-2/7	325-5/7 to 331-3/7	125-5/7 to 131-3/7	..	..	..	
	Comm. Giuseppe Brecciaroli	160	142-6/7	285-/7	142-6/7	..	..	..	
	Dr. Giddini of Rome	145	125	200	165 (latter reduced to £ 130)	145	130	500	
<b>2 ARGENTINE</b>									
	Stawford, Keen & CIA	85	85	..	..	85	85	..	
<b>3 AUSTRALIA</b>									
	Wright Stevensen Co.	..	..	..	..	223-14	233-14	490-12	
	Frank Ford Company	..	..	..	..	233	233	490	
	Australiah & Eastern Co.	..	..	..	..	218	320		

4. UNITED KINGDOM

British Livestock Exports Ltd. . . . . 350 . . . . . 350 . . . . . 850  
 London Bloodstock Agency Ltd. . . . . To quote by 29th July 1963. Details not yet received in India.  
 Kerr & Co. Ltd. . . . . Quoted for two Horses (Stallions) £Stg. 1500 and 2000.

5. U.S.S.R.

150 to 200 to  
 1500 per 3000 per  
 animal de- animal de-  
 pending on pending on  
 Blood & Blood &  
 Breed. Breed.  
 F.O.B.  
 Soviet  
 Ports  
 (Black Sea)

6. POLAND

Current rates not received. Rates quoted last were :

Stallion	Marer
£750	£184-1/8
(Rs. 10,000)	(Rs. 2,455)

(Payment made in non-convertible Indian Rupees).

No quotation received from U.S.A., France, Yugoslavia, Denmark and Spain.

NUMBERS OF ANIMALS REQUIRED

MA Mules . . . . .	1664 (1500)
GS Mules . . . . .	3000
Donkey Stallions . . . . .	14
Donkey Mares . . . . .	8
H.B.B. Mares . . . . .	87
M.A.M.B. Mares . . . . .	216
Horse Stallions . . . . .	20

**APPENDIX II**  
**MINISTRY OF DEFENCE**

*Public Accounts Committee—Consideration of Audit Report (Defence Services) 1965 by Sub-Committee—Para 7.*

*Further additional information asked for in Lok Sabha Secretariat Office Memo. No. 2/II/2/65/PAC dated the 5th March, 1966.*

- (1) *It has been mentioned on page 9 of the note furnished by the Ministry that a Technical Officer had visited Argentina on a previous occasion for the purpose of selecting animals against an earlier contract made with Dr. Gaddini. A copy of the report submitted by the Technical Officer may be furnished.*

A copy of the report submitted by Lt. Col. P. N. P. Nayar is enclosed (Annexure I).

- (2) *Annexure XIV to the note contains information regarding contracts concluded with Dr. Gaddini from 1960-61 onwards. In case any contracts had been concluded with the party (Dr. Gaddini of Italy) earlier than 1960-61, the particulars thereof may also be furnished.*

Prior to 1960-61, only one contract was concluded with Dr. Gaddini of Italy, particulars regarding which are enclosed in the statement attached. (Annexure II.)

- (3) *A revised statement giving the following additional details of the contracts concluded with Dr. Gaddini may be furnished:*

- (i) *The prices at which animals were purchased against each of the contracts;*
- (ii) *the places from where animals were obtained by Dr. Gaddini; and*
- (iii) *the method adopted for concluding contract mainly, whether by inviting global tenders, limited enquiries or through private negotiations, may be indicated. If the contract was concluded on the basis of tenders it may be indicated whether the offer of Dr. Gaddini was the lowest. If not, details of the other offers received for each contract may be furnished.*

(i) *The prices at which animals were purchased against each of the contracts are shown in Annexure XIV to Appendix I and Annexure II.*



(ii) The numbers of animals obtained by Dr. Gaddini from the various countries, for supply against the various contracts concluded with him, are shown in Annexure III.

(iii) For the contracts concluded till 1962-63, our Missions abroad were asked to call for tenders from reliable suppliers and after receipt of the quotations contracts were concluded after negotiations to obtain the best possible prices. As already stated in the main note, in 1963-64, the Missions were requested to make limited trade enquiries from potentially reliable suppliers without making undue publicity about our requirements. Negotiations were conducted with Dr. Gaddini and the contract dated 14th September 1963 was finalised.

In 1959-60, the contract with Dr. Gaddini was for the supply of MA Mules, GS Mules and donkey stallions. The quotation from Argentina firm was excluded as the price quoted was subject to change and the firm was also not giving full insurance cover as required by us. Of the remaining quotations, the quotation of Dr. Gaddini was the lowest in so far as Donkey Stallions were concerned. His quotation was the same as that of the Indian firm Harindera & Ravindera, in respect of GS mules; and for MA mules his quotation was only slightly higher involving an additional cost of Rs. 433 for the supply of 130 animals. But after taking into account the lesser price paid for Donkey Stallions, the total amount paid to Dr. Gaddini was less than that which would have been payable to the Indian firm, if the contract for all the three categories had been concluded with them. A comparative statement of quotations received in response to the enquiries made in 1959-60 is enclosed (Annexure IV).

In 1960-61, the contract with Dr. Gaddini was concluded for the supply of GS Mules, MA Mules and Donkey Stallions after scrutiny of quotations and further negotiations for reduction in prices. A comparative statement showing the quotations received is enclosed (Annexure V). The Spanish firm's quotation was the lowest for MA Mules and GS mules. But they had made certain stipulations relating to specifications and age of animals which were not acceptable; the quotation of the firm was, therefore, ignored. The Indian firm had enquired about the total requirements of the animals and they had been informed that it was not proposed to supply them the information, taking into account their background and their lack of experience in the supply of animals. Since the quotation from the firm had been received even in spite of the reply sent to them by Government, the quotation was ignored.

1961-62: The statement at Annexure XXI to Appendix I gives the details of quotations originally received. After negotiations the final prices accepted by Dr. Gaddini were as follows:--

MA Mules	..	£ 120
GS Mules	..	£ 120
Donkey Stallions	..	£ 226
Donkey mares	..	£ 165

The original quotation of Dr. Gaddini on C.I.F. basis, was the cheapest in respect of GS Mules and MA Mules of which we required large numbers. Donkey Stallions and donkey mares to be purchased were only 3 and 11 respectively and the quotation of another Italian firm was lower than that of Dr. Gaddini for these two categories. However, since the total cost was less and the prices had further been reduced, in negotiations, a contract was placed with Dr. Gaddini.

1962-63: In the case of horses (Coach Horses, Saddle Horses, Horse Stallions, Horse Breeding Brood Mares and MAMB Mares) limited trade enquiries were made to ascertain from the markets abroad, the prevalent prices, so that competitive rates might be negotiated. In the case of GS Mules and Donkey Stallions, the Missions were requested to obtain quotations.

On a comparison with the rates offered by the Polish Authorities, it was found that the rates of Dr. Gaddini were cheaper in respect of horse categories. The requirements of saddle horses were, however, very much larger and hence apart from a contract for 1,000 horses with the Polish authorities, a contract for 315 saddle horses was concluded with Dr. Gaddini on 10th November 1962. In this contract was also included the supply of 5 Coach Horses, 23 HBB Mares and 11 MAMB Mares. Later, with the necessity to obtain larger number of mules to equip our Mountain Divisions, the order for saddle horses was replaced and Dr. Gaddini was asked to supply 272 MA mules at £ 145 each.

The rates of Dr. Gaddini were the lowest in respect of Donkey stallions, MA and GS Mules and the numbers in these categories included in the various contracts are shown in Annexure XIV to Appendix I.

Sd/- G. L. SHETH,

*Additional Secretary to the Govt. of India.*

## ANNEXURE I

*Report on Deputation of Lt. Col. P. N. P. Nayar ADRVS HQ Southern Command to Italy, Spain, France, Argentina and Cyprus in connection with selection and purchase of animals for the remount and Veterinary Corps.*

### *Introduction*

1. Lt. Col. P. N. P. Nayar was originally deputed to assist Brig. R. K. Sethi, DRVS Army HQ on selection and purchase of 935 GS Mules from Italy. Accordingly, he accompanied the DRVS and arrived Rome on the morning of 18th October, 1962 and since then he was assisting Brig. R. K. Sethi, the senior selecting officer on purchase till 5th December, 1962, when the latter left for Baghdad on completion of purchase of 935 GS Mules leaving Lt. Col. P. N. P. Nayar behind to select and purchase another consignment of 440 GS Mules.

### *Terms of Reference*

2. In the meantime, due to the emergency in India, our requirement of animals was increased and hence the period of deputation of Lt. Col. P. N. P. Nayar was extended to 226 days and he was further assigned with the selection and purchase of the following category of animals:—

(a) Coach Horses	..	5
(b) Horse breeding brood mares	..	23
(c) MA Mule breeding brood mares	..	11
(d) MA Mules	..	1500
(e) Additional MA mules on cancellation of original contract for 315 saddle horses from Argentina	..	272
(f) GS mules first allotment	..	440
(g) GS mules second allotment	..	500
(h) Additional allotment of GS Mules	..	150
(j) Balance of Donkey stallion	..	5
Total	..	<u>2906</u>

### *Method of Selection for Purchase*

3. The method of selection and purchase adopted by the officer was on the same lines as was done by Brig. R. K. Sethi, which has already been indicated in his report. There was no deviation from this method except that MA Mules were also presented along with the GS Mules by the supplier. Mules which were found up to MA specification and passed fit in all other respects were accepted as MA. If animals did not come up to our standard measurements and also to conformation, the same were accepted as GS. Therefore the selecting officer was able to select a large number of good GS Mules which were slightly below the standard of MA.

4. In order to procure such a large number of animals, Lt. Col. P. N. P. Nayar had to visit various places in Italy, Sicily, Spain and France frequently for selection of animals. Since it was found very difficult for one selecting officer to work single handed and to complete the quota of purchases, Major Karan Singh was detailed as Asstt. Selecting Officer to assist Lt. Col. P. N. P. Nayar. Accordingly, Major Karan Singh arrived Rome in the 2nd week of January, 1963, and remained till the end of May, 1963.

#### *Number of Mules Inspected at Various Places*

5. Finding that MA mules were getting scarce in Italy and Sicily the supplier had to tap various other sources for supply of MA mules. The main source of supply of MA mules was from Spain. The mules were bred by the farmers in the northern region of Spain and the southern parts of France that is on both sides of the Pyrennes. But very few mules are bred on the south of France where from the selecting officer procured hardly 74 mules which were quite heavy, well built and strong possessing good bone. The sub-supplier used to contact breeders in these areas and collect mules at a central place for presentation to the selecting officer. No doubt Spain mules were fresh, young, strong and sturdy with good conformation, bone and action, whereas majority of mules in Italy and Sicily were put to work at their early age between the ages of 18 and 24 months. A list of various countries visited for selection and purchase of animals with number of mules presented and purchased in each place is given as Enclosure 'A' to this report.

#### *Argentina*

6. In the month of November 1962, a contract was executed between the Government of India and Dr. Gaddini for the supply of 5 coach horses, 315 saddle horses, 23 horse breeding brood mares and 11 MA mule breeding brood mares, but due to the emergency, the contract of saddle horses was cancelled and instead Dr. Gaddini was asked to supply MA Mules for the said amount of the contract which worked out to 272 MA Mules. Originally Dr. Gaddini had

made arrangements with the suppliers in Argentina for procurement of 315 saddle horses, but subsequently switched on to MA mules. Therefore, he made arrangements with M/s Clausen, a Danish Shipping Company, for shipping approx. 400 MA mules in S. S. Athene.

7. Lt. Col. P. N. P. Nayar was also detailed to proceed to Argentina for selection of MA mules, horse and MA mule breeding brood mares, and coach horses. He arrived Buenos Aires, on the evening of 7th February, 1963. On the following day he interviewed General Tara Singh Bal, the Ambassador and First Secretary Indian Embassy Buenos Aires and discussed with them the method of procurement and touring in that country. On the morning of 9th February 1963 Lt. Col. P. N. P. Nayar proceeded to Enterios to select Brood Mares from one of the biggest farms located in that region.

8. The method of collection, presentation and selection of animals from Argentina was entirely different from other countries as the animals were bred at liberty and left in the wilderness in the farms. Being the first purchase from this country, it would be interesting to give a little history about this country and its equine wealth. Argentina is the 8th largest country in the world, 4th largest in America and 2nd largest in area and population in South America. It covers an area of 10,72,745 Sq. miles or 29 per cent of area of Europe and it is 275 miles in length from North to South and in certain places 980 miles wide. Because of its vast area, the country has large extensions scattered all over varying from 500 to 500,000 acres of land and most suitable for equine breeding.

9. Argentina is enormously variable both in its type of land and in its climate which ranges from the greatest heats of the Chaco from the pleasant climate of Central Pampas to the Sub Antarctic cold of the Pathogonian. These variations of land and climate reflect as it must be in the lives and activities of its people and its livestock. The country gives over to arable and pastoral farming, is monotonously level except in Enterios where it is rolling land. It is astonishing to travel mile after mile and see no brook or river and to learn that one could drive 100 miles in some parts without meeting one permanent water course. As a result the farms are located far and wide and many of the farmers possess land varying from 1,000 to 8,000 acres of land. Many of the farms can be compared to the size of 2 to 3 Tehsils of our country. The selecting officer had to cover a distance of about 10,000 KM by road and about 1,500 KM by private aircrafts. Nor are there ponds or pools save in time of unusual rain when shallow pools appear. Wind mill pumps stand in the fields and from them radiate lines of galvanised iron trough for cattle, horses, mules and sheep and this is the main water supply, and they drink as and when they require.

10. Fields are fenced into very large potreros or pastures of 100 to 5,000 acres each. Horses, Mules, cattle and sheep usually graze in the same pasture. The fences are wired and well built at great cost, for all wood is brought from the northern forests. The posts are mostly of "Quebracho" a special wood is hard and heavy as stone and very durable as such it is not easy for the animals to break open. The wires pass through the posts and are absolutely taut, these are run through upright sticks and stays that space them the proper distance apart. There may be one barbed wire or no more. The gates are wide and strong and seldom drag on the ground. Because of these facilities of pasture and large area to run about, animals remain in open right from their birth and run about throughout the farm and thus compelled to have good exercise and grassing facilities. Consequently they all grow up well with well developed muscles and good action. Since they get plenty of exercise at their young age their development of bone is also good.

11. It would not be out of place to mention something about the mule breeding in this country. During the reign of colonial era, the trade of the area was with Bolivia and Peru rather than with Buenos Aires which was little more than a garrison and a smuggling port and trade was almost entirely in mules for the mining areas of the North. The mules were bred mainly in the plains between Rosario, Santafe and Corodoba. These were driven only first to the irrigated pasture land, Corodoba, Santiago, Delestro and Tucuman and next to the irrigated "Valles" land Salta and finally into the town of Salta for the great fair in February and March at which they were traded for silver or for imports through Lima. At the end of the summer rains, they were driven in the mountains and Argentine mules-teers trecked home. Salta traded more than 60,000 mules a year, and was the North West Coast Commercial centre for mules until the beginning of 19th century. Salta is now of little importance. It is reduced to trading of maize and wheat of the "Valles" and also in wool and salt of the Uplands. Mule trading is slowly dying out except in the Province of Buenos Aires, Rosario, Santafe and San Luis, Mendoza and San Cristobal.

### *Mule Breeding*

12. Mules are bred at liberty and mule breeding mares in majority of the farms are of better quality and of good size as compared with other countries. The donkey stallion is left loose to run about with the mares. It appears that the stallion power is gradually deteriorating. It was noticed that the few of the donkey stallion were small in size and not of very good quality. As a result majority of the mules were of small size i.e. below 14 hands (Not up to MA standard) although they possessed many a good points.

Mule which measured 14 hands and over in height had invariably 65" and over girth and minimum of 7" bone. Mules are well developed with good conformation except for a little long back. They possess well developed muscles and well opened up chests and good action. One can hardly reject a mule for its poor action. After measuring a large number of mules it was felt that most probably our specification for MA mules may be based on the standard of Argentina mules, for it was observed that if a mule measured over 14 hands to 14.3 hands, it had proportionate girth and bone to its proportionate height.

13. Horses are also bred on the same lines as mules at liberty. The horse stallion is let loose to run along with the mares, the breeding is done with no control at the same time the farmers knew the pedigree of the young stock as only one stallion was permitted to run with mares. Foals are left with the mares to run about in the open, therefore they get their full all round development. Many of the horse stallion and mares have good action and none lack in stamina. The bone is well developed and they look bright with full of vigour.

#### *Selection and Purchase*

14. The farmers requires previous notice for collection of animals from various sectors of their farms to a "Coral" which is nothing but a protected large paddock constructed by a wooden post and usually centrally placed at the HQ of the farm. Riders ride cross country and drove horses and mules in groups to "Coral" where they had facilities to pick out particular animal and place him in "Mengha" which is a long narrow wooden structure. "Mengha" is fully flanked on both sides with strong wooden planks. As such the animal cannot jump out or kick from sides. At the exit of the "Mengha" a closing device exists, which is manipulated by means of a moving rod which when pulled down automatically catches the animal at its neck and this keeps him under control. The animal's head protrudes out of the "Mengha", rest of the body remains inside the mengha. Immediately, a halter or head collar is put on its head and the animal is tethered on both sides and thus controlled. In few cases, if the animal is very vicious a twitch is applied to control him, or animals are sometimes blindfolded. In many of the cases, if the animal stands quiet the catching device is removed from its neck.

15. Besides the methods described above for restraining animals, another method employed by the farmers is to lash animals from a horse back. The lashing is only employed in case of rogues which do not enter in the "Mengha" even by persistent driving and coaxing. In such cases riders run after the animal inside the coral, single

him out and lashes the rope which has a loose knot at its end. The loose knot is thrown round the animal which automatically holds him tightly. The other end of the rope is tied to the saddle of the rider. The rope employed is made out of leather which is soft and thin but is very strong. No sooner the knot gets into its neck, the animal tries to struggle and run away, but it is pulled by the horse. In many cases, the animal falls on the soft ground and the groom immediately puts a halter and secures the animal and tries to pull him forcibly either into the "Mengha" or tether him to a central post which is strongly placed at the centre of the "Coral". The lashing method is not generally advocated except in the case of very vicious jumpers or kickers.

16. Animals are measured inside the "Mengha" and examined. To facilitate correct measurement, concrete or paved basement existed in the "Mengha" failing which a wooden plank was placed on the ground to a uniform levelled surface. From the near side of the "Mengha", a wooden plank was removed to facilitate measurement of the shank. The selecting officer had to kneel down and slowly approach the leg when the animal stood quiet and thus measured its bone. Girth measurement was not so difficult as the tape could be passed from its back and pulled down just behind the withers for its measurement. Wooden measuring stick was of no use as it used to get broken within a few minutes. Only a metal stick was used for measuring its height.

17. The selecting officer as already stated, visited Enterios and selected 7 horse breeding brood mares and 3 MA mule breeding brood mares out of 165 mares. No coach horses could be selected as horses of pure bay colour and our standard were not available. It was possible to complete the quota of brood mares but due to lack of time and inclement weather conditions some of these farms could not be visited. 2 MA mules breeding brood mares of good size and quality which were selected at the last moment, arrived Rosario after the departure of the ship hence could not be loaded. The selection of MA mules was continued in the province of San Luis, Buenos Aires, Santafe and San Cristobal. As these places were situated far and wide and cover long distances, the selection of animals was little retarded. Besides collection, presentation of mules also took time and thus the progress of selection was little slow. The selection was continued till 18th March 1963 and the selecting officer was able to complete selection of 266 MA mules only. The ship Messrs Athene was engaged by Dr. Gaddini, had the capacity of about 400 mules, whereas the selecting officer was able to purchase only 266 MA mules and 10 brood mares. Since the full load of MA mules was not selected, just to complete the load for the ship, 98 GS mules were also selected as a last resort. No doubt, these were top class



GS mules with good conformation and action, and of young age. Majority of the mules which were selected were all between 2-6 years and hardly mules over 6 years were selected.

18. The loading of mules at Rosario was well organised, mules were brought by trucks from various farms to port Rosario where they had unloading facilities into paddocks and "Menghas" which were well constructed in a cooperative basis for the accommodation of untrained animals: A long gangway existed in the jetty for loading these animals into the ship. Mules were firstly collected in the large paddock where they were driven into small paddock in batches where from they were driven through the gangway led by a leader pony which was a quite experienced leader for loading these wild mules. There was absolutely no confusion and no accidents in loading. Loading was completed within a period of 4 to 5 hours and the animals were quite comfortable in the ship. On 23rd March 1963 Messrs Athene was loaded with 257 MA Mules and 76 GS mules and 10 brood mares thus totalling 343 animals as against her full capacity of 450. In addition Dr. Gaddini selected 10 MA Mules for Italian Army, which were also loaded in the same ship and the ship sailed ex Rosario on 23 March 1963 to Bombay.

A list showing the number of mules presented and selected from this country is given as Enclosure 'B' to this report.

19. The selecting officer returned to Buenos Aires on 24 March 1963 and met the Ambassador Indian Embassy, Buenos Aires with whom he discussed the details of purchases and loading. On the advise of the Ambassador, Indian Embassy arranged an interview with the Director General of Remount and Veterinary Services of Argentina Army with whom the selecting officer discussed various problems connected with the procurement of Mountain Arty Mules. The Col. Incharge of breeding was also present at the time of the conference and stated that the Argentina Army has been encouraging mule breeding by issuing free mares to farmers and also free stallion power. The dates for purchase of mules are intimated in advance to enable the farmers to train their mules to 'quiet to handle' and the purchasing team goes round and purchases animals the same way that we carry out our purchases. The farmers are not permitted to dispose of their young stock without prior approval of the Government as long as they receive benefits from the army. The Director General further added that he would be able to procure at least 400-500 mules during the next season and he extended all possible assistance to the Government of India on procurement of mules. A copy of the minutes of the conference is attached as Enclosure 'C' to this report.

20. The selecting officer returned to Rome on 29 March 1963 and continued his selection and purchase in Italy, Spain and France. During his absence Major Karan Singh, Asstt. Selecting Officer was carrying out the purchase in Italy, Sicily, Spain and France and gradually shipping them. The details of shipping programme from 18 October 1962 till the end of May 1963 is given as Enclosure 'D' to this report.

### Cyprus

21. The main source of MA mules was from Spain as very few mules were left in Italy and France for selection. While continuing selection of MA mules in various places, on 17 April 1963, the Indian Embassy at Rome received a cable gram from Def. India detailing Lt. Col. P. N. P. Nayar to proceed immediately to Cyprus Via Beirut. He was given an extra assignment of purchase of 200 MA mules from Cyprus, the shortfall to be made by GS mules. Mules to be purchased immediately from Cyprus and loaded ex port Famagusta between 15—20 May 1963 in SS "ElRancho" belonging to Dr. Gaddini. Therefore a conference was held at the Indian Embassy Rome and details were discussed between Mr. Guha first Secy. (Commercial), Senior Selecting Officer and Dr. Gaddini. Dr. Gaddini agreed to lift 200 mules at £30 per mule ex Famagusta to Bombay. Arrangements for their insurance, feeding, watering Veterinary cover, provision of halter and other details were made. In the meantime, another cable gram was received from Indian Embassy Beirut stating that the selecting officer was immediately required at the fair at Limasool on 22 April 1963 which was one of the largest fairs drawing mules from all breeding areas. Therefore Lt. Col. P. N. P. Nayar left from Beirut on 19 April 1963. On the next day, he met Mr. I. S. Chopra, Ambassador and discussed details of purchase of mules from Cyprus. Lt. Col. S. D. Gupta, Mil. Attache, Army, Navy and Air Force who was dealing with the subject was also present at this conference. On the same evening Lt. Col. P. N. P. Nayar accompanied by Col. Gupta MA, left for Nicosia, the capital of Cyprus. On the morning of 21 April 1963 Lt. Col. P. N. P. Nayar and Col. Gupta started visiting various villages for purchase of mules. A comprehensive report on the purchase of Mountain Arty. Mules from Cyprus has already been submitted to the Director of Remount and Veterinary Services Army. HQ under No. CY/PNP/4 dated 6 May 1963, copy endorsed to Embassy of India Beirut for their information. There were no mules of our standard and age group available in Cyprus and therefore no purchase was also made and Lt. Col. P. N. P. Nayar returned to Rome on 7 May 1963 on completion of his task in Cyprus.

22. From 8 May 1963 he again started his selection and purchase at various places in Italy and Spain. 201 mules (150 MA and 51 GS)

were selected from Spain alone and returned to Sicily for the last round. SS "El Rancho" was loaded with 201 mules from Barcelona on 20 May 1963 and sailed for Messina for further loading of mules purchased in Italy and Sicily. On 25 May 1963, 393 mules and 4 donkey stallions were loaded into "El Rancho" which sailed ex-Messina for Bombay.

23. 10 MA Mules which were purchased for Italian Army from Argentina by Dr. Gaddini were over 15 hands in height with good bone and conformation. They were supposed to have been taken to Messina in the same vessel on her return to the Mediterranean. But as originally planned Athene did not return to the Mediterranean, therefore the mules (one died *en route*) which were above our specification were unloaded at Bombay and later on presented to the Government of India by Dr. Gaddini.

#### *Observations and Lessons Learnt*

##### I. Italy/Sicily

1. Mules are bred almost on the same lines as our unbound system with proper control by the civilian director general of equine breeding. Stallions are controlled by the Government and best stallions are kept in the stallions depots scattered all over the country.
2. Mainly used for agricultural purposes (ploughing land, harvesting and so on) on hill slopes and mountains in addition to plains, also for draught as well as pack work.
3. Mules are put to work at an early age of 18-24 months; as such the action of mules gets destroyed in many cases.
4. Mules are strong and sturdy but not much of bone being subjected to hill work at an early age. Possess plenty of resistance.
5. No extra grain is fed except beans.
6. Fodder is of good quality, and during season plenty of grazing available.
7. Well resistant, capable of thriving without much concentration and does not require much attention.

##### II. Spain

1. Mules are mainly bred in the northern region of the Spain especially on the slopes of Pyrennes.
2. Compact, sturdy, good conformation with proportionate bone but many grow over 15 hands in height.
3. Mountain bred mules are slightly small in size, strong and sturdy.

4. Mules are well housed in good stables and well looked after.
5. Used for agriculture, draught and pack purposes.
6. Not employed at an early age.

### III. France

1. Nowadays few mules are bred.
2. Mules are of large size, heavily built, stocky with good bone.
3. Used for agriculture, draught and pack purposes.
4. Not so alert and smart like Argentina or Sicily.
5. Little slow in action.
6. Well housed and well cared for; as such with hard duties they are likely to loose condition if proper attention is not given.
7. Majority of mules are over 15 hands.

### IV. Argentina

1. Bred at liberty in the farm.
2. Strong, sturdy and of good action. Good conformation except a little long back.
3. From birth, the young stock remains in open pastures.
4. No grain or beans are fed to these animals except they are left on pastures; facility for plenty of exercise as such they have heavy developed chests and muscles.
5. Majority of mules are of smaller size below 14 hands.
6. Mules are put to work only after 3 years or as and when required.
7. Because of lack of man power farmers do not train mules, so they are wild in the farms.
8. At present Govt. encourages breeding of mules though it is gradually dying out as many of the farmers have preferred cattle breeding to mule breeding as it brings them more profit.
9. Recommend purchase of mules 'quiet to handle' instead of untrained mules.

### V. Cyprus

1. Bred out of donkey mares.
2. No good stallions are available in the country.
3. Mule breeding is a neglected subject in Cyprus.
4. Mules are put to work on attaining 4-6 years.
5. Being bred by 'Jennets' not of good conformation and action.

6. Only old mules are seen in the country as no controlled or organised breeding is carried out since 1955.

7. Breeders do not own more than one or two mules.

8. Used for agriculture, draught and pack purposes.

9. No suitable mules of our standard exist in this country.

10. Not a country for procurement of mules.

#### Enclosure 'A' to Annexure I

Place of selection	Mules presented	GS Mules selected	MA Mules selected	Remarks
Italy . . . . .	7367	1519	681	
Spain . . . . .	1986	394	548	
France . . . . .	242	2	73	

#### Enclosure 'B' to Annexure I

Place of selection	Mules presented	GS Mules selected	MA Mules selected	Remarks
Argentina . . . . .	2475	76	264	

### **Enclosure 'C' to Annexure I**

#### ***Conference with the Director General of Remount and Veterinary Services, Argentine Army***

On completion of my tour on selection of mules and horses in the remotest parts of Argentina, the relevant points connected with the procurement, availability and quality of animals in Argentina were discussed with the Ambassador. As we were having Argentina mules during pre war days in the Indian Army, it was thought that Director General of Remount and Veterinary Services may be of some assistance on the collection of a large number of mules from this country. Besides being a new country for procurement, it was also felt to have a courtesy call on the counterpart to obtain additional information and also to know their method of procurement of breeding policy of MA mules.

2. On the advice of the Ambassador, a conference was arranged between myself and the Director General of Remount and Veterinary Services of the Argentine Army, to discuss certain breeding aspects on equine breeding. Accordingly, I met Colonel Mario Enrique, Director General of Remount & Veterinary at 10.00 hours on 26th March 1963. During the conference, two Colonels, the Director General of Supply and Transport and the promotion officer, (the Colonel incharge of equine breeding in the country) were also present to have additional information.

3. The Director General of Remount and Veterinary said that the Argentina Army have been purchasing their requirements of mules and horses every year from various breeders especially from the provinces of SANTA FE, ENTRE RIO, SAN LUIS and SAN CRISTOBAL. The standard and specification of Horses and Mules are almost on the same lines of our Army. As the horses and mules are bred at liberty in Argentina and are wild, they notify their time of purchase to the breeders well in advance in order to have "their animals quiet to hand" and thus carry out purchase.

4. There is no different classification of mules for Mountain Artillery and General Service. The same type of mules are used for both purposes. The weight carried by the mules is about 100-120 kilograms and six mules carry a gun. They accept mules from 138-150 cms in height, for dual purposes. Most of their horses are of chestnut colour and he added that the Army has about 300-400

fully trained horses for sale. On enquiry it was observed that they are of the age group of 5-10 years—the higher percentage being 7-10 years and I added they are not of much use as we would like to have horses of 3-6 years. He said that adequate number of untrained horses are available in the areas of Entre Rio, San Jaun and San Cristobal and mules mainly in San Luis and Santa Fe. There is no shortage of mules in the country, to which I added that I was shown round about 2300 mules and I was able to select only 263 MA mules and the main reasons for the higher percentage of rejection was due to their being under height.

5. All of them added that they have a long term programme to promote equine breeding mainly mule breeding in the country and to induce farmers to take up to mule breeding. The Army has been supplying the breeders with mule breeding mares free of cost and also leave the requisite number of Donkey Stallions free of cost to have the breeding done at liberty in their respective extensions. He gave me a list of dealers of mules and horses in the country which may be useful for further enquiry on the subject. A copy of the list is attached as appendix 'E'. He said if India requires more mules, he would be able to collect 400-500 mules by September on an average price of 100 Dollars delivery at Buenos Aires or Rosario the port for shipping.

6. My observations were that in many of the extensions, the stallions used are poor in quality and most of them being small in height their produce are of smaller size. Of course Mule breeding mares are of good height and quality and with proper size and good quality of Donkey Stallions, they could produce top class MA mules of requisite height and standard. No doubt the farmers have very vast extensions 1500 acres to 300,000 acres with good pastures and it costs barely nothing for them to breed mules as they are let loose in those extensions with Donkey Stallions with little control and guidance. The Mules bred with these stocks were of good quality.

**Enclosure 'D' to Annexure I**

*Shipping Programme of Animals despatched from abroad*

Sl No.	Name of the Ship	Date of Sailing	Name of Port	Number of Animals					Total
				MA	GS	D/S	HBBM	MBBM	
1	EL RANCHO	16 Dec 62	MESSINA	..	797	1	..	..	798
	IDA CLAUSEN	23 Dec 62	BARCELONA and MESSINA	..	225	4	..	..	229
3	EL RANCHO	1 Feb 63	Do.	289	410	..	..	..	699
4	EL RANCHO	17 Mar 63	Do.	421	248	..	..	..	669
5	ATHENE	23 Mar 63	ROSARIO	257	76	..	7	3	343
6	IDA CLAUSEN	25 Apr 63	BARCELONA	151	49	..	..	..	200
7	EL RANCHO	25 May 63	BARCELONA and MESSINA	435	161	4	..	..	600
<b>TOTAL</b>				<b>1553</b>	<b>1966</b>	<b>9</b>	<b>7</b>	<b>3</b>	<b>3538</b>



## ANNEXURE II

*Statement showing contract concluded with Dr. Gaddini of Italy for supply of animals in 1959-1960*

Sl. No.	Date of contract	Animals contracted for	Delivery date	Animals supplied	Date of delivery	Price per animal	Remarks
1.	19-12-1959	M.A. Mules	130	End of March 60	65 8-2-60 65 11-3-60	£154	
				130			
		G.S. Mules	800	Do.	400 8-2-60 400 11-3-60	£150	
				800			
		Donkey Stallions	19	Do.	11 8-2-60 8 11-3-60	£245	
				19			

### ANNEXURE III

*Places from where animals were obtained by Dr. Gaddini and supplied to us in fulfilment of the contracts concluded with him*

**1. Contract dated 19-12-1959 :**

**Animals supplied :—**

M.A. Mules . . . .	130	}	All the animals were supplied from Italy.
G.S. Mules . . . .	800		
Donkey Stallions . . . .	19		

**2. Contract dated 7-10-1960:**

**Animals supplied :—**

M.A. Mules . . . .	1140	}	All these animals were supplied from Italy.
G.S. Mules . . . .	2189		
Donkey Stallions . . . .	12*		
Donkey Mares . . . .	4†		

\*13 were received out of which 1 was for U.P. Government.

†5 were received out of which 1 was for U.P. Government.

**3. Contract dated 30-9-1961 :**

**Animals supplied:—**

M.A. Mules . . . .	80	}	(i) 78 M.A. Mules were from France and the rest were from Italy. (ii) 935 G.S. Mules due under this contract have been supplied later along with animals due under subsequent contracts and are shown below.
G.S. Mules . . . .	2757		
Donkey Stallions . . . .	3‡		
Donkey Mares . . . .	11		

‡5 were received out of which 2 were for Punjab Government.

**4. Contracts dated 4-11-62, 10-11-62, 23-12-62 and 14-9-63 and 935 G.S. Mules of previous contract.**

**Animals supplied :—**

**From :—**

Coach Horses . . . .	5	Argentina . . . .	2
		Poland . . . .	3
			5

M.A. Mules . . . .	4772	Italy . . . .	1078
		Spain . . . .	3105
		France . . . .	73
		Argentina . . . .	593
			<u>4849</u>
	Less casualties . . . .	77	
		<u>4772</u>	
G.S. Mules . . . .	5370	Italy . . . .	1933
		Spain . . . .	2923
		France . . . .	2
		Argentina . . . .	600
			<u>5458</u>
	Less casualties . . . .	88	
		<u>5370</u>	
H.B.B. Mares . . . .	103	Argentina . . . .	123
		Less casualties . . . .	20
			<u>103</u>
M.A.M.B. Mares . . . .	217	France . . . .	53
		Argentina . . . .	88
		Yugoslavia . . . .	86
			<u>227</u>
			Less casualties . . . .
		<u>217</u>	
Donkey Stallions . . . .	25	Italy . . . .	12
		France . . . .	15
			<u>27</u>
		Less casualties . . . .	2
		<u>25</u>	
Donkeys Mares . . . .	3	Italy . . . .	5
		Less casualties . . . .	2
			<u>3</u>

## ANNEXURE IV

*Comparative Statement of Quotations pertaining to the Contract Concluded with Dr. Gaddini in 1959-60*

No. mentioned in the letter inviting quotations	Coach Horses	Saddle Horses (Bay)	Saddle Horses (Bay-Brown Chestnut)	M.A. Mules	G.S. Mules	M.M.B. Mares	GSMB Mares	MAMB Mares	Horse Stallions	Donkey Stallion
No. contracted.....	24	72	404	126	800	55	155	36	9	15
	24	72	404	130	800	55	Nil	27	Nil	19
<hr/>										
<i>Sl. Name of firm No.</i>										
1 Harendera & Ravindera, New Delhi.	2,900 •2,325 (55,800)	2,800 (1,58,400)	2,800 •2,150 (8,68,600)	2,800 •2,050 (2,66,500)	2,800 •2,000 (16,00,000)	3,100 •2,115 (1,16,325)	3,100 •2,115	3,100 •2,115 (57,105)	10,000	4,550 •3,400 (64,600)
2 Dr. E. Gaddini, Rome.	..	..	..	2,400 •2,053 (2,66,933)	2,200 •2,000 (16,00,000)	..	..	2,267 (FOB) (61,209)	..	3,400 •3,267 (62,073)
3 Juan Blade, Buenos Aires.	2,613 (62,712)	2,613 (1,88,136)	2,611 (8,73,044)	2,161 (2,80,930)	2,066 (16,52,800)	2,043 (1,12,365)	1,995	2,043 (55,161)	4,370	3,420 (64,980)
4 Grumbein Jack, Dodge City.	4,038 (96,912)	4,038 (2,90,736)	3,027 (12,95,628)	3,325 (4,32,250)	2,922 (23,37,600)	3,135 (1,72,425)	3,135	3,492 (94,284)	14,250	5,400 (1,03,797)
5 UNIC, Paris.	4,134 (99,216)	4,134 2,97,648	3,867 (15,62,268)	3,134 (4,07,420)	3,040 (24,32,000)	3,600 (1,98,000)	3,334	3,467 (93,609)	8,667	6,334 (1,20,346)
6 Williams A Jones, Melbourne.	2,220 (53,280)	2,167 (1,56,024)	2,114 (8,54,056)	..	..	2,114 (1,16,270)	2,114	2,114 (57,078)	..	..
7 Australian & Eastern Co., Melbourne.	2,317 (55,608)	2,253 (1,62,216)	2,253 (9,10,212)	..	..	2,317 (1,27,435)	2,253	2,317 (62,559)	..	..

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8	Wright Stephenson & Co. Melbourne.	2,822 (67,728)	3,747 (1,97,784)	2,496 (10,08,384)	..	..	2,584 (1,39,370)	2,448	2,534 (68,418)	5,925	..
9	British Bloodstock Agency Ltd., London.	..	..	..	..	..	..	..	..	9,334	..
10	G. M. McLoughlin, 719 animals, without specifying the number in each category, of saddle and coach horses, horse and GS Mule Breeding Mares and Horse Stallions offered at a total cost working out to an average of Rs. 9,200 per head.										
11	British Livestock Exports Ltd., London.	4,734 (1,13,616)	4,534 (3,26,448)	3,867 (15,62,268)	..	..	3,867/ 4,000 (2,20,000)	3,534	..	10,000	..
12	Deutsche Zuchtund, Bonn.	3,423 to 3,696 (88,704)	3,423 to 3,696 (2,66,112)	3,467 to 3,696 (14,93,184)	..	..	3,520 to 4,162 (2,28,910)	3,432	3,960	..	..

Notes:—(i) The figures marked \* show the final offer made by the firm after initial receipt of quotations.

(ii) The figures within brackets give the total cost, of each category of animals contracted for.

(iii) The contract with Dr. Gaddini was concluded for the supply of MA Mules, GS Mules and Donkey stallions.

(iv) The quotation of William A. Jones was the lowest in respect of other categories; but the firm was not willing to agree to the penalty clause. The contract was concluded with Messrs. Amagraze Ltd., Brisbane at an average price of ₹160 (Rs. 2,133).

**ANNEXURE V**

*Comparative Statement of Quotations pertaining to the Contract Concluded with Dr. Gaddini in 1960-61*

	Coach Horses (Bay)	Saddle Horses (Bay)	Saddle Horses (Bay-Brown) Chestnut)	M.A. Mules	G.S. Mules	H.B.B. Mares	MAMB Mares	Donkey Stallions
No. mentioned in the letter inviting quotations	24	72	657	1142	2190	111	34	11
No. Contracted	..	..	100	1140	2190	50	..	12

Sl. No.	Name of firm								
1	Dr. E. Gaddini Rome .	..	..	..	<u>2080</u>	<u>1867</u>	..	..	<u>3267</u>
					*2000	*1800			*3226 2/3
					(22,80,000)	(39,42,000)			(38,720)
2	Harindera & Ravindera, New Delhi.	2357	2335	2282 (2,28,200)	2056 (23,43,840)	1953 (42,77,070)	2335 (1,16,750)	2357	3893 (46,716)
3	Compania Europea de Suministros Madrid	..	..	..	1877 (21,30,780)	1717 (37,60,230)	..	..	..
4	UNIC, PARIS	..	..	..	3134 (35,72,760)	3000 (56,70,000)	3667 (1,83,350)	3534	5800 (69,000)
5	Grumbein Jack & Mule Farm, Kanses, U.S.A.	4275	3800	3325 (3,32,500)	3325 (37,90,500)	3135 (68,65,650)	3230 (1,61,500)	3492	5463 (65,556)

6	British Livestock Exports Ltd., London.	4667	4534	4000/ 3867 (4,00,000)	..	..	3867 (1,93,350)	..	..
7	Stanislaus Lynch, Dublin, Ireland.	5934	5227	4534/ 3827/ (4,53,400)	..	..	4534 (2,26,700)	..	..
8	Australian & Eastern Cov Pty Ltd. Melbourne.	2339	2339	2274 (2,27,400)	..	..	2274 (1,13,700)	2274	..
9	William A. Jones Pty Ltd. Melbourne.	2556	2556	2556 (2,55,600)	..	..	2556 (1,27,800)	2556	..

NOTES:-- (i) The figures within brackets show the total cost of each category for the number contracted.

(ii) Figures marked \* indicate revised quotations given by the firm.

(iii) No quotation for supply of Donkey Mares was invited. The Embassy was asked on 20-12-60 to conclude a contract for the supply of Donkey Mares with Dr. Gaddini, at the price of £175 (Rs. 2333) each, on the terms and conditions of the contract of 7-10-60 for the supply of M.A. Mules, G.S. Mules and Donkey Stallions.

(iv) As regards other categories, it was possible only to conclude a contract for the supply of 100 Saddle Horses and 50 Horse Breeding Brood Mares with Messrs. Australian and Eastern Co., Melbourne.

### APPENDIX III

#### MINISTRY OF DEFENCE

*Copy of note 45 in file No. PC A/35062/Q/RV2*

The approval of Defence Minister was obtained to our entering into a contract with Dr. Gaddini for the supply of our future requirements of 3,000 GS and 1,500 MA Mules *vide* his minute 27. The considerations that precipitated were that Dr. Gaddini, who is our present supplier of animals, on hearing from our Embassies about our further requirements, came to discuss this matter and offered to supply our further requirements and finally agreed to do so on the same rate as in the existing contract, i.e. £ 125 Sterling each CIF Bombay for GS Mules and £145 Sterling each CIF Bombay for MA Mules on the same specifications as under the existing contract. It was assessed by us that it may not be possible to obtain more favourable offer from any supplier who could make assured supplies in respect of all our requirements which are as follows:—

MA Mules	..	1,500
GS Mules	..	3,000
Donkey Stallions	..	14
Donkey Mares	..	8
Horse Breeding Brood Mares	..	87
MA Mules Breeding Brood Mares	..	216
Horse Stallions	..	20

2 In his discussions Dr. Gaddini insisted that in case he is given the contract for the supply of MA and GS Mules in numbers required by us, the Government will agree not to enter into any contractual agreement with any other supplier in Europe, North, Central and South America. This term was accepted as a basis for negotiations in the interest of assured supplies. For the existing contract also we had separately agreed not to have any other arrangements for purchase of mules in Europe except Cyprus. We agreed to give a decision regarding mules within about a week but the question of brood stock for which Dr. Gaddini also made an offer was left to be decided to a subsequent date (when quotations from all our Embassies were available to us which were expected after 30th July 1963).



3. Subsequent to our obtaining the approval of DM, an offer of supply of 1,000 MA and GS Mules was received from Messrs Grawford Keen & CIA. S.A. Buenos Aires, Argentina, through our Embassy, at £85 Sterling CIF Bombay per animal, during September/October 1963. We had made enquiries from the Ministry of Transport about freight rates from Argentina and we were advised that they would be of the order of £90 per animal, exclusive of feed and insurance of animals, on the basis of conference rates as indicated to them by M/s. Clausen & Co., who specialise in this type of animal transport. On reference made to the Ministry of Transport on receipt of the Argentina offer where the all inclusive freight per animal was £35, they indicated to us that even the tramp rate would not normally be less than £65 exclusive of insurance, feeding cost and medical attendance. This rate, therefore, *prima facie*, seemed unworkable. Our Embassy in Argentina was requested to assess the *bona fides* of this firm, and to find out from it if it would be agreeable to supply our entire requirement of 3,000 GS and 1,500 MA Mules by the end of 1964 at the rate of £85 Sterling CIF. It was also requested to obtain a clarification about the proportion of MA and GS Mules in the offer of supply of 1,000 animals.

4. Our Embassy has since clarified that this firm has no previous experience in export or procurement of animals and mainly exports milk products. Firm's reliability was informally confirmed by the British Embassy, Buenos Aires, Chamber of Commerce and Inspector-General of Justice with whom it is registered as a private limited concern. We have also been informed by the Embassy that instead of supplying 1,000 GS and MA Mules as originally offered, the firm will be able to supply only 597 GS Mules and 100 MA Mules immediately and make up the deficiency in its offer of 1,000 animals by supplying brood stock of 216 Mule Breeding Mares and 87 Horse Breeding Brood Mares at £ 85 Sterling each CIF and that the firm is unable to enter into any commitment until October, 1963 regarding further supplies.

5. In the meanwhile, we have also received replies to our enquiries from all other Embassies to whom a reference had been made. No quotations have been received from USA, France, Yugoslavia, Denmark and Spain. Quotations have been received from Italy, Argentina, Australia, United Kingdom and USSR. They have been tabulated at Encl. 39-A. From a comparative study of the quotations it has been seen that Dr. Gaddini is the only one who is likely to meet our full requirements and his rates are the lowest except for the Argentina firm mentioned above. It should also be stated that in the case of Donkey Mares, which we require in numbers 8, Dr. Gaddini had quoted £ 165 Sterling CIF as against the quotation of another supplier from Italy ranging from £ 125-5/7

Sterling to £1/3 Sterling and for Horse Stallions (20 required) he has quoted £ 500 Sterling CIF, the lowest being from an Australian firm who has quoted £ 320 Sterling CIF.

6. Dr. Gaddini has been pressing for acceptance of his terms since we had informed him that we will take a decision on his offer by about 25th July. He was asked if he would reduce his price on Mules by £ 5 each, but this he flatly refused to do. In view, however, of the offer of the Argentine firm for a limited supply of animals, the position was reviewed by the Addl. Secy. at which Addl. FA (III) and D.R.V.S. were present. It was agreed that it may jeopardise vital supply of animals to the Army if we agree to a limited supply of animals from the firm in Argentina which had no previous experience of procurement of animals and their export. It was also agreed that his offer *prima facie* appeared unworkable and may end in failure. Besides, there was no guarantee about future supplies. It was agreed to make a package offer to Dr. Gaddini under which the entire order for MA and GS Mules and Brood stock except Horse Stallions be given to him subject to his accepting the following modifications in his offer:—

(a) In the case of Donkey Mares he should agree to £ 130 instead of £ 165 CIF Bombay; and

(b) for our requirements of 20 Horse Stallions he should keep the offer open.

7. Dr. Gaddini has agreed to these modifications in his offer.

8. We have now to take a final decision. While taking a decision the offer from Argentine firm which is *prima facie* very attractive has to be kept in view. It, however, suffers from the following drawbacks:—

- (i) Against our total requirements of 1,500 MA and 3,000 GS Mules and 325 brooding stock (excluding 20 horse stallions) the Argentine firm has offered to supply only 567 GS Mules, 100 MA Mules and 303 brood stock with no commitment regarding future supplies. The most pressing requirement is for Mules of which it has promised very small numbers;
- (ii) Their rate of £ 85 Sterling CIF Bombay seems to be unworkable on a long term basis;
- (iii) The firm has no previous experience of procurement and export of animals and we are not sure if it can produce the animals of our specifications; and
- (iv) If we make use of this offer of partial supply of our requirements, there is every likelihood that Dr. Gaddini who

has requested us not to enter into any contractual arrangement with any other firm for part supply of our requirements will withdraw his offer. In the event of the Argentine firm failing to supply our requirements to our specifications or expressing its inability to enter into any future commitments, it will become necessary to ask for fresh tenders or negotiate with Dr. Gaddini for meeting our supplies. In that eventuality it is likely that he will raise his prices appreciably. This may mean not only larger expenditure in procurement of animals of our requirements but may also hold up and delay the procurement of animals.

9. This matter was, therefore, again discussed by Addl. Secy. on the 8th August, 1963 at which Addl. F.A. III. DRVS and I were present. He also consulted DCOAS.

DOCAS has expressed the view that the Army requirements were emergent and the positioning of Mountain in Divisions depended on firm supplies according to schedule and he was, therefore, not in favour of giving up an assured offer of supply for an offer of supply of a limited number even though its terms appeared attractive, as the latter may result in complete breakdown of supplies of animals for the Army.

10. After taking all the various factors into consideration, it was agreed at this meeting that we may finalise the offer of Dr. Gaddini and inform our Embassy in Buenos Aires not to pursue the offer of the Argentine firm any further. The case is being submitted to DM for giving his approval to the action now proposed to be taken.

Sd/-. (S. S. L. KAKKAR)

JS(Q)

9/10-8-63

Addl. Secy.

Sd/-. (H. C. SARIN)

10-8-63

JJM

As at 'A'.

Sd/-. (Y. B. CHAVAN)

10-8-63

## APPENDIX IV

### MINISTRY OF DEFENCE

*Further information called for at the sittings of the Sub-Committee of the Public Accounts Committee on 17th and 18th March, 1966*

- (1) *Local purchases effected of mules and horses for 59-60 to date along with details of prices at which such purchases were effected.*

(Statement attached) Annexure A

- (2) *Number of mules and horses bred in RV Breeding Studs along with cost of breeding.*

(a) Numbers bred in breeding Studs from 1-4-60 to date:

Year	Horses	Mules	Donkeys
1960-61	64	82	8
1961-62	51	154	6
1962-63	93	228	9
1963-64	157	240	16
1964-65	140	237	11
1965-66	189	353	18
TOTAL	694	1294	68

(b) Cost—Rs. 1931.65 per youngstock for the year 1964-65.

- (3) *A note giving details of facilities at present offered to local breeders of mules and horses.*

The following facilities are provided to breeders whose brood mares (branded) are registered with us:—

- (a) Free good Horse/Donkey Stallion service.
- (b) Free technical know how and advice in breeding matters.
- (c) Free veterinary advice, attendance and medicines.
- (d) Prizes/premiums at organized horse shows.
- (e) Army mares when cast and considered veterinarily sound for breeding are sold to registered breeders at a nominal cost of Rs. 50/-.

- (f) **Guaranteed purchases of stock bred provided it is upto our specifications. In return the breeder gives us the first choice to purchase the stock bred.**

Of the local purchases made, given in Annexure A, youngstock horses and youngstock mules were all obtained from assisted breeders. Adult animals were obtained both from breeders and other suppliers; the actual break up is, however, not available.

Breeding areas do not produce MA Mules or MA Mule Brood Mares.

- (4) *Copy of inspection notes recorded by officers who inspected animals on arrival in India, in respect of contract concluded on 14 September 63.*

The instructions issued to the Inspecting Officers regarding inspection and acceptance of the animals include the following:—

- (i) Animals delivered for inspection should be in reasonably good physical condition;
- (ii) All animals should be compared with the descriptive rolls accompanying the animals. Animals not answering the details recorded in the descriptive rolls are not to be accepted;
- (iii) Veterinary examination of the animals of each shipment will be carried out.

Copies of Acceptance Certificates given by the officers who inspected and accepted the animals are attached (Annexures C 1 to C 6). These certificates issued were for 6,416 animals out of which 4,813 were against the contract of 14th September, 1963.

A copy of Army HQ letter dated 21st October, 1963 containing the instructions is enclosed (Annexure B).

- (5) *The Committee desired to know the dates when officers were deputed for selection of animals and were later advised to stay abroad for selection of animals against the contract signed on 14th September, 1963.*

The following officers were originally deputed for selection of animals, under this Ministry's letter dated 17th August, 1963:

- (a) Lt. Col. Karan Singh—17 Aug., 1963 to 15th Nov., 1963 (91 days).
- (b) Major Dharm Chand Sood—1st Sep., 1963 to 15th Nov., 1963 (76 days).

Under Army Headquarters letter No. A/84975/Q/RV2, dated the 28th October, 1963, the two officers were instructed to select animals under the contract, dated 14th September, 1963.

The deputation of the above mentioned officers was extended by formal Government sanction by this Ministry's letter dated 22nd February, 1964 and their departure date was amended to the actual date of leaving the country, as shown below:—

- (a) Lt. Col. Karan Singh—23rd Aug., 1963 to 15th Feb., 1964 (177 days).
- (b) Maj. Dharm Chand Sood—13th Sep., 1963 to 15th Mar., 1964 (185 days).

Copies of the letters of 17th August, 1963, 28th October, 1963 and 22nd February, 1964 are enclosed. (Annexures D1, D2, D3).

- (6) *Revised comparative statement of quotations received in respect of contracts concluded during 1962-63.*

Three statements are enclosed, which may kindly be taken as part of the factual note in place of page 2 of Appendix XXI (Annexures E1, E2, E3).

- (7) *The Committee desired to have a copy of the note dated 21st July, 1963 recorded by Shri H. C. Sarin, Additional Secretary, Ministry of Defence.*

Copy of note is enclosed. (Annexure F)

- (8) *Referring to para 4 of Shri H. C. Sarin's note of 21st July, 1963 the Committee desired to know the relaxation in specification that had been made.*

Specifications mentioned in the letters to the Missions abroad dated 22nd June, 1963 were not relaxed, and the contract was concluded on the same specifications. These specifications for MA Mules and GS Mules are given below:—

#### 1. Mountain Artillery Mules

Colour

- Bay, Black, brown or chestnut. A few iron grey can be accepted.

**Height**

- Not less than 14-0 hands } Upto 10% height  
 Not more than 14-3 hands } may be upto  
 15-0 hands  
 (1.42 to 1.50 metres).

**Shank**

- Not less than 7 inches.

**Age**

- 75% to be within age group of 3 to 6 years;  
 25% to be between 7 and 8 years.

**General**

- Mules to have good bone and substance, true and straight action, *i.e.*, no tendency to brush in front or behind, straight backs and to be sound in every respect. Must be *veterinarily* sound and free from disease.

**Girth**

- Mules measuring 14-0 hands to be not less than 63 inches and those measuring over 14-0 hands to be not less than 64 inches.

**2. General Service Mules****Colour**

- Bay, Black, Brown or chestnut. No greys or roans will be accepted. A few iron grey can be accepted.

**Height**

- Not less than 13-0 hands nor more than 14-2 hands (1.32 to 1.47 metres).

**Girth**

- Not less than 58 inches.

**Age**

- 75% to be within age group of 3 to 6 years;  
 25% to be between 7 and 8 years.

**General**

- Mules to have good bone and substance, true and straight action, *i.e.*, no tendency to brush in front or behind, straight backs and to be sound in every respect and capable of pack or draught work. Mules to be *veterinarily* sound and free from disease.

As mentioned above, the same specifications have been incorporated in the contract dated 14th September, 1963. There is thus no relaxation in specifications from those prescribed in the letter dated 22nd June, 1963 inviting quotations.

The reference in Shri Sarin's note is to the relaxation in specifications that had already been allowed while concluding the contract on 22nd December 1962 for 1000 GS Mules and 3000 MA Mules. Contracts immediately prior to 22nd December 1962 were the contracts of 30th September 1961 for MA mules and of 4th November 1962 in respect of GS Mules. The differing points in the specifications mentioned in the contract of 22nd December 1962 as compared to the specifications in the immediately preceding contracts are indicated below. The relaxations made while concluding the contract on 22nd December 1962 are shown against them. There was also another contract dated 10th December 1962 for MA Mules but this contract was originally for saddle horses and the substitution of MA mules in the contract dated 10th November 1962 for saddle horses was made when the contract of 22nd December 1962 was finalised.

#### *Mountain Artillery Mules*

Specifications as per contract of 30-9-61	Specifications as per contract of 22-12-62.
Height—Not less than 14-0 hands and not over 14-3 hands (1·42 to 1·50 metres).	Height—Not less than 14-0 hands and not over 14-3 hands (1·42 to 1·50 metres.) Ten per cent of the animals may be up to 15 hands.
Shank—7 to 7½ inches.	Shank—7 inches and above.
Age—3 to 6 years.	Age—3 to 6 years. 25% of the animals may be 7 to 8 years.

#### *General Service Mules*

Specification as per contract of 4-11-62	Specifications as per contract of 22-12-62.
Height—Not less than 13-0 hands nor more than 14-2 hands (1·32 to 1·47 metres).	Height—Not less than 13-0 hands nor more than 14-2 hands (1·32 to 1·47 metres). However, for upto 10% (ten per cent) of the total number of GS Mules supplied, the height may exceed the above prescribed maximum by upto one inch.
Age—3 to 6 years.	Age—3 to 6 years. 25 per cent of the animals may be 7 to 9 years.

*Notes:* (a) A hand is equal to 4 inches. The specifications for MA Mules in the contract of 30th September 1961 thus



allowed height from 56 inches to 59 inches. In the contract of 22nd December 1962, there was relaxation up to 1 inch, allowing maximum height of 60 inches in respect of 10 % of the animals.

- (b) In regard to age, the relaxation in the case of MA Mules was that the upper age limit was raised up to 2 years in respect of 25% of the animals.
- (c) In the case of GS Mules, as well, the height could exceed the maximum of 58 inches, prescribed in the earlier contract, up to 1 inch, in respect of 10% of the animals.
- (d) In the case of GS Mules, relaxation up to 3 years in the upper age limit was allowed in respect of 25% of the animals in the contract of 22nd December 1962.

(9) *The Committee desired to have a copy of the contract dated 14th September, 1963.*

Copy of the contract is enclosed. (Annexure G)

(10) *The Committee desired to have a statement showing the details of animals contracted for, price paid per animal, total value of each contract for all contracts concluded with Dr. Gaddini up to 1965.*

A statement giving necessary details in regard to each contract is enclosed. (Annexure H)

(11) *The Committee desired to know the final result of the offer of free gift of about 200 mules by Argentine Govt.*

After receipt of the letter dated 13th June, 1963 from the Ministry of External Affairs, the Ministry of Transport were requested to advise on the most economical and suitable shipping arrangements that can be made for transporting animals from Argentina, with a view to take advantage of F.O.B. offers received from that country. On the 28th August, 1963, the Ministry of External Affairs were informed of the advice given by the Ministry of Transport and also about the contract concluded with Dr. Gaddini. It was, however, reiterated that the contract with Dr. Gaddini did not preclude the acceptance of any offer of a free gift made by the Argentine Government or direct purchase, after the period of the contract with Dr. Gaddini is over, if satisfactory shipping arrangements can be made. The Ministry of External Affairs informed us on 3rd September 1963 that the Argentine Ambassador in India was not sure whether the gift was not tied up with the question of purchase of the balance of our requirements; but that he would

make a reference to his Government. From the records available with us it is not possible to say whether this matter was pursued either by the Defence Ministry or the Ministry of External Affairs. But it would appear that the Ministry of External Affairs did not receive any further communication on this subject from the Argentine Embassy. Copies of the letters of the Ministry of External Affairs dated 13th June, 1963 and 3rd September, 1963 and the letter sent by the Ministry of Defence on 28th August, 1963 are enclosed.\* (Annexures 11, 12, 13)

(12) *The Committee desired to have a statement showing the issues of mules to Units.*

A statement giving the numbers of mules received during the period November 63 to December 64 and the issues made during the period December 63 to November 65 is enclosed. (Annexure J).

(13) *The Committee desired to have a statement showing the issues of Polish horses received during February/March 63.*

A statement giving details of issues made is enclosed. (Annexure K)

(14) *The Committee desired to know the necessity for issuing the telegram to the Embassies on 14th July, 1963 which was a Sunday.*

The discussions with Dr. Gaddini had taken place on 12th July, 1963 and he had kept his offer open only up to 20th July, 1963. It was necessary to obtain from the Embassies details about other quotations received, if any, before the date stipulated by Dr. Gaddini. The telegram, therefore, was issued on 14th July, 1963.

## ANNEXURE A

*Details of local purchases effected of Mules and Horses from 1959-60*

Category	Number purchas- ed	Sanc- tioned maximum price	Average purchase price
1	2	3	4
(in rupees)			
<i>1959-60</i>			
Rides . . . . .	24	1200	1180
Mules GS . . . . .	350	1500	1474
GS Mule Breeding Mares . . . . .	155	1200	1159
Youngstock horses . . . . .	95	500	495
Youngstock mules . . . . .	164	500	496
<i>1960-61</i>			
Rides . . . . .	2	1200	1200
GS Mules . . . . .	145	1500	1473
Sub-standard . . . . .	43	1000	996
Youngstock mules . . . . .	173	500	520
Youngstock horses . . . . .	97	500	527
	} Increased to Rs. 600/- in the later part of year.		
<i>1961-62</i>			
GS Mules . . . . .	32	1500	1477
Youngstock horses . . . . .	73	600	594
Youngstock mules . . . . .	177	600	587
<i>1962-63</i>			
Youngstock horses . . . . .	190	600	598
Youngstock mules . . . . .	387	600	597
GS Mules Standard . . . . .	200	1500	1497
GS Mules Sub-standard . . . . .	197	1300	1335
Rides . . . . .	2	1200	935

1	2	3	4
<i>1963-64</i>			
Youngstock Horses . . . . .	175	600	590
Youngstock Mules . . . . .	295	600	598
GSMB Mares . . . . .	328	1200	1185
GS Mules . . . . .	1277	1500 (Standard)	1385
		1300 (Sub-standard)	
<i>1964-65</i>			
GS Mules . . . . .	11	1500	1500
GS Mules (Sub-standard)	6	1300	1300
Youngstock Horses . . . . .	140	600	595
Youngstock Mules . . . . .	264	600	599
<i>1965-66</i>			
Youngstock Horses . . . . .	200	600	600
Youngstock Mules . . . . .	350	600	600

ANNEXURE B

PRIORITY

No. A/25519/Italy/Q/RV2/Q1(A)

ARMY HEADQUARTERS

Quartermaster General's Branch

DHQ PO NEW DELHI-11

21st October 1963.

To

Headquarters,

Southern Command.

SUBJECT.—*Import of Animals from Overseas Countries—  
Disembarkation Arrangements*

Further to this Headquarters letter No. A/25519/Q/RV-2/Q1(A) dated 19th February 1963.

1. A further contract for the supply of the undermentioned animals has been executed with Dr. E. GADDINI of ROME and the supplies thereof are required to be effected as indicated against each:—

(a) Horse Breeding Brood Mares	87	} To be delivered by 31st Dec., 1963.
(b) MA Mule Breeding Brood Mares	216	
(c) Donkey Stallions . . . . .	14	
(d) Donkey Mares . . . . .	8	
(e) General Service Mules . . . . .	3000	1500 to be delivered by 15 June 64 and re- maining 1500 to be delivered by 31 Dec., 1964.
(f) Mountain Artillery Mules . . . . .	1500	500 to be delivered by 15th June 64 and re- maining 1000 to be delivered by 31st Dec., 1964.

It is anticipated that animals against the above contract might commence landing in BOMBAY from November 1963 onwards, as our RVC selecting officers are already in the foreign countries.

2. The animals are required to be delivered at BOMBAY by the suppliers in reasonably good condition to the representative(s) of the Government appointed for the purpose.

3. Necessary arrangements for the disembarkation of animals at BOMBAY will be made by Embarkation Headquarters BOMBAY. The following RVC officers are hereby detailed to look after the remount and veterinary side of the disembarkation arrangements and to accept and take over the animals of each shipment upto the numbers specified above, on behalf of the Government in accordance with the terms of the contract:—

(a) Lt. Col. PNP NAYAR RVC ADRVS Southern Command

(b) Major HARNAM SINGH RVC DADRVS M and G Area

Special attention will be paid to the preliminary inspection of the ship before off-loading; cases of sickness which may have occurred during voyage will be inquired into with the object of ascertaining *inter-alia* the possibility of existence of any contagious disease.

4. The following points will be kept in view while inspecting and accepting the animals:—

(a) The supplier shall deliver, the animals at BOMBAY reasonably good physical condition, at a place of inspection to be arranged by HQ M and G Area.

(b) All animals will be compared with the descriptive rolls accompanying the animals. Animals not answering the details recorded in the descriptive rolls, will not be accepted.

(c) Veterinary examination of the animals of each shipment will be carried out.

5. After the acceptance of the animals at BOMBAY, they will be despatched by rail to Remount Depot AHMEDNAGAR. While Mules (both GS and MA) will be taken on the Depot's strength, other animals viz. brood mares and donkey stallions/mares will be retained there for a minimum rest of fortnight and thereafter despatched to Equine Breeding Stud BABUGARH. Instructions in this regard will, however, be issued from time to time by the DRVS.

6. Arrangements for the move of animals from BOMBAY to AHMEDNAGAR and further despatch to BABUGARH will be made by you. Breeding stock will be transported in Horse Boxes and mules will be carried in CAs. In case of difficulty, Q Mov P this Headquarters may be approached for doing the needful.

## 7. Scale of conducting parties to conduct animals is as under:—

- |   |   |
|---|---|
| (a) RVC Officer . . . . .                                       | 1 per train   |
| (b) JCO . . . . .   | 1 per train   |
| (c) Farrier/Nalband . . . . .                                   | 2 per train   |
| (d) Veterinary Dressers . . . . .                               | 2 per train   |
| (e) Cobbler' . . . . .  | 1 per train   |
| (f) Carpenter . . . . .   | 1 per train   |
| (g) NCs (U) (Cook/water carrier/<br>barber/washerman) . . . . . | As per factual requirement  |
| (h) OR/Syces . . . . .  | 2 per 8 MA Mules/10 GS Mules<br>i.e. per CA 1 per donkey stallion,<br>1 per 3 horse breeding/<br>MA Mule Breeding/Donkey<br>Mare. |

8. Conducting parties with necessary journey linegear will be despatched as under on receipt of demand from the DADRVS M and G Area:—

(a) For MA and GS Mules—By Remount Depot AHMED-NAGAR.

(b) For Breeding stock—By Equine Breeding Stud BABU-GARH.

9. Grain and fodder required at BOMBAY, train journey and reserve ration to accompany the animals to destination will be provided under your arrangements.

10. On disembarkation the following information will be sent to this HQ by signal:—

- (a) No. of animals, by categories, landed with dates;
- (b) Voyage casualties, if any;
- (c) condition of animals.

Thereafter on the expiry of 7 days of landing, information with regard to the actual number of animals accepted and taken over and those rejected (if any) on health grounds, will be furnished.

Sd/-

for QUARTERMASTER GENERAL.

## ANNEXURE C-1

### Final Acceptance Certificate

I, Lt. Col. P. N. P. Nayar (V-43) RVC, ADRVS, Headquarters Southern Command, Poona, hereby certify that on behalf of Government of India, I have finally accepted on 22 December, 1963 the following animals arrived at Bombay on 15 December, 1963 by SS Cora from Italy:—

Details of accepted number of animals	Details of casualties	MA	GS
Mules MA . . . . . 593	Voyage casualty . . . . .	1	2
Mules GS . . . . . 239	Died on train . . . . .	1	..
	Casualty within 7 Days in Remount Depot . . . . .	2	..
TOTAL . . . . . <u>832</u>		<u>4</u>	<u>2</u>
	TOTAL . . . . .	<u>4</u>	<u>2</u>

The animals are in reasonably good condition.

Sd/- Lt. Col.  
Asstt. Director Remount and Veterinary Services  
(P. N. P. Nayar)

### Final Acceptance Certificate

I, Major Harnam Singh (V-33) RVC, DADRVS, Headquarters Maharashtra and Gujarat Area, Colaba, Bombay-5, hereby certify that on behalf of Government of India, I have finally accepted on 18 November, 1963, the following animals arrived at Bombay on 18 November, 1963 from Italy:—

MA mules . . . . .	147	}	arrived by m.v. "LDA CLAU- SEN"
GS Mules . . . . .	88*		
TOTAL . . . . . <u>235</u>			

The animals are in reasonably good condition.

\*34 against 14th September, 1963 contract.

Sd/- Major  
Deputy Asstt. Director Rem. and Vet. Services  
(Harnam Singh).



## ANNEXURE C-2

### *Final Acceptance Certificate*

I, Major Harnam Singh (V-33) RVC, DADRVS, Headquarters Maharashtra and Gujarat Area, Colaba, Bombay-5, hereby certify that on behalf of Government of India, I have finally accepted on 2 January, 1964, the following animals arrived at Bombay on—— from Italy:—

#### Details of casualties

		MA	GS
MA Mules . . . . .	299 Voyage casualties . . . . .	1	1
GS Mules . . . . .	149		
TOTAL . . . . .	448*		

The animals are in reasonably good condition.

\*Against 14th September, 1963 contract.

Sd/- Major  
Deputy Asstt. Director Rem and Vet. Services  
(Harnam Singh).

### *Final Acceptance Certificate*

I, Major Harnam Singh (V-33) RVC, DADRVS, Headquarters Maharashtra and Gujarat Area, Colaba, Bombay-5, hereby certify that on behalf of Government of India, I have finally accepted on 6 January, 1964, the following animals arrived at Bombay on 1 January, 1964 from Italy:—

#### Details of casualties

		MA	GS
MA Mules . . . . .	94 Voyage casualties . . . . .	3	1
GS Mules . . . . .	123 Casualties within 7 days in R. Depot . . . . .	3	1
TOTAL . . . . .	217*	6	2
	TOTAL	6	2

The animals are in reasonably good condition.

\*Against 14th September, 1963 contract.

Sd/- Major  
Deputy Asstt. Director Rem. and Vet. Services  
(Harnam Singh).

### ANNEXURE C-3

#### Final Acceptance Certificate

I, Lt. Col. Sunder Singh, RVC, HQ Southern Command, hereby certify that on behalf of Government of India, I have finally accepted on 14 November 1964, the following animals arrived at Bombay on \_\_\_\_\_ from Italy:—

		Details of casualties			
				MA	GS
MA Mules	322	Voyage casualties	..	..	1
GS Mules	654	Casualties within 7 days	..	1	4
TOTAL	976	TOTAL	..	1	5

The animals are in reasonably good condition.

Sd/- Lt. Col.  
Asstt. Director Rem. and Vet. Services  
(Sunder Singh).

#### Final Acceptance Certificate

I, Lt. Col. P. N. P. Nayar (V-43) RVC, ADRVS, Headquarters Southern Command, Poona, hereby certify that on behalf of Government of India I have finally accepted on 3 January 1964 the following animals arrived at Bombay on 27 December 1963 by SS Cora from Italy:—

Details of accepted number of animals		Details of casualties					
				MA	GS	HBB	MBB
				Mares Mares			
Mules MA	248	Voyage casualty	15	42	9	1	
Mules GS	190	Died in train	..	..	..	..	
HBB Mares	54†	Casualty within 7 days in Re-mount Depot	..	..	..	..	
MBB Mares	23*		26	20	6	..	
TOTAL	515	TOTAL	41	62	15	1	

The animals are in reasonably good condition.

†16 against 10th November 1962 contract. 38 against 14th September 1963 contract.

\*8 against 10th November 1963 contract. 15 against 14th September 1963 contract.

Sd/- Lt. Col.  
Asstt. Director Rem. and Vet. Services  
(P. N. P. Nayar).

## ANNEXURE C-4

### *Final Acceptance Certificate*

I, Lt. Col. P. N. P. Nayar (V-43) RVC, ADRVS, Headquarters Southern Command, Poona, hereby certify that on behalf of Government of India I have finally accepted on 9 January 1964 the following animals arrived at Bombay on 2 January, 1964, by SS Cora from Italy:—

Details of accepted number of animals	Details of casualties	MA
Mules MA . . . . . 298*	Voyage casualty . . . . .	I    I
Mules GS . . . . . 149	Died in train . . . . .	. . . . .
TOTAL . . . . . 447	Casualty within 7 days in Remount Depot . . . . .	I    . .
	TOTAL . . . . .	2    I

The animals are in reasonably good condition.

\*4 against 22nd December, 1962 contract. 294 against 14th September 1963 contract.

Sd/-                    Lt. Col.  
Asstt. Director Remount and Veterinary Services  
(P. N. P. Nayar).

### *Final Acceptance Certificate*

I, Major Harnam Singh (V-33) RVC, DADRVS, Headquarters Maharashtra and Gujarat Area, Colaba, Bombay-5, hereby certify that on behalf of Government of India, I have finally accepted on 3 March 1964, the following animals arrived at Bombay on \_\_\_\_\_ from Italy:—

MA Mules . . . . .	385
GS Mules . . . . .	76
D. Stallion . . . . .	8
TOTAL . . . . .	469*

The animals are in reasonably good condition.

\*Against 14th September, 1963 contract.

Sd/-                    Major  
Deputy Asstt. Director Rem. and Vet. Services  
(Harnam Singh).

## ANNEXURE C-5

### *Final Acceptance Certificate*

I, Major Harnam Singh, (V-33) RVC, DADRVS, Headquarters Maharashtra and Gujarat Area, Colaba, Bombay-5, hereby certify that on behalf of Government of India, I have finally accepted on 2nd Apr. '64 the following animals arrived at Bombay on 25/26 Mar. '64 from Italy:—

MA Mules . . . . .	52
GS Mules . . . . .	272
HB Mares . . . . .	42
MB Mares . . . . .	61
C Horses . . . . .	2
TOTAL . . . . .	<u>429*</u>

The animals are in reasonably good condition.

\*Against 14-9-63 contract.

Sd/-

Major  
Deputy Asstt. Director Rem. and Vet. Services  
(Harnam Singh).

### *Final Acceptance Certificate*

I, Major Harnam Singh (V-33) RVC, DADRVS, Headquarters Maharashtra and Gujarat Area, Colaba, Bombay-5, hereby certify that on behalf of Government of India, I have finally accepted on 15 Apr. '64 the following animals arrived at Bombay on 6/7 Apr. '64 from Italy:—

MA Mules . . . . .	262
D Mares . . . . .	5
GS Mules . . . . .	74
MB Mares . . . . .	77
TOTAL . . . . .	<u>388</u>

The animals are in reasonably good condition.

Sd/-

Major  
Deputy Asstt. Director Rem. and Vet. Services  
(Harnam Singh).

## ANNEXURE C-6

### Final Acceptance Certificate

I, Lt. Col. Sunder Singh, RVC, HQ Southern Command hereby certify that on behalf of Government of India, I have finally accepted on \_\_\_\_\_ the following animals arrived at Bombay on \_\_\_\_\_ from Italy:—

		Details of casualties	
		MA	GS
MA Mules	143	1	..
GS Mules	416		
	<u>          </u>		
TOTAL	559*	<u>          </u>	<u>          </u>
		TOTAL	2
		<u>          </u>	<u>          </u>

The animals are in reasonably good condition.

\*Against 14-9-63 contract.

Sd/-

Lt. Col.  
Asstt. Director Rem. and Vet. Services  
(Sunder Singh).

### Final Acceptance Certificate

I, Lt. Col. Sunder Singh, RVC, HQ Southern Command, hereby certify that on behalf of Government of India, I have finally accepted on 2 Jan. '65 the following animals arrived at Bombay on 26/27 Dec. '64 from Italy:—

		Details of casualties		
		GS	D.	MAB
		Mules	Mares	Mares
MA Mules	72			
GS Mules	768	4	1	2
	<u>          </u>			
MA MB Mares.	53	1	4	8
D. Stallion	8			
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL	901*	5	5	10

The animals are in reasonably good condition.

Sd/-

\*Against 14-9-63 contract.

Lt. Col.  
Asstt. Director Rem. and Vet. Services  
(Sunder Singh).

ANNEXURE D-1

No. A/34975/Q/RV2/1621-R/D(QS)

GOVERNMENT OF INDIA  
MINISTRY OF DEFENCE

New Delhi, the 17th August 1963

26 Sravana, 1885 (Saka)

To

The Chief of the Army Staff.

**SUBJECT.**—*Deputation of Lt. Col. Karan Singh RVC, to Italy, Spain, France and Argentina and Major Dharam Chand, RVC, to Italy, Spain and France in connection with the selection of animals for the Army.*

Sir,

I am directed to convey the sanction of the President to the deputation of:—

- |  |   |
|--|---|
| (a) Lt. Col. Karan Singh RVC, ADRVS U.P. Area, to Italy, Spain, France and Argentina.  | } In connection with the selection of Coach Horses (5), horse Breeding brood mares (16), MA Mule breeding mares (8) MA Mules (1764), GS Mules (427) and donkey stallions (2). |
| (b) Major Dharam Chand RVC, O. C. Remount Depot Ahmednagar to Italy, Spain and France. |   |

2. The terms of the deputation will be as follows:—

(a) *Period of deputation.*—The total duration of stay of the officers shall not exceed the periods shown below:—

- (i) Lt. Col. Karan Singh . . . . 17th August 1963 to 15th November 1963 (91 days).
- (ii) Maj. Dharam Chand . . . . 1st September 1963 to 15th November 1963 (76 days).

(b) *Pay.*—During the period of deputation, the officers will be entitled to the pay and allowances of their ranks as admissible under the rules, which will be drawn in India in rupees.

(c) *Passage.*—Air passage by the tourist class will be provided for the journey from New Delhi to the ports of disembarkation in Italy and Argentina to Lt. Col. Karan

Singh and from New Delhi to the port of disembarkation in Italy to Major Dharam Chand and back by the approved routes. Return journey tickets will be purchased under arrangements with Air India and payment will be made in rupees. The cost of passage from Italy to Spain and France and back as well as the cost of journeys within Spain/France will be borne by the suppliers or recovered from the suppliers by adjustment in the amount payable to them.

Within Indian limits travelling allowance will be regulated under the normal rules in Travel Regulations. Incidental charges will be admissible under Army Instructions 111/52 and 183/55.

- (d) *Baggage*.—Baggage allowance upto a maximum of 58 lbs. inclusive of the free allowance granted by air company will be admissible to each officer. The excess over the free allowance of Air Company will be carried as unaccompanied baggage as aircargo. A maximum of 40 lbs. of branding irons, instruments etc. may in addition be carried by air by each officer upto Rome and thereafter to Buenos Aires by Lt. Col. Karan Singh by air.
- (e) *Daily Allowance*.—For halts at different stations in the country/countries abroad, they will be allowed daily allowance at the rates and under the conditions prescribed for Grade I Officers performing duty in the country concerned. Expatriation allowance will not be admissible in addition.
- (f) *Conveyance*.—Travelling allowance for duty journeys within the country/countries concerned will be admissible under A.I. 16/S/57. Prescribed certificates will be endorsed by the Head of the Indian Diplomatic Mission on their TA bills.
- (g) *Incidental expenses*.—Expenditure incurred in Italy and or Argentina on stationery, mule purchasing equipment, charcoal for branding animals etc. will be reimbursed on the production of a certificate from the Ambassador to the effect that he has satisfied himself that the expenditure was actually incurred and was unavoidable and reasonable for the proper discharge of the duties entrusted to the officers.
- (h) *Medical treatment*.—Will be regulated under the provisions of rules in force for officers on deputation abroad.

3. The Services of stenographer/clerk from the Embassy may, where necessary, be made available to the Officers. One brander

will be employed locally in Italy/Argentina for such period as required under the orders of the Ambassador in Italy/Argentina. They will be entitled to free rail/road travel as admissible under rules when accompanying the officers, under orders of the Ambassador.

4. Advances considered necessary will be provided by the Ambassador/High Commissioner as admissible under the Rules.

5. The expenditure involved is debitable to the Main Head 6-B ANIMALS—of the Defence Services Estimates. The name of the Accounting Officer, in whose books the payments made on account of purchase of animals etc., is debitable, is the "Controller of Defence Accounts, Central Command, Meerut."

6. Ministry of Finance have agreed to the proposal from the foreign exchange point of view. C.D.A.(O), POONA will be responsible for the final adjustment of the expenditure.

7. This issues with the concurrence of Ministry of Finance (Defence/QB) *vide* their u.o. No. 3067/QB of 1963.

Yours faithfully,

Sd/- S. R. GURUSWAMY.

*Under Secretary to the Government of India.*



**ANNEXURE D-2**

*Copy of Army HQ, QMG's Branch letter No. A/34975/Q/RV-2 dated 28 Oct. 63 addressed to Lt. Col. Karan Singh RVC, C/o Embassy of India, Lavalle-462 (5th Floor) Buenos Aires (Argentina) and Major Dharam Chand RVC, C/o Embassy of India, Rome (Italy).*

**SUBJECT.—Selection of Animals.**

1. Hithertofore you have been detailed to select the animals specified in Govt. of India Ministry of Defence letter No. A/34975/Q/RV-2/1621-R/D(QS) dated 17 Aug. 63.

2. After your departure from India, another contract for the following animals has been concluded (signed on 14 Sep. 63) with Dr. E. Gaddini:—

	To be delivered by 31 Dec. 63	To be delivered by 15 Jan. 64	To be delivered by 31 Dec. 64	Total Nos. contracted
MA Mules	..	500	1,000	1,500
GS Mules	..	1,500	1,500	3,000
Horse Breeding Mares	87	..	..	87
MA Mule Breeding Mares	216	..	..	216
Donkey Stallions	14	..	..	14
Donkey Mares	8	..	..	8

3. It is apparant from the delivery schedule shown above that in order to ensure arrival of breeding animals in India before 31 Dec. 63, the supplier would present them for selection right from now onwards. Similarly it is also likely that some of the mules may be put up by him towards the quota to be completed before 15 Jun. 64.

4. In view of the above details, you are hereby authorised to select any of the animals that may be presented by Dr. E. Gaddini for selection against the contract signed on 14 Sep. 63. A copy of the contract ibid has already been furnished to you. Appropriate authority, if any required, for this purpose from the Government of India Ministry of Defence will follow in due course.

5. Action is also in hand to modify the period of your deputation so as to conform with the current requirements and Government orders on the subject will be issued soon.

Sd./-

*Director of Remount and Veterinary Services.*

Copy to:—

The Embassy of India in Italy, Rome (Italy)—In order to plan for provision of RVC selecting officers in connection with the selection of animals contracted on 14 Sep. 63, details regarding the programme of selection of these animals have already been requested for in our letter No. A/34975/Q/RV-2 of 7 Oct. 63 and the same may kindly be expedited to enable us to finalise our action for extension of period of deputation of above addressees and/or despatch of fresh Selecting Team(s).

ANNEXURE D3

No. A/34975/Q/RV-2/158-S/R/D(QS)

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 22nd February 1964

3 Phalgun, 1885 (Saka)

CORRIGENDUM

Following amendments are made to this Ministry's letter No. A/34975/Q/RV2/1621-R/D(QS) dated 17th August 1963 as amended by Corrigendum No. A/34975/Q/RV2/750-S/R/D(QS) dated 7th November 1963 regarding the deputation of Lt. Col. Karan Singh RVC to Italy, Spain, France and Argentine and Major Dharam Chand RVC to Italy, Spain and France in connection with the selection of animals for the Army:—

(a) Para 1(a)

For "Italy, Spain, France and Argentine"

Read "Italy, Spain, France, Argentine and USA"

(b) Against para 1(a) and (b):—

For "Coach Horses (5)..... Stallions (2)"

Substitute "animals for the army"

(c) Against para 2(a)(i)—

For "17th August 1963 to 15th November 1963 (91 days)"

Read "23rd August 1963 to 15th February 1964 (177 days)"

(d) Against para 2(a) (ii)—

For "1st September 1963 to 15th November 1963 (76 days)"

Read "13th September 1963 to 15th March 1964 (185 days)"

(e) In para 2(c) "Passage"

For "The cost of passage from Italy to Spain and France and back as well as the cost of journeys within Spain/France will be borne by the suppliers or recovered from the subpliers by adjustment in the amount payable to them."

· Read "The cost of passage from Italy to Spain and France and back as well as the cost of journeys within Spain/France and the cost of passage from Argentine to USA and back as well as the cost of journeys within USA will be borne by the suppliers or recovered from the suppliers by adjustment in the amount payable to them."

(f) *In para 2(e) "Daily Allowance"*

Insert at the end—

"In the case of countries in Europe other than Italy daily allowance in excess of what would have been admissible had the selection of animals been made in Italy, will be met by the supplier or recovered from the supplier by adjustment in the amount payable to him. Similarly in the case of USA daily allowance in excess of what is admissible in Argentine will be met by the supplier or recovered from the supplier by adjustment in the amount payable to him."

2. This issues with the concurrence of the Ministry of Finance (Defence) vide their u.o. No. 166-S/QB of 1964.

Sd/- PRITAM SINGH.

*Under Secretary to the Government of India.*

To

The Chief of the Army Staff.

ANNEXURE E1

*Comparative Statement of Quotations received in respect of GS Mules and Donkey Stallions in response to Letter of 27-7-62.  
Contract concluded on 4-11-62.*

Sl. No.	Name of Supplier	G.S. MULES			DONKEY STALLIONS			Remarks
		No.	CIF	FOB	No.	CIF	FOB	
1	Dr. Gaddini, Italy	440	<u>£120</u> *118		11	<u>£226</u> 200*		*Revised offer.
2	Alfaland S.A. Argentina	100		£34				Withdraw offer as intimated by Embassy telegram of 28-9-62.
3	UNIC, France	200		£110	11		£220	
4	Adolfo Bullrich & Co., Buenos Aires			\$215			\$315	Both these quotations are dated 11/9/62 and sent by Embassy on 11/9/62 and received here on 18-9-62.
5	Ketelhohn S.A. Buenos Aires			@£53-10-0				

@(The quotation excludes freight tax on freight, insurance and cost of return trip of attendants).

**ANNEXURE B<sub>a</sub>**

*Comparative Statement of Quotations received in response to letter dated 27-7-1962 in respect of Horses and Mares—Contract concluded on 10-11-1962.*

Sl. No.	Name of Supplier	Coach Horses		Saddle Horses (Rides)		H.B.B. MARES		MAMB MARES		HORSE STALLIONS		Remarks
		No	C.I.F. FOB	No.	C.I.F. FOB	No.	C.I.F. FOB	No.	C.I.F. FOB	No.	C.I.F. FOB	
		1	2	3	4	5	6	7	8			
1	Dr. B. Gaddini, Italy	5	£150/- Rs. 2000/-	*315	£125/- Rs. 1666/-	23	£150/- Rs. 2000/-	11	£130 Rs. 1733/-	25	£750/- Rs. 10,000/-	
2	Australian and Eastern Coy Pty. Ltd.		£A240/- (£St. 195/-) Rs. 2600/-		£A220/- (£St. 185/-) Rs. 2466·66		£A220/- (£St. 185/-) Rs. 2466·66		£A215/- (£St. 175/-) Rs. 2333·33		£A400/- (£St. 320/-) Rs. 4266·66	
3	William Jones Pty. Ltd., Australia.	5	£200/- Rs. 2666·66	310	£196/-† Rs. 2613/-	23	£196/- Rs. 2613/-	11	£206/- Rs. 2746·66	25	£1008/- Rs. 13,440/-	†£206/- Rs. 2746·66 for grey.
4	Wallace Grant Pty. Ltd., Australia.	5	£216/- Rs. 2880/-	310	£195/- Rs. 2600/-	23	£198/- Rs. 2640/-	11	£206/- Rs. 274666	25	£1060/- Rs. 14133·33	
5	Wright Stephenson and Co., Australia.	5	£222·14 Rs. 2969·33	315	£222·14 Rs. 2969·33	23	£222·14 Rs. 2969·33	11	£222·14 Rs. 2969·33	25	£490-12-6 Rs. 6541·66	

6	British Livestock Exports.	£400/-	£375/-	£315/-	£300/-	£800/-
		<u>Rs.5333.3</u>	<u>Rs.5000/-</u>	<u>Rs.4200/-</u>	<u>Rs.4000/-</u>	<u>Rs.6666.66</u>
7	London Bloodstock Agency.					£500 to 800
						<u>Rs.6666.66</u>
						to
						<u>Rs.10666.66</u>
8	UNIC PARIS	5 £300/-	100 £250/-	23 £275/-	11 £200/-	25 £3000/-

Messrs. Animex. Poland. Offered to supply at the rates at which they supplied Coach horses etc. the previous year viz., Rs. 2455/- per animal but that unless the requirements are in multiples of 250, the prices would still be higher

Notes :—(1) A contract for supplying 1000 horses was concluded with Messrs. Animex Poland in November 1962.

(2) A contract for 5 Coach Horses, 23 HBB Mares, 11 MAMB Mares concluded with Dr. Gaddini on 10-11-1962.

(3) Supply of 315 Saddle Horses was (marked \*above) was also included initially in the contract of 10-11-1962. Later when the contract of 22-12-1962 was finalised Dr. Gaddini was asked to supply 272 MA Mules in place of Saddle Horses, and the contract of 10-11-1962 was amended accordingly. i.e. Supply of 272 MA mules was substituted in place of 315 saddle horses.

**ANNEXURE E3**

*Comparative Statement of Quotations received in response of Telegrams addressed to Missions on 12-11-62—Contract concluded on 22-12-62.*

Sl. No.	Name of Embassy/ Country/Suppliers	HORSES			M.A. MULES			G.S. MULES			Remarks
		No.	C.I.F.	F.O.B.	No.	C.I.F.	F.O.B.	No.	C.I.F.	F.O.B.	
1.	Embassy of India, BEIRUT			£S 55-60	300	..	£S 55-60	200	..	£S 55-60	
	(i) Offered by Cypriot Govern- ment.	100	..	Rs. 733.33 to Rs. 800			Rs. 733.33 to Rs. 800			Rs. 733.33 to Rs. 800	
	(ii) Syria & Jordanian Breeding Areas.	..	..	..	..	..	..	300—500		Rs. 500-950.	
2.	High Commission of India in Can- berra (AUSTRALIA)										
	(i) Australian & Eastern Co. Ltd. MEL- BOURNE (Upto 31st March 1963)	300	£218*	..	..	..	..	..	..	..	
				Rs. 2328.24							
	(ii) Livestock Exports PERTH—30 to 60 horses per month.	30—60	£212*	..	..	..	..	..	..	..	*Presume pound Australian. (Ex rate Rs. 10.68)
				Rs. 2263.36							
	(iii) Wright Stephen- son & Co.—50 to 100 horses per month w.e.f. Jan. 1963.	50—100	£363-1-6@								@Aust Stg not known



3. E. GADDINI OF ITALY	..	..	..	3000	£S 145	..	4000	£S 125	..
					Rs. 1933·33			Rs. 1666·66	
4. Embassy of India ARGENTINE (BUNOS AIRES)									
(i) By Trade/Firms	Over 1000	..	£68	Over 1000	..	£57	Over 1000	..	£57
			Rs. 906·66			Rs. 760			Rs. 760
(ii) By Argentine Army (Trained Horses)	Over 1000	..	US 100	..	..	..	..	..	..
			Rs. 475						
5. Embassy of India in BELGARDE-BY M/S AGROEXPORT of YUGOSLAVIA.	Suffi- cient Number	..	\$240	..	..	..	..	..	..
			Rs. 1140·00						
6. Embassy of India in PARIS									
(i) Union Nationale Interprofessionnelle de Cheval PARIS	100	..	£S 250	200	..	£S 100	200	..	£S 100
			Rs. 3333·33			Rs. 1333·33			Rs. 1333·33
(ii) VIANDES at BETAILE PARIS	..	..	..	500	..	1·750 NF 1·775 NF	500	..	1·550—1·575 NF

*Note.*—Contract concluded on 22-12-62 for 1000 GS Mules and 3000 Mules.

## ANNEXURE F

*Copy of note 26 on File No. PC A/35062/Q/RV 2.*

This file deals with further import of Mules for the Army. The Statement of Case at encl. 24-A fully explains the case. I had also briefly mentioned this to DM a few days ago. Our experience of purchase of Mules in the last few years has been that the only person who can obtain Mules in large numbers and fulfil his contract is Dr. Gaddini of Italy. Some time ago it had been recommended by the Director, RVS, that we should float world tenders for additional quantities. I was opposed to it because—

- (i) this would only help to inflate prices while Dr. Gaddini was still busy fulfilling his past contract with us; and
- (ii) we were considering direct purchase of Mules from Cyprus and Argentina.

2. As DM is aware, our efforts to obtain Mules from Cyprus were a complete failure. In anticipation of getting some Mules we had booked shipping space which later had to be cancelled. As regards Argentina, there is no doubt about the availability of Mules, but shipping arrangements are not easy to make. Indian ships are not interested as Conversion for carrying Mules is expensive and they do not normally go to South America. DG Shipping was approached and he has advised that the cost of freight for Mules (inclusive of water and attendant, but exclusive of feed) from Argentina would be £90 per Mule. There would be an additional cost of £15 for feeding for 6 to 8 weeks and £5 each for insurance. This would mean that we will have to spend £110 only on the freight. If the cost of animals in Argentina, as estimated, is taken to be £ 57, it will cost us £ 167 each as against £125 each for GS Mule and £145 each for MA Mule (CIF Bombay) tendered by Dr. Gaddini.

3. We had separately written to our Embassies in Washington, Paris, Belgrade, Rome, Madraid and Copenhagen on 22nd June 1963 asking them to obtain quota-

tions *inter alia* for purchase of Mules. We had asked for these quotations by the end of July 1963. In view of Dr. Gaddini's offer, we sent a telegram on 14th July 1963 asking for a report within the next four days. Replies from London, Buenos Aires and Washington have been received. London has promised to send a report on 22nd July 1963. Buenos Aires has reported that no offers have so far been received. Washington has intimated that tender enquiries will take about one month. We need not wait for Washington's response. We had tried for Mules under the Aid Programme, but we were advised that Mules of our specifications are not likely to be available in USA. I am proposing to send a reminder to other Embassies and we may get one or two replies by the 23rd or 24th July.

4. In the meantime we must obtain a decision regarding Dr. Gaddini's offer. Negotiations with Dr. Gaddini were conducted by me, assisted by JS(Q), Addl. FA(III) and DRVS. It is the view of all of us that Dr. Gaddini's offer should be accepted as it does not involve any relaxation of specifications beyond those allowed under the contract signed some months ago. and it does not involve any increase in prices. It would also be impossible to obtain as many as 1,500 MA Mules and 3,000 GS Mules through any else. In this connection I give below an extract from Addl. FA (III)'s comments:—

'A' {

'B' {

"Having regard to the satisfactory supplies made by Dr. Gaddini during the past 2-3 years of large number of animals, the magnitude of our present requirements, the fact that this supplier's prices on the last two occasions when global enquiries were made have been the cheapest, and our experience that there are few other reliable sources for supply of Mules in large quantities and upto our specifications, there would be *prima facie* be no objection to extending the present contract to cover additional requirements indicated above."

5. The last date by which we should inform Dr. Gaddini is 24th July 1963. If DM approves, unless replies received from any of our Embassies justify a change, we may accept Dr. Gaddini's offer, as the fulfilment of this requirement is considered vital by the Army.

(Sd.) H. C. SARIN  
21-7-63

DM

27

In view of particularly of 'A' and 'B' above I agree with the proposals.

(Sd.) Y. B. CHAVAN,  
DM

21-7-63

Note:—In para 4, the figures typed in the original note are 1,000 and 1,500. The figures have been corrected in pencil to 1,500 and 3,000; the figures shown in pencil in the original note are given in the margin.

## ANNEXURE G

### EMBASSY OF INDIA ROME

#### AGREEMENT

This agreement made the Fourteenth day of September, One thousand nine hundred and sixty three between the President of India (hereinafter referred to as the Government of India) of the one part and Dott. Emilio Gaddini, Registered Trader (Chamber of Commerce, Industry and Agriculture, Rome, Registration No. 116717) with office situated at Via IV November 152, Rome in the Republic of Italy (hereinafter referred to as the suppliers which expression shall where the context so admits include its successors and assigns) of the other Part whereby it is hereby agreed as follows:—

1. The suppliers agree to sell and the Government of India agree to purchase on terms and conditions hereinafter contained animals of the respective numbers, descriptions and prices set out below:—

Class of animals	Nos.	Price per animal c.i.f. Bombay— £ Sterling	Total Price £ Sterling
MA Mules	1,500	145	2,17,500
GS. Mules	3,000	125	3,75,000
Donkey stallions	14	200	2,800
Donkey Mares	8	130	1,040
Horse Breeding Brood Mares	87	145	12,615
MA Mule Breeding Brood Mares	216	130	28,080
	TOTAL		6,37,035

Specifications of the above animals are indicated in Appendix 'A' to this agreement.

2. The suppliers shall at such places and at such times as shall be mutually agreed between the parties make animals available for selection by an officer deputed in that behalf by the Government of India (hereinafter referred to as the Selecting Officer). The

Selecting Officer shall be at liberty to carry out any test which he considers necessary to ensure that the animals are veterinarily sound and free from disease and for this purpose may have the animals examined by himself or through a local veterinary surgeon.

3. The prices offered and accepted are C.I.F. Bombay and include all expenses that would be involved towards the transportation, feed and upkeep from the place of selection to the place of handing over to the Government of India in India (Bombay), insurance charges covering voyage risk in respect of total marine loss and individual mortality of animals whilst they are in custody of carriers and upto one week after landing will remain the liability of the suppliers.

4. All arrangements for the loading and transportation of animals from the place of selection to the place of disembarkation will be made by the suppliers. Conducting parties required to accompany the animals during their transportation period and till they are handed to the Government of India will be provided by the suppliers at their own expense. The stay of this party in India and their return to Italy will also be the liability of the suppliers.

5. The animals approved by the Selecting Officer will be purchased and branded by the Selecting Officer. Nine copies of descriptive rolls will be prepared by the suppliers for the animals selected and purchased. One copy of the rolls will be retained by the suppliers and other eight copies distributed as under:—

- (a) One copy to be handed over by the suppliers to the Selecting Officer;
- (b) One copy to be furnished by the suppliers to the Embassy of India, Rome, with other documents for 90 per cent payment;
- (c) One copy to be sent by the suppliers with the escort of the animals;
- (d) The remaining five copies will be furnished to Embassy of India, Rome for distribution to:—
  - (i) Embarkation Commandant, Bombay .. 1
  - (ii) Director of Remounts and Veterinary Services, Army Headquarters, New Delhi .. 3
  - (iii) For keeping on the Embassy records .. 1

The animals will be delivered together with the insurance documents to an authorised representative of the Government of India at Bombay in a reasonably good condition within seven days of their disembarkation. The representative of the Government of India will compare these animals with the descriptions already recorded

and confirmed by the suppliers on the descriptive rolls. Animals which do not answer the descriptions as per these rolls or are not in a reasonably good condition will not be accepted.

6. Payment will be made by the Embassy of India, Rome, on terms specified below:—

- (a) 90 per cent CIF Bombay invoice value of the animals shipped will be paid on presentation of shipping documents;
- (b) Balance 10 per cent CIF Bombay invoice value of the animals shipped, less CIF Bombay invoice value of casualties, if any, during voyage or within seven days of landing in India (Bombay) will be paid within 30 days of delivery and acceptance of animals in India on production of Government of India certificate of acceptance of animals.
- (c) The above payments will be effected in Pounds Sterling.

The suppliers furthermore undertake that if insurance against documents are not issued in the name of the President of India, the same shall be duly assigned in his favour.

7. Animals will be shipped by the suppliers as soon after selection as is possible so as to arrive in India according to the following schedule:—

	By 31st December 1963	By 15th June 1964	By 31st Dec. 1964
MA Mules	..	500	1,000
GS Mules	..	1,500	1,500
Donkey Stallions	14	..	..
Donkey Mares	8	..	..
Horse Breeding Brood Mares	87	..	..
MA Mule Breeding Brood Mares	216	..	..

As far as possible, shipment will be effected in an Indian vessel but should an Indian vessel be not available the suppliers shall be at liberty to engage a foreign vessel specially equipped for the transport of animals and specially chartered for this purpose.

8. In the event of suppliers failure to comply with any of the clauses of the contract to the satisfaction of the Government of India, they will be liable to pay damages to the Government of India upto 10 per cent of the total value of the contract in addition to such incidental expenses which would have been incurred by the

(Government of India. Similarly, if any animals are rejected at the place of handing over to the representative of the Government of India in accordance with the provisions of paragraph 5 above, they will be replaced by the suppliers at their own cost or they will be liable to the full charges incidental to such rejection.

9. *Liquidated Damages.*—Time is the essence of the contract. In the event of the failure of the suppliers to deliver any of the animals (upto 3 per cent in case of a large number of animals, say over 200 being expected) within the time specified for delivery, it is agreed that the purchase reserves the option to recover, as liquidated damages and not by way of penalty, for the period after the animals were due until actually delivered or until the purchaser secures the animals from others, a sum equivalent to 2 per cent of the contract value of the undelivered animals for each month or part of month's delay.

10. The parties agree that during the pendency of this agreement, the Government of India will not purchase MA or GS Mules from any other supplier in North, South or Central America or in Europe.

11. *Distribution of Documents.*—(a) 12 copies of the invoices will be prepared by the suppliers and distributed as under:—

5 copies to the Embassy of India, Rome for 90 per cent payment;

1 copy to the Embassy of India, Rome for record;

3 copies to Embarkation Commandant, Bombay, India;

1 copy to Master of vessel;

2 copies to the Director of Remounts and Veterinary Services, Army Headquarters, New Delhi.

(b) Descriptive rolls of animals to be distributed as mentioned in para 5 above.

(c) *Bills of lading*

2 original bills of lading to be sent to the port consignee, namely, the Embarkation Commandant, Bombay. 1 copy direct by air mail and the second via Master of the Vessel;

1 copy of original bill of lading to be submitted to the Embassy of India, Rome, at the time of claiming 90 per cent payment;

2 copies of non-negotiable bill of lading evidencing ocean transportation fully paid to the port of Bombay should be submitted to the Embarkation Commandant, Bombay;

1 copy of non-negotiable bill of lading to the Embassy of India, Rome, for record.



12. All disputes and differences arising out of or in any way touching or concerning this agreement whatsoever, shall be referred to the sole arbitration of any person nominated by the Secretary of the Ministry or Department of the Government of India administratively dealing with the contract at the time of such nomination, or if there be no Secretary, the administrative Head of such Ministry or Department at the time of such nomination. It will be no objection to any such appointment that the person appointed is a Government Servant, that he had to deal with the matters to which the agreement relates and that in the course of his duties as such Government servant he has expressed views on all or any of the matters in dispute or difference. The award of such arbitrator shall be final and binding on the parties to this agreement. It is a term of this agreement that in the event of such Arbitrator vacating his office or being unable to act for any reason, such Secretary or Administrative Head as aforesaid at the time of such transfer, vacation of office or inability to act, shall appoint another person to act as Arbitrator in accordance with the terms of this agreement. Such person shall be entitled to proceed with the reference from the stage at which it was left by his predecessor. It is also a term of this agreement that no person other than a person nominated by the Secretary or Administrative Head of the Ministry or Department as aforesaid should act as Arbitrator and if, for any reason, that is not possible, the matter is not to be referred to arbitration at all.

Subject as aforesaid, the Arbitration Act, 1940 shall apply to the arbitration proceedings under this clause.

13. This agreement shall be read and construed according to the law of India.

IN WITNESS whereof the parties have hereunto set their hands the day and year first above written.

Sd/- Dott. EMILIO GADDINI,  
Suppliers.

Sd/- BRIJ KUMAR,  
Charge d'Affaires a.i.,  
Embassy of India, Rome,  
For & On Behalf of the  
PRESIDENT OF INDIA.

## SPECIFICATIONS

### 1. *Mountain Artillery Mules*

#### Colour

- Bay, Black, brown or chestnut. A few iron grey can be accepted.

#### Height

- Not less than 14-0 hands)  
Nor more than 14-3 hands) } Upto 10 per cent height  
(1.42 to 1.50 metres) } may be upto 15-0 hands.

#### Shank

- Not less than 7 inches.

#### Age

- 75 per cent to be within age group of 3 to 6 years;  
25 per cent to be between 7 and 8 years.

#### General

- Mules to have good bone and substance, true and straight action, i.e. no tendency to brush in front or behind, straight backs and to be sound in every respect. Must be veterinarily sound and free from disease.

#### Girth

- Mules measuring 14-0 hands to be not less than 63 inches and those measuring over 14-0 hands to be not less than 64 inches.

### 2. *General Service Mules*

#### Colour

- Bay, Black, Brown or chestnut. No greys or roans will be accepted. A few iron grey can be accepted.

#### Height

- Not less than 13-0 hands  
Nor more than 14-2 hands  
(1.32 to 1.47 metres).

**Girth**

— Not less than 58 inches.

**Age**

— 75 per cent to be within age group of 3 to 6 years;  
25 per cent to be between 7 and 8 years.

**General**

— Mules to have good bone and substance, true and straight action, i.e. on tendency to brush in front or behind, straight backs and to be sound in every respect and capable of pack or draught work. Mules to be veterinarily sound and free from disease.

**3. Donkey Stallions****Height**

— 13-2 to 14-0 hands (1·37 to 1·42 metres).

**Shank**

— Not less than 7 inches to 7½ inches.

**Girth**

— Not less than 60 inches.

**Age**

— 3 to 6 years.

**General**

— Should be compact, close coupled, heavy muscled animal of good quality, must be veterinarily sound for breeding operations.

**4. Donkey Mares****Height**

— 13-1 to 13-3 hands (1·34½ to 1·39½ metres).

**Shank**

— 6½ inches.

**Girth**

— 58 inches.

**Age**

— 3 to 8 years.

**General**

— Mares should be roomy type, fit for breeding. Should be veterinarily sound. If possible genital organs may be examined to see that ovaries, uterus and vagina are normal.

**5. Horse Breeding Brood Mares****Colour**

— Bay, brown, black or chestnut.

**Height**

— 14-3 to 15-1 hands (1·50 to 1·55 metres).

- Shank — 7 inches minimum.
- Girth — Minimum 65 inches.
- Age — 3 to 6 years.
- General — Mares should be of roomy type, stocky with broad quarters. No defects in genital organs.

**6. Mountain Artillery Mule Breeding Brood Mares (Draught Type Brood Mares)**

- Colour — Bay, brown, black or chestnut.
- Height — 14-1 to 14-3 hands (1.45 to 1.50 metres).
- Shank — Not less than 7 inches.
- Girth — 72 inches to 74 inches.
- Age — 3 to 5 years.
- General — Mares should be well-bred, have a draught type body— with clear sound straight heavy bone legs and large tough feet, should move freely with snappy straight action. Should have broad chest and wide between the hips and large well rounded barrel, good head and long neck. Should have preferably dropped at least one foal. Should be veterinarily sound.

---

Note.—Animals are measured by hands (a hand being 4 inches) or in metres.

- Height — The height is taken by a special measuring standard from the ground to the highest point of withers.
- Girth — The girth is measured from just behind the withers around the belly. The tape used, should be pulled as tight as possible without actually using force;
- Shank — The shank measurement is taken by measuring circumference of the portion 3 inches below the knee.
-

## ANNEXURE H

*Total value of contracts concluded with Dr. Gaddini of Italy for Supply of Animals from 1959-60 to 1965-66*

Date of contract 1	No. and description of animals 2	Price per head 3	Total cost 4
		£	£
19-12-1959	M.A. Mules . . . . . 130	154	20,020
	G.S. Mules . . . . . 800	150	1,20,000
	Donkey Stallions . . . . . 19	245	4,655
			1,44,675
7-10-1960	M.A. Mules . . . . . 1140	150	1,71,000
	G.S. Mules . . . . . 2190	135	2,95,650
	Donkey Stallions . . . . . 12	242	2,904
	Donkey Mares . . . . . 14	175	2,450
			4,72,004
30-9-1961	M.A. Mules . . . . . 80	120	9,600
	G.S. Mules . . . . . 3700	120	4,44,000
	Donkey Stallions . . . . . 3	226	678
	Donkey Mares . . . . . 11	165	1,815
			4,56,093
4-11-1962	G.S. Mules . . . . . 440	118	51,920
	Donkey Stallions . . . . . 11	200	2,200
			54,120
10-11-1962	Coach horses . . . . . 5	150	750
	M.A. Mules . . . . . 272	145	39,375
		(approximate)	
	H.B. Brood Mares . . . . . 23	150	3,450
	M.A.M.B. Mares . . . . . 11	130	1,430
			45,005
22-12-1962	G.S. Mules . . . . . 1000	125	1,25,000
	M.A. Mules . . . . . 3000	145	4,35,000
			5,60,000

1	2		3	4
			£	£
14-9-1963	M.A.M.B. Mares . . .	216	130	28,080
	Donkey Stallions . . .	14	200	2,800
	Donkey Mares . . .	8	130	1,040
	H.B.B. Mares . . .	87	145	12,615
	M.A. Mules . . .	1500	145	2,17,500
	G.S. Mules . . .	3000	125	3,75,000
				<u>6,37,035</u>
11-9-1965	M.A. Mules . . .	540	145	78,300
	M.A.M.B. Mares . . .	350	160	56,000
	Donkey Stallions . . .	10	200	2,000
				<u>1,36,300</u>
			Less 1 1/2% discount .	<u>681-10-0</u>
				<u>1,35,618-10-0</u>
	Coach horses . . .	3	150	450
	H.B.B. Mares . . .	7	145	1,015
	Donkey Mares . . .	5	130	650
				<u>2,115</u>
	GRAND TOTAL . . .			<u>25,06,665-10-0</u>
	Equal to . . .		Rs. 3,34,22,207	

## ANNEXURE J

*Statement showing the number of mules received during the period November, 63 to December, 64 and the issues of mules to units in the period December 63 to November, 65*

	Numbers Received		Issues Made
November 1963 . . . . .	34	December 1963 . . . . .	8
December 1963 . . . . .	552	January 1964 . . . . .	17
January 1964 . . . . .	443	February 1964 . . . . .	113
February 1964 . . . . .	461	March 1964 . . . . .	316
March 1964 . . . . .	883	April 1964 . . . . .	377
April 1964 . . . . .	306	May 1964 . . . . .	260
November 1964 . . . . .	976	June 1964 . . . . .	164
December 1964 . . . . .	840	July 1964 . . . . .	260
	<hr style="width: 50%; margin: 0 auto;"/>	October 1964 . . . . .	407
TOTAL . . . . .	4495	December 1964 . . . . .	77
	<hr style="width: 50%; margin: 0 auto;"/>	January 1965 . . . . .	141
		February 1965 . . . . .	2
		March 1965 . . . . .	135
		April 1965 . . . . .	516
		June 1965 . . . . .	13
		July 1965 . . . . .	1
		August 1965 . . . . .	32
		September 1965 . . . . .	55
		October 1965 . . . . .	61
		November 1965 . . . . .	9
		TOTAL . . . . .	<hr style="width: 50%; margin: 0 auto;"/> 2724

Number held in Depots on 1-12-1965 : 1716

Died : 55

## ANNEXURE K

*Statement showing issues of Polish Horses Received During Feb/Mar 63*

Total received. . . 995	
(1) Release orders issued upto 30 June 64. . . . .	479
(2) Casualties upto 30 June 64 . . . . .	46
(3) Issues from 1 Jul. 64 to 31 Dec. 64 . . . . .	83
(4) Casualties from 1 Jul. 64 to 31 Dec. 64 . . . . .	3
(5) Issues from 1 Jan. 65 to 31 Mar. 65 . . . . .	33
(6) Casualties from 1 Jan. 65 to 31 Mar. 65 . . . . .	5
(7) Issues from 1 Apr. 65 to 31 May 65 . . . . .	160
(8) Issues during the period June 65 to 31 Dec. 65 (including casualties) . . . . .	89
(9) Issues during Jan. 66 . . . . .	37
(10) Transferred as horse breeding brood mares . . . . .	60
	995



## APPENDIX V

### MINISTRY OF DEFENCE

*Further information on para 7 of Audit Report (Defence Services), 1965 furnished by the Secretary, Defence Production*

Copy of note 47 in File No. Part Case 5 to MF A/20616/Italy/Q/RV 2.

In this file we are dealing with the proposed contract with Dr. Gaddini for the supply of Mules. The matter was discussed today in the room of Addl. Secretary with Dr. Gaddini and in accordance with the decisions taken in that meeting, which was attended by DQMG, JFA, DRVS, DS(Equip), DS(Q) and myself, Dr. Gaddini has agreed to reduce the figure of supply of GS Mules from 4,000 to 1,000, to be supplied as follows:—

500 up to 15th June 1963.

500 from September 1963 to 30th November 1963.

2. The prices of MA Mules and GS Mules and other conditions set out in his offer of 24th November 1962 will remain the same.

3. He has also agreed that he will supply 272 MA Mules in lieu of 315 Saddle Horses at £ 145 each. This supply of 272 MA Mules will be over and above the 3,000 MA Mules in lieu of 315 Saddle Horses. He has requested that we may inform our Embassy in Argentina about this contract so that all necessary facilities and assistance is made available to him. The contract, as usual, will be signed in Rome and payment will be made in pound sterling through our Embassy in Rome.

4. Dr. Gaddini desires that a cable may be sent to our Embassy today for signing the contract for the supply of 3,000 MA Mules and 1,000 GS Mules since procurement action on his part is on hand and delay will cause dislocation in his arrangements which may also cause financial loss to him.

5. Addl. Secretary has already spoken to Shri Bhoothalingam about this and it may not be necessary to refer the file to him again. It is presumed that foreign exchange for the additional supply of 1,000 GS Mules and for the marginal adjustment in the difference in price between 315 Saddle Horses and 272 MA Mules at £ 145 each, which would approximately come to less than £ 100. will be made available.

6. Addl. Secretary may kindly see. I have spoken to JFA and he has told me that concurrence of Finance may be considered as given and that the file may be referred to him after the issue of the cable.

7. Draft of cable is at enclosure 47-B.

Sd/- (S. S. L. KAKKAR)  
JS(Q)  
20-12-62

Addl. Secretary

Sd/- (H. C. SARIN)  
20-12

## ANNEXURE

### MINISTRY OF DEFENCE

*Brief record of discussion held in Addl. Secretary's room on 8-7-63*

JS(Q) informed Addl. Secy. of the substance of discussions with Dr. Gaddini as per note attached, Enclosure I. Addl. Secy. desired that the effect of penalty clauses should be worked out on the basis of unfulfilled portion of the contract. A statement, as desired, is attached.

2. Addl Secy. also felt that it may be worthwhile discussing with Dr. Gaddini the question of future supplies and obtain his terms for our additional requirements for 1,664 MA Mules and 3,000 GS Mules, Enclosure II. He desired that JS(Q) may informally obtain the concurrence of Finance for obtaining quotations from Gaddini on the basis of existing contract viz., £ 145 per MA Mule and £ 125 per GS Mule.

3. Addl. Secy. also proposed the following two alternatives for discussing with Dr. Gaddini:—

- (a) We may consider offering him an additional contract for 500 GS Mules at a price that may be negotiated with him to the advantage of the Government of India; and
- (b) Over and above this additional contract for 500 GS Mules we may also obtain his quotations for the future contract for supply of MA and GS Mules by him.

4. DRVS felt that it would be better to ask for his quotations from omnibus agreement for the additional GS Mules towards existing contract and the additional requirements for 1963-64, otherwise it is likely that Dr. Gaddini may accept low price for additional 500 GS Mules and quote very much higher price for the new contract for supply of 1963-64 requirements. JS(Q) felt that it may not be possible to negotiate finally regarding the future supplies at this stage because we must wait for the enquiries, from our Missions. We must, however, take the quotations from Dr. Gaddini and if they are favourable we must negotiate further with him thereafter.

5. It was also felt that because the sources for supply of Mules are drying up fast, it is necessary to consider alternative means of

transport. D.R.V.S. indicated that he was putting up a scheme for the expansion of Alpine Horse breeding in India. This animal has been found useful for transport in hilly areas. J.S.(Q), however, felt that our own Schemes of Equine Breeding are long term and do not solve our immediate problems. It was felt that in view of shortage of Mules in the world if we can accept what Dr. Gaddini has told us and what our officers have stated as a result of their experience, it was high time that the Army Headquarters gave further thought to this question.

Sd./- S. S. L. KAKKAR

11-7-63.

## Enclosure I to Annexure

### MINISTRY OF DEFENCE

*Brief record of discussion between JS(Q) and Dr. Gaddini of Rome (DS/Q), DRVS and US (QS) were also present. (8-7-63)*

Dr. Gaddini came to Delhi on his own to see the authorities in respect of deliveries of existing contracts and to discuss our future requirements. He informed us at the meeting that our Mission in Rome had made enquiries from him on the basis of certain communication of the Government of India and he thought that he will avail the opportunity of discussing the question of further supplies also with us.

2. Deliveries in respect of existing contracts which are to be completed by November 1963 are as follows:—

MA Mules	1752 (1764)	} (Figures in brackets in this para give exact numbers ascertained later.)
GS Mules	425 (429)	

The total contract with Dr. Gaddini for supplies was for 3,272 MA Mules and 1,000 GS Mules out of which he had to make deliveries of 1,717 (1,772) MA Mules and 500 GS Mules by the end of June 1963. He has, however, made supplies of 1,520 (1,508) MA Mules and 575 (571) GS Mules so far and there has been a shortfall of 252 (264) MA Mules while he has made additional supplies of 75 (71) GS Mules during the spring deliveries. He has agreed to make good the balance of 252 (264) MA Mules during the autumn supplies.

3. Dr. Gaddini told us that he made a mistake to accept the large order of 3,000 MA Mules without obtaining a contract for equivalent number of GS Mules. He had, therefore, to pay very much higher prices for MA Mules. He also stated that during the last few years we had made the international mule market almost dry and the possibilities of further supplies are not very bright and the prices are likely to be very much higher. He requested that the contract for autumn supplies may be extended upto April 1964 and he may be given an additional order of 500 GS Mules to make his task easy and to ensure that he is not put to losses. He was informed that time is the essence in the supply of animals because we have to equip our

units and it was not possible to extend the autumn supplies up to April 1964. After some discussions he agreed to complete the autumn supplies by December 1963 and requested for an extension of one month. He also requested that it will facilitate the completion of the contract if additional order for 500 GS mules was placed on him and he was agreeable to charge at the last year's contract price of £ 125 per animal. JS(Q) mentioned about the penalty clause and Dr. Gaddini said that it was a matter for G of I to consider and decide.

4. JS(Q) requested Dr. Gaddini to give his assessment of the market conditions. Dr. Gaddini's estimate was as follows:—

- (i) *South American countries*—Mexico, Columbia, etc.—No MA mules to our specifications were available. 1,000 to 1,200 sub-standard MA Mules could be made available if the specifications were reduced. Prices in South American countries were as high as in European markets. The freight cost would be £70 per animal.
- (ii) *Argentina*.—He expected availability of 600 animals from September 1963 to February 1964 to our specifications.
- (iii) *Spain*.—He expected the availability of 600 to 800 MA Mules from September 1963 to 15th May 1964, to our specifications.
- (iv) *Italy and France*.—Although there has been considerable supplies of Mules from this part, he thought that it may be possible to procure 1,000 to 1,200 MA Mules to our specifications.
- (v) *U.S.A.*—It might be possible to procure about 250 MA Mules for completing his contract by December 1963. Further availabilities are doubtful.
- (vi) *Middle East*.—Nil.
- (vii) *South Africa*.—Nil.

He also indicated that 1,600 to 2,000 GS mules, to our specifications, will be available in European countries.

5. In respect of additional supplies, Dr. Gaddini felt that it would be necessary to give further relaxations in respect of MA Mules if it was desired to procure a large number of animals. The relaxation suggested by him was that 50% of age from 7 to 9 years. Relaxation asked for in Height and Shanks is as follows:—

Height 13·3 to 14	14 to 14·2	14 to 15·1
Shanks 6½	6¾	7

He also indicated that if these relaxations were agreed to, he could procure 2,000 MA Mules from Mexico and Columbia and 3,500 MA Mules from Europe. He could also procure 4,000 to 5,000 GS Mules.

6. As regards fresh contract, JS(Q) informed Dr. Gaddini that it has not yet been decided whether we will import any GS Mules. The requirements of MA Mules have also not yet been finalised and we have already made some enquiries from our Missions and it will be better if he gives the necessary information to our Missions. The Government of India will consider the question of future contract only after the information is known.

7. Dr. Gaddini requested that if any new contract is signed for purchases of MA Mules from Europe now, this will raise the prices both for new contractor and him and none of them would be able to complete this contract which ultimately may mean higher prices for India. JS(Q) pointed out that if he was not able to complete his contract by the schedule time, the Government of India could not be expected to withhold signing of the fresh contract. Dr. Gaddini, therefore, requested that the Government of India may agree not to enter into contract for fresh supplies upto November, 1963. The new contractor may be free to make purchases from European markets from the end of November. Dr. Gaddini also indicated the following shipping programme for the autumn supplies:—

*Argentina.*—MA and GS Mules from 20th August to September 1963—Two ship loads.

*Italy.*—September to November.

8. He informed us that if there are any shortfalls, he will make them up by import from USA. He requested that two officers should be detailed, one to Argentina for about three weeks and the other to Italy for 6-7 weeks.

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**Enclosure II to Annexure**  
**MINISTRY OF DEFENCE**

*Statement showing the damages that Dr. Gaddini may have to pay, if he is not able to complete his contract by November, 1963.*

Dr. Gaddini envisages a shortfall of 650 MA mules which he is now planning to supply during December 1963. If the extension by one month asked for for completion of the contract by December 1962 is not granted, this would attract the penal clauses in the contract. Addl. Secretary desired that the effect of penal clauses should be worked out on the basis of unfulfilled portion of the contract.

The requisite information would be as follows:—

*Under clause 8*

$\$145 \times 650 =$	
<u>          </u> \$9425	Rs. 125,667
10	

*Under clause 9*

$\$145 \times 650 =$	
<u>          </u> \$1885	Rs. 25,153
50	

TOTAL	<u>11310</u>	<u>Rs. 150,800</u>
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Sd./- (T. D. Sachdeva),  
Deputy Secretary (Q)  
9-7-1963.

JS(Q)                      Sd./- (S. S. L. Kakkar),  
Addl. Secy.                      9-7-1963.

*Brief Record of discussion between Additional Secretary and Dr. Gaddini of Rome on 11-7-1963 at 1640 hours [JS(Q)], Addl. FA III, DS(Q) DRVS were also present.*

Addl. Secretary informed Dr. Gaddini that they were unable to accept any relaxation beyond what they have already agreed in the existing contract. Our requirements for MA mules were 1500. To facilitate this purchase, they were prepared to give him an order for mules as under:—

- (i) MA 1500
- (ii) GS 1500



These mules could be supplied by November 1964. We also agreed that we would not enter the market ourselves and also would not give any contract to any other contractor to compete with him during the pendency of supplies by him.

Addl. Secretary gave him another alternative, i.e. accept his offer of 500 MA mules and 1000 GS mules to be supplied by May 1964. In that event, we would be free to enter the market after the end of November 1963 to purchase the shortfalls either directly or through any other contractor.

Dr. Gaddini agreed to consider this offer. He promised to let us have his reply tomorrow, the 12th July, 1963 at 1630 hours.

*Brief Record of discussion between Additional Secretary and Dr. Gaddini of Rome on 12-7-1963 at 1640 hours [JC(Q)], Addl. FA III, DS(Q) and DRVS was also present.*

With reference to discussion held in Addl. Secretary's room, on 11-7-1963 Dr. Gaddini made the following offers:—

#### *First Alternative*

1. 1500 MA mules @ £ 165 per animal C.I.F. Bombay.
2. 1500 GS mules @ £ 145 per animal C.I.F. Bombay.

#### *Second Alternative*

1. 1500 MA Mules at £ 160 per animal C.I.F. Bombay.
2. 2000 GS Mules at £ 140 per animal C.I.F. Bombay.

#### *Third Alternative*

1. 1500 MA mules at £ 150 per animal C.I.F. Bombay.
2. 3000 GS mules at £ 130 per animal C.I.F. Bombay.

#### *Fourth Alternative*

If Government of India agreed to accept relaxation in shanks to 6½" for 30% of the supply of MA mules he could supply 1500 MA and 2000 GS mules at the existing prices, i.e. £ 145 for MA and £ 125 for GS mules per animal.

2. Addl. Secretary stated that relaxation in bones specification as proposed by Dr. Gaddini was not acceptable since this would reduce the load carrying capacity of the animal and they were only paying for its utilisation.

3. Dr. Gaddini proposed that relaxation in shanks upto 6½" for at least 15% of animals may be given before he could accept the Fourth alternative at existing rates. since MA mules of our specification in

the world market were in short supply. The relaxation in Dr. Gaddini's view was absolutely necessary.

4. Addl. Secretary stated we give our specifications after considerable care and on the basis of expert advice. Proposal for relaxation in bone was not acceptable to him in any quantities.

5. Addl. Secretary stated that the third alternative would be acceptable, viz. 1500 MA mules and 3000 GS mules but must agree to accept the current prices of £ 145 for MA and £ 125 for GS mules per animal instead of £ 150 and £ 130 quoted by him. After some discussion, he agreed to the third alternative at the existing prices provided he was allowed to mix the two contracts. From the current contract 1764 MA Mules and 427 GS mules were outstanding. Addl. Secretary stated that Government of India could not agree to his demand to extend the current contract for the supply of MA mules by another one month as proposed by Dr. Gaddini. The supply of MA mules under current contract must be completed by November 1963. He could, however, start making supplies of GS mules against his new contract during the currency of the existing contract.

6. For deliveries of animals under the present contract, Dr. Gaddini wanted selecting officers to be made available in Argentina and Rome as follows:—

*One selecting officer for Argentina.*—He should arrive in Rome not later than August 18, 1963 to proceed to Argentina with him. This officer will have to stay in Argentina for about 3 weeks.

*Second selecting officer should arrive in Rome not later than September 2, 1963.* This officer will be required to stay in Europe till November 1963 for selection of animals in Europe.

Dr. Gaddini added that if the fresh contract was also signed, he would need the second officer for second contract upto May 1964. DRVS stated that this would mean the officer would be away for 10 months. This was too long a period for an officer to be cut for such duties. It may therefore be necessary to rotate the officer after 5 months.

7. *Payments.*—Dr. Gaddini desired that he will be purchasing the animals in Mexico, Argentina, Spain etc. It would be appreciated if Indian Embassy in Rome was authorised to make payments in Switzerland. This would enable him to pay for his North America Commitments.

**8. Schedule of Deliveries.**—Dr. Gaddini was advised to commit this offer in writing in regard to the prices offered, delivery schedules, the dates he wanted the selecting officers to be available in Argentina and Europe and mode of payment. The matter will be placed before the Government and steps will be taken to obtain the decision within a week for communication to Dr. Gaddini.

*Brief record of discussion held in Addl. Secretary's room on 7-9-1963 on the question of purchase of animals for the Army for 1963-64.*

*Present:*

#### MINISTRY OF DEFENCE

- (1) Shri H. C. Sarin, Addl. Secy.—Chairman.
- (2) Shri S. S. L. Kakar, JS(Q).
- (3) Shri S. B. Guruswamy, US, D(QS).

#### *Ministry of Finance (Def.)*

- (4) Shri G. C. Katoch, Addl. FA(III).
- (5) Shri G. C. Jerath, DFA.

#### *Ministry of Law*

- (6) Shri V. S. Jetley, Jt. Secy. & legal Adviser.

#### *Army Headquarters*

- (7) Maj. Gen. R. N. Mehra, DQMG.
- (8) Brig. R. K. Sethi, DRVS.

Shri Jetley, Joint Secretary & Legal Adviser gave the advice that since the agreement with Dr. Gaddini has not yet been signed, there will be no legal objection to withhold the finalisation of the contract. It was clarified by him that such a course will not give rise to any sustainable claims by Dr. Gaddini against the Government of India or its officers who conducted the negotiations. The Ambassador who also conducted the negotiations with Dr. Gaddini and communicated to him, orally or otherwise, any understanding or commitment will also not be affected by virtue of his diplomatic immunity. While this was the strictly legal position, the propriety of such a course however, was for the administrative Ministry to consider and decide.

2. From the administrative point of view Addl. Secy. expressed the view that the commitments which have been made to Dr. Gaddini are morally binding and it would seriously affect the prestige of the Government of India if we were to back out of the commitments which were made after due consideration.

3. JS (Q) drew the attention to the fact that the Argentina firm had full opportunity to quote for our entire requirements upto 30th July 1963 by which time we had asked for quotations. We had requested our Embassy in Argentina to ask the firm to quote for our entire requirements along with the schedule of delivery. This firm, however, refused to make any commitments regarding future supplies within the stipulated time. JS(Q) also drew attention to the fact that when we made limited enquiries from our Embassies we had given the date-line of 30th July 1963 by which time the offers were to be received by us. Except for Dr. Gaddini no other supplier made an offer to meet our full requirements. This firm also gave an offer to meet only a very small proportion of our requirements. We informed our Embassy on 13th August 1963 that the negotiations with this firm need not be pursued further since Government of India had taken a decision to enter into a contract with Dr. Gaddini of Rome. If Government of India were to consider offers received after certain date-lines fixed by them, and after contractual commitments had been made after considering the offers received by a fixed date-line it will be against all accepted principles and sanctity of tender system and may give rise to serious difficulties. In such circumstances Government can be flooded with offers which may not be *bona fide* and cause considerable embarrassment.

4. Addl. FA (III) drew attention to the fact that the difference in the financial effect of the offer of Dr. Gaddini and the offer now received from Argentina was considerable and, therefore, suggested consideration of the offer of the Argentina firm on merits.

5. Addl. Secy. requested Brig. Sethi, DRVS, to read out from the report of Lt. Col. Nayar who had made on-the-spot study of the supply position and availability of mules in Argentina during his visit to the country for selection of mules in connection with an earlier contract entered into with Dr. Gaddini during February/ March 1963. According to Lt. Col. Nayar, the Stallions used in Argentina were poor in quality and small in size and the progeny too was accordingly short in height. Not many mules were available in Argentina and the Director General, Remount & Veterinary, Argentina, with whom Lt. Col. Nayar had discussed the subject had estimated that 400 to 500 mules might be available during a season, the season being the shipping season from September/ October to May. Addl. Secy. said that we cannot ignore the advice of our technical officer. It would, therefore, appear that the offer of the firm to supply our entire requirements by July 1964 would be unrealistic. It is already known that the Argentina firm was not experienced in the supply of animals and its earlier offer was

considered unrealistic. This has been confirmed by the fact that the firm has since increased its price although the number of animals that the firm proposed to supply is much larger. It was, therefore, not considered safe to conclude a contract of this magnitude with the supplier who was not thoroughly reliable especially when the demand of these animals is so vital.

6. Addl. FA (III) expressed the view that in case we doubt the capacity of the Argentina firm to meet our entire requirements, we may consider placing a part of our order on the firm to test its capacity and *bona fides*.

7. After discussion, it was agreed that our Embassy in Italy may be requested to ascertain from Dr. Gaddini whether he is agreeable to exclude Argentina from the restriction on the Government of India in entering into contract with any supplier other than Dr. Gaddini for the supply of animals if the order on him is reduced by 1,000 animals out of which one-third would be MA Mules and the rest GS Mules. In case Dr. Gaddini was agreeable to such a course, the number of mules to be supplied by him may be reduced correspondingly in the contract and the Government of India informed so that further action may be taken for conclusion of a contract for 1,000 animals with the Argentina firm. It was also agreed that if Dr. Gaddini was not agreeable to this and if our Embassy had already made a commitment to Dr. Gaddini in regard to the proposed contract orally or in writing the commitment should be honoured and the contract duly entered into as already approved.

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*Copy of Telegram No. 14688 dated the 14th July 1963, to Indembassy, Washington, Moscow, Paris, Belgrade, Rome, Buenos Aires and Hicamind, London and Canberra.*

Reference purchase animals abroad. Dr. GADDINI Rome has offered 1500 M.A. and 3000 G.S. Mules, Horse and Donkey Stallions, Horse, M.A. Mule and Donkey Mares as required. Before finalising Government would like to know whether any offers received w.r.t. Defindia letter, dated 22nd June, 1963. If so uptodate position regarding supplies delivery schedules and prices offered be intimated within next four days.

*Copy of telegram No. 14691 dated 19-7-63 to Indembassy, Rome.*

Reference our Telegram No. 14688 July 14(.) GADDINI while here offered supply M.A. and G.S. Mules at same rate as existing contract and desired our decision by Twentieth(.) Inform GADDINI that Government orders being obtained and we hope to communicate our decision in about a week(.)

*Copy of Telegram from Dr. GADDINI of Rome received on 30-7-63.*

Ref. our agreement please expedite cable your formal acceptance my offers 12th July presented by me after meetings Delhi thanks.

*Copy of Telegram No. 14711 dated 30-7-63 to Indembassy, Rome.*

Continuation our telegram No. 14691 July 19 regarding mules GADDINI has offered 1500 M.A. mules and 3000 G.S. mules at c.i.f. £145 and £125 each respectively deliveries to be completed by December, 1964. Previous contract understanding was no other suppliers will be given contract in Europe. Now he desires ban should apply also to North, South and Central America. Government reluctant accept this additional condition but if GADDINI insists on it he should reduce price by £5 per mule. Please intimate GADDINI's reply.

*Copy of Telegram received from Dr. GADDINI on 1st August, 1963.*

Ref. your cable Embassy very sorry cant change anything of my offers of 12th July as for conditions(.) As for prices stop will kindly consider validity of those offers expiring next Monday 5th August and my offer. Horses following offer mules stop. Thanks regards.

*Copy of Telegram No. 36 dated 1-8-63 from Indembassy, Rome.*

Reference your telegram No. 14711 of 30th July. GADDINI insists ban applicable to Americas also. He says it is not possible to reduce price. GADDINI anxious early reply.

*Copy of Telegram No. 14719 dated 3rd August 63 to Indembassy, Rome.*

Reference your telegram 36 August 1(.) On further consideration GADDINI'S offer 12th July GS and MA Mules acceptable(.) He also offered supplies of Donkey Stallions Donkey Mares Horse Breeding Mares MA Mules Breeding Mares and Horse Stallions at pound Sterling 200 repeat 200, 165 repeat 165, 145 repeat 145, 130 repeat 130 and 500 repeat 500 respectively(.) These offers also acceptable except that

- (a) In case of Donkey Mares he should agree to accept £130 repeat £130 instead of £165 repeat £165
- (b) For Horse Stallions matter under consideration pending which he should keep offer open

We expect that if above is offered to Gaddini as a package transaction he will agree to reduction in case of Donkey Mares as indicated above(.)

Terms and conditions of supply will be generally as for existing contract(.) On receipt of your confirmation regarding Gaddini's acceptance draft contract agreement will be sent to you for execution(.)

*Copy of Telegram No. 38 dated 5-8-63 from Indembassy, Rome.*

For Defindia.

Reference your telegram No. 14719. GADDINI ready to accept £130 repeat £130 in case of donkey mares as suggested by you. He is also willing to keep the offer for horse stallions pending.

*Copy of telegram No. 14729 dated 13-8-1963 to Indembassy, Rome.*

Reference your telegram 38 of August 5(.) GADDINI's offer with modifications as agreed by him accepted by Government(.) Draft contract being sent by bag(.) Please confirm if 18th August for first selecting officer to arrive Rome for selection of animals in Argentina stands(.)

## APPENDIX VI

*Additional note furnished by the Secretary, Defence Production relating to para 7 of Audit Report (Defence Service), 1965.*

### DISADVANTAGES IN CONCLUDING CONTRACTS ON F.O.B. BASIS

Under F.O.B. arrangements a high degree of coordination is necessary between the Shipping Companies and the suppliers. Animals should be selected and purchased from suppliers by the time ship is ready to receive them for transportation. This involves—

- (a) arranging a ship so that it reports in time at the port of embarkation. If the ship is delayed, the suppliers will object to keeping and feeding animals unnecessarily for longer period.
- (b) If the animals do not report in time when the ship has arrived at the port, the Shipping Companies will claim demurrage for the delay involved.
- (c) It may not be possible to select the full quota or any of animals for carriage by the ship. This will involve wasting the capacity of the ship and consequently higher cost per animal. This fact will be clear from the following instances in which we tried to purchase animals F.O.B.:—
  - (i) In 1952 we had contracted for the supply of 100 mules from Iraq on FOB basis. An officer was deputed to select these mules and necessary shipping arrangements were also made with a Shipping Company for transportation of these mules. The contractor failed to supply the animals and infructuous expenditure was incurred. This resulted in Audit Para (para 13) in the Audit Report Defence Services, 1953.
  - (ii) In April 1963, at the instance of our Ambassador at Beirut, it was arranged to purchase 300 mules from Cyprus on FOB basis. Shipping arrangements for carriage of these animals were made. An officer was deputed to select these mules. It was found that mules of our specifications were not available in that country.



2. The following administrative arrangements and extra expenditure has also to be catered for if animals are accepted FOB:—

- (a) Cost of attendants, who may have to be transported to the country of purchase in the first instance to look after purchased animals on the ship.
- (b) Procurement of grains, fodder and water for the journey and meeting expenditure thereon.
- (c) Cost of veterinary arrangements.
- (d) Insurance.

3. The cost of these items will depend on the length and distance of the voyage. In the case of Argentina, the cost of feeding was estimated to be £15, cost of insurance £5 per animal whereas the cost of transportation inclusive of water and attendants was estimated to be £90 per mule by the D.C. Shipping at the conference rate.

4. In view of the above difficulties, in 1959 it was agreed in a meeting attended by representatives of Ministry of Defence, Ministry of Finance (Defence), Ministry of Transport & Communications and Ministry of Works, Housing and Supply, that C.I.F. quotations only need be considered, but the supplier with whom it was proposed to negotiate further, should be persuaded to lessen the difference between the CIF and FOB quotations as far as possible. FOB quotations were, therefore, primarily obtained in subsequent enquiries for purchase of animals for purposes of this comparison

## APPENDIX VII

### MINISTRY OF DEFENCE

**SUBJECT:—***Para 8 of Audit Report Defence Services 1965—Locking up of funds in the purchase of animals from abroad.*

Early in November, 1962 proposals were made by the Army Headquarters for the procurement of 3491 horses, apart from large numbers of M.A. & G.S. Mules, to meet the requirements of new units proposed to be raised, deficiencies in existing units and maintenance requirements. The raising of the new units was expected to be completed only by December 1963, but since the procurement of the horses, their acclimatization and training would take time, arrangements had to be made for the immediate purchase of the horses so that trained horses could be supplied to the units as and when they were raised.

2. The demand for animals being quite large and the time available for procurement limited, it was considered that all sources should be tapped to get the requirements. It was gathered that Polish authorities would be in a position to supply 1000 horses. Negotiations were, therefore, conducted with the Polish Commercial Counsellor in India on 12-11-62 and a contract was signed on the 14th November, 1962 with M/s. Animex of Warsaw, Poland, under the terms of the Indo-Polish Trade Agreement for the purchase of 1000 horses at the rate of Rs. 2455 each, payable in non-convertible Indian rupees.

3. In December 1962 i.e., after the contract for the purchase of horses had been concluded, the requirements of animals were reviewed keeping in view the changed conditions and the designation/structure and number of units as initially planned were modified resulting in considerable reduction in the requirements of animals. As a result of this review the demand for horses was reduced from 3491 to 1205.

4. Against the contract concluded with the Polish firm 995 horses were received during February/March, 1963.

5. The normal period of acclimatisation for imported horses is one year. In addition, a period of 36 weeks is normally allowed for training of imported horses, but this period was reduced to 20 weeks

due to the emergency. It, therefore, takes 1½ years for the animals to reach the units after their receipt in the Depots on arrival from abroad.

6. Although facilities were available for training these horses in the Remount Depots, in this particular case due to an outbreak of Glanders from 10th April to 12th November 1963, the training and acclimatisation of horses were adversely affected for about 7 months. Again due to an outbreak of Influenza since 25th April 1964, the progress of training was retarded.

7. Apart from the delay in training and acclimatization of the horses for the reasons mentioned in para 6 above the schedule of issues to the units was upset as a result of re-organisation of units, revision of scales of entitlement and non-raising of units programmed for raising. The Chief of Army Staff had felt that the Mountain Divisions were too unwieldy and that they should be streamlined so as to provide a better "teeth to tail" ratio. It was, therefore, decided on 26th April 1963 that the AT Companies should be under-posted by 13 rides (horses) each. Although this under-posting was to be done, the entitlement of the AT Companies, was left undisturbed. This as well as other changes affected the issue of horses as indicated below:—

(i) Temporary decision taken in April, 1963 and communicated to Commands on 31-5-63 to reduce the authorised strength of 14 A/T Companies attached to Mountain Divisions by 13 Horses each. This resulted in non-issue of 14×13 horses	182
(ii) A decision that 21 Mob vet Secs will remain without animals was taken in August, 1964. This resulted in non-issue of 42 horses.	42
(iii) Delay in the raising of units: 3 Fd Amb Tps CI I and 3 FARUS—resulting in non-issue of horses	21
TOTAL	249

8. Later, on the recommendation of the user Dte, the under-posting of AT Companies was re-examined in the light of experience gained and in November 1964 it was decided to restore 8 rides to each A/T Coy., thus continuing the under-posting of 5 rides per Coy. The entitlement of AT Coys. still remains unaltered and Army HQRs. consider the existing under-posting of 5 rides also to be temporary subject to review at an appropriate occasion.

9. The provisioning of animals is done on the basis of maintenance at "peace" and "contact" rates. If no hostilities occur there will

always be a surplus of animals intended to cover war wastage. This situation has to be accepted as planning in the Army has to cater for eventualities of a war. Animals against GS Reserves as well as Maintenance Reserves are always held in the Depots. These could be Indian, Polish, Australian or any other horses. Immediate and unforeseen demands are met from these reserves.

10. On 30th June 1964, 1,026 horses were held in the Remount Depots. Of these 418 were against authorised reserves, 597 were under training and these were held against unit entitlements and there was a surplus of 11 horses. On 1st January 1966, 725 horses were being held in the Depots as follows:—

(i) Reserves . . . . .	385	
(ii) Against Unit Entitlements . . . . .	340	£The actual Unit entitlements work out to 373 and there is at present a deficiency of 33 horses against the authorised strength.

Out of the 340 horses held in the Depots against unit entitlements, release orders in respect of 144 horses have been issued. Units concerned have to collect these animals. 70 horses are held against the entitlement of 14 A/T Coys attached to Mountain Divisions which are still kept under-posted by 5 horses each. The balance of 126 horses are held in the Depots pending raising of units, reorganisation of certain units, etc.

11. As regards the point raised in the Audit Para that a balance of 470 Polish Horses were still held in the Depots at the end of June 1964 after more than 15 months of their arrival in India, it may be stated that, as already explained, it takes about 1½ years to draft an imported horse from the depot to the unit. Urgent requirements of units were, therefore, met from the reserves and by issuing horses which were not fully trained. The acclimatisation and training were adversely affected by epidemic. Issue of trained horses was also affected by the reorganisation of units, changes in unit entitlements, underposting of certain units, etc. The reserves to be held were also progressively scaled down from 1,715 horses in November 1962 to 385 horses in January 1966. There is no irregularity involved in the retention of the animals in question in the Remount Depots for eventual issue to units on getting them trained so long as the animals held in the Depots are within the authorised strength of the Army. In this case there was no over-provisioning of horses.

12. Out of the 995 horses imported from Poland only 97 horses remained in the Depots on 1-1-1966. This number is included in the

total number of 725 horses held in the depots on 1-1-66 mentioned in para 10 above. Of these 97 Polish Horses release orders in respect of 15 have already been issued, leaving only 82 of which 65 have been earmarked for breeding purposes.

D.A.D.S. has been.

(Sd.) G. L. SHETH,  
Additional Secretary.

## APPENDIX VIII

*Summary of main conclusions/recommendations of the Fifty-first Report of the Public Accounts Committee on paras 7 and 8 of Audit Report (Defence Services), 1965.*

S. No.	Para No. of Report	Ministry concerned	Conclusions/Recommendations
1	2	3	4
1	2 24	Defence	From the evidence it is clear that the contractor had defaulted in supplies on some occasions and that even at the time of negotiations (July, 1963) such defaults were continuing. The Committee are not satisfied that the conclusion of the Ministry that the performance of the supplier was satisfactory was fully justified.
2	2 27	do.	The Committee are surprised how the Italian supplier was considered to be "more experienced and reliable" in 1959 when the Ministry of Defence were dealing with him for the first time.
3	2 29	do.	The Committee fail to understand why even enquiries were not made and negotiations carried out with the Spanish firm, whose rates were the cheapest. They feel concerned to find from a note that certain relaxations in specifications had been agreed to in the case of the Italian supplier in respect of contracts concluded in 1962 and 1963. This indicates that the two firms were not uniformly treated.
	2 30	do	The Committee are further constrained to observe that:— (a) There was no proper open tender system followed.

- (b) The system of negotiations was not based on any rational system but arbitrary rule of thumb.
- (c) The requirements seem to have been relaxed in the case of the Italian supplier while in other cases the tenders have been rejected on the ground that no such relaxation was possible, and
- (d) While both C.I.F. and F.O.B. prices were invited, only C.I.F. prices were considered and F.O.B. prices completely ignored even for evaluating the quotation.

4      2:32      do.

The Committee feel that the quotation and the rate furnished by the Ministry do not dispute the obligation under the F.O.B. terms of the supplier to load the Cargo on ships.

5      2:35      do.

The Committee are of the opinion that having called for F.O.B. and C.I.F. quotations, Government was bound to consider and compare both the rates before selecting a firm. They are amazed at the explanation that Government was not in a position to organise collection, maintenance and shipment of animals at the ports particularly when these were the express responsibility of the supplier under the F.O.B. terms. The full implications of the 'F.O.B.' terms were not obviously appreciated by the officers concerned. It is unfortunate, that F.O.B. quotations were completely ignored and not taken into account even with a view to examining the reasonableness or otherwise of the C.I.F. rates offered. This precaution was all the more necessary in the year 1962-63 since only C.I.F. quotation was received from the Italian party.

1	2	3	4
6	2.36	Defence	The facts disclosed in the preceding paragraphs clearly establish that at no time the rates offered by the Italian supplier were the cheapest as claimed by the Ministry of Defence in justification of their awarding contract to him in 1963.
7	2.43	do.	The Committee are surprised to learn that the item in question viz., Mules, was not included in the shopping list for U.S.A., U.K., U.S.S.R., France, Canada and West Germany.
8	2.45	do.	(i) The Committee are not convinced by this explanation. The above facts disclose that the long term requirement of mules was continuously being assessed and discussed. They do not establish special urgency. The requirement was also reduced from 4,492 to 1664. Even so no concrete steps were taken to procure these animals. Had the matter been initially considered of special urgency the Ministry of Defence would have been more prompt and initiated action for purchase with greater speed. The urgency was of a general nature. In any case there is nothing at all to indicate any increase in that urgency between 22nd June, when the Embassies were addressed and 14th of July, when telegram was sent to the Embassies.
	2.46	do.	(ii) The Committee cannot help the feeling that in negotiating this deal the officials of the Ministry were more anxious not to lose the Italian Supplier's offer than to meet the requirements of the Defence Services. Having addressed the Indian Missions abroad, the only proper course to follow would have been to await the replies by the due date, viz. 31st July, 1963. There was no urgency



to justify hasty negotiation with the Italian Supplier, when even the total requirement of animals had not been finalised. The undue haste shown by the officials of the Ministry in this matter and the manner in which they readily allowed themselves to be hustled into this deal are apt to create an impression that the whole affair was weighed in favour of the Italian deal hampering all other enquiries and to create a situation in which only the Italian Supplier's offer could be accepted.

2 47

do.

(ii) The Committee are also surprised to note that on 14th July, 1963, (which was a Sunday) a telegram was sent to the Indian Embassies calling for reply within 4 days when in their circular letter, dated 22nd June, 1963, the Ministry of Defence had asked for the necessary information till 31st July, 1963. The Committee feel that by issuing this telegram on 14th July, 1963 and asking for the reply within 4 days, the Government was deprived of the information which they would have received by the end of July, 1963, as originally stipulated.

187

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2 48

do.

The Committee further find that in the circular letter of 22nd June, 1963, the date of delivery was mentioned as May, 1964. Later on when the contract was entered into with the Italian supplier the date of delivery was extended upto December, 1964. By this process the supply was not obtained earlier either.

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do.

The Committee regret to observe that even though no contract was finalised with the Italian supplier till September, 1963, the Ministry of Defence did not consider it worthwhile to obtain information regarding world market prices from the various Embassies.

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They did not even pursue the matter with the Indian Embassy in Washington and the High Commission, London, who had indicated that more time was required to collect this information.

II

2.52

Defence

The Committee are not convinced by this explanation. Since in their letter dated 22nd June, 1963, addressed to the Embassies the Ministry had not specified even their approximate requirements but had only desired that the offer should not be for less than 250 animals it is not understood how they could expect the Argentine firm to quote for their total requirements from the very beginning. It was only on 26th July, 1963, for the first time that the Ministry had given the Embassy in inkling of their total requirements and on the 1st August, 1963, they were informed that not only were the firm in a position to supply a good number of animals immediately, generally in accordance with the terms and conditions and specification of animals set out by the Government of India, but with proper spacing were also in a position to meet the full requirements. In view of this communication from the Indian Embassy the plea taken by the Ministry that the firm had not given the guarantee that they would be in a position to supply the balance of the requirements is not convincing.

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12

2.59

do.

The Sub-Committee are of the opinion that there was no scope for entertaining any doubts about the offer of £85 per animal from

the Argentine firm and for treating it as "unworkable" and "unrealistic", because:

- (a) the offer was made by an experienced businessman;
- (b) the firm's reliability was confirmed by the Indian Embassy,
- (c) it was confirmed that there was no mistake about the quotations, and
- (d) the firm was prepared to accept the penalty clause.

13

2 60

do.

In response to earlier enquiries, the firm had quoted f.o.b. rates as low as £85 per animal. Thus there was a margin of £50 per animal for freight etc. in the offer of the firm. In the first place the Ministry of Transport in their reply had stated that in the absence of knowledge of the local circumstances and other factors it was not possible to make a firm statement whether the freight quoted was workable and genuine or not.

Secondly the Sub-Committee observe that against the contract for the year 1961-62, the Italian supplier had himself quoted f.o.b. and c.i.f. rates at £94 and £141 respectively leaving a margin of £47 only for freight etc.

Finally in their telegram, dated 24th July, 1963, the Indian Embassy, Argentina had informed the Ministry of Defence that the firm was able to arrange a thousand capacity ship thus cutting their shipping cost.

189

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1	2	3	4
14	2 61	Defence	<p>It is also surprising that when the party gave low quotations, it was considered unreliable, but when it increased the quotations with full justification, it was considered to be an additional reason of unreliability.</p>
15	2 62	do.	<p>The Committee feel that had the above factors been properly assessed by the Ministry of Defence they could not have summarily rejected the lower offer as they had done in this case. Even if the Ministry had any doubts they could have at least placed an "educational" order for a smaller number of animals as admitted by the representative of the Ministry. Since the firm had agreed to sign a penalty clause no risk was involved and in the event of a default Government could have recovered suitable damages. It is most unfortunate that the Ministry at the time of placing the order with the Italian firm did not make proper calculation of the freight rates etc. and in the result suffered a huge loss.</p>
16	2 65	do.	<p>The Committee are constrained to observe that a very unusual condition was accepted by the Ministry without proper justification. In the course of evidence, the Additional Secretary tried to justify his stand by saying that it was not abnormal for any supplier to impose such conditions but when asked to substantiate his statement he could not quote even a single instance.</p>
17	2 66	do.	<p>The Committee are also unable to appreciate how a condition put forth by one party could determine the merits of the offer of the</p>

Argentine firm. Apart from the desirability and justification for agreeing to such a condition from the supplier, the fact remained that until a contract was signed with the Italian supplier this condition had no meaning. This only indicates that the authorities had already made up their mind to place an order with the Italian supplier.

18            2 69            do.

The Committee deprecate the manner in which the report of the technical officer was interpreted and conclusions drawn, which were not quite correct. In this connection the extracts given in this Report from the report of the technical officer are self-explanatory.

Further in their letter, dated 23rd July, 1963, the Indian Embassy in Argentina had stated that Argentina had good potential resources to meet the entire requirements of Defence.

The firm also in their letter, dated 19th July, 1963, had informed that there were enough mules in the country to meet the requirements for 1963-64. The Committee are, therefore, surprised how in the face of this evidence with them the Ministry concluded that not many mules were available in Argentina.

19            2 71            do.

If Government was not successful in procuring animals from Cyprus, this was not an adequate reason for them not to follow the normal procedure of purchasing through tender system much less, to reject an attractive offer of the Argentine firm which was even prepared to accept the penalty clause.

20            2 73            do.

The Committee regret to observe that a good will gesture from a friendly country was not properly pursued by the Ministry of Defence. In addition to the free gift of 200 mules the country had

also offered to supply mountaineering equipment free of cost. It is unfortunate that the Ministry of Defence took more than two months to reply to the Communication from the Ministry of External Affairs in this regard and that the reply was sent only after a decision had been taken to place the contract with the Italian supplier, which included a condition precluding Government from purchasing animals from elsewhere during the currency of the contract.

21            2 76            Defence

The Committee are astonished to find how such an interpretation could be given to the telegram received from Indian Embassy in Rome, which in turn asked for "instructions". This further strengthens the impression gained by the Committee that the officials dealing with this case were eager to conclude the contract with the Italian supplier.

22            2 79            do.

The Committee do not approve of this practice of showing leniency in the matter of imposition of penalties. Such an attitude will reduce the penalty clauses of contracts to a mere formality. The Sub-Committee are of the view that in cases of delays in fulfilment of contracts, where time is stated to be of the essence of the contract, penalty clause should be enforced more strictly. They desire that the question of levy of liquidated damage may be examine *de novo* in consultation with the D.G.S.&D. and the Ministry of Law in case of contracts where time is of the essence of contracts keeping in view the Committee's Observations.

From the foregoing facts the Committee find that contracts to the extent of Rs. 3.34 crores were awarded to the Italian supplier from 1959 onwards. The Sub-Committee also note that ever since Italian supplier came on the scene in 1959 all the contracts for the purchase of mules from abroad seem to have gone to him only. On no occasion the rates offered by him were the cheapest; still through negotiations etc. contracts were awarded to him. In the case of the contract placed in September, 1963, the Sub-Committee have commented upon the following unsatisfactory features in this Report.

- (i) Having addressed the foreign missions in the matter, the Ministry of Defence did not wait for their replies but negotiated with the supplier on the pretext that his performance against the earlier contracts had been satisfactory and that his rates were the cheapest in the past. These contentions were, however, not borne out in evidence.
- (ii) Even though no special urgency was shown till 8th July, 1963, upto which date even the requirements for animals had not been finalised, the whole matter gained momentum soon after negotiations were held with the supplier. An urgent telegram calling for information within 4 days was sent to the Indian Missions abroad on 14th July, 1963, which happened to be a Sunday.
- (iii) The officials of the Ministry agreed to the inclusion of an unusual clause in the contract which precluded Government from purchasing animals from elsewhere.

- (iv) An offer from a firm, whose reliability had been confirmed was rejected without proper examination of the freight rates, availability of animals in Argentina etc. A wrong interpretation was given to the report of the technical officer and other communications from the Indian Embassy confirming the genuineness of the offer were ignored.
- (v) In their anxiety to finalise the contract, more was read in the communication from the Indian Embassy, than what it contained.

The Sub-Committee cannot help the impression that the officers dealing with this case were hustled in the contract and did not adequately safeguard the financial interest of the exchequer. They desire that this case should be investigated in detail by an independent high powered committee.

194

The case, the Committee regret to observe reveals a certain lack of advance planning and delay in initiating the work of procurement. If as stated by the Ministry, the normal period of acclimatization and training of horses was 1½ years, the Army Headquarters should have placed their demand for the horses required for units to be raised in December, 1963, much earlier than in November, 1962. Further, it was disclosed in the course of evidence that there was overcrowding in the depots which might have been responsible for the



spread of the disease among the animals. This would indicate that suitable action was not taken by the authorities to augment the capacity of depots for the horses even after placing orders for their procurement.

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3 9

do.

The Sub-Committee are also not satisfied with the explanation for not placing an order on the lowest tenderer viz. the Italian supplier when the difference between the rates was as high as 50 per cent. Since the Italian Supplier was considered to be an experienced and reliable party, who had been supplying animals since 1959, the Sub-Committee do not understand why cheaper rates offered by him were not availed of simply because his hands were full with other orders.

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