

PUBLIC ACCOUNTS COMMITTEE
1958-59

FOURTEENTH REPORT

(SECOND LOK SABHA)

(Audit Report on the Accounts of the Damodar Valley
Corporation for the year 1956-57)



LOK SABHA SECRETARIAT
NEW DELHI
April, 1959
Price Rs. 1.95

C O R R I G E N D A

Fourteenth Report of the Public Accounts Committee
(Second Lok Sabha) on the Audit Report on the
Accounts of the D.V.C. for the year 1956-57.

- Page 6, foot-note, before 'Statement' insert '*Sec'
- Page 8, foot-note, first line, for 'ool' read 'Tools'
- Page 27, para 69, 3rd line, for '14:25' read '14.25'
- Page 38, para 106, 3rd line from bottom, for 'withheld'
read 'withheld'
- Page 39, para 110, 2nd line, for 'Project' read
'Project'
- Page 43, foot-note, 2nd line, for 'Pradsh'
read 'Pradesh'
- Page 44, line 4, for '(D.V.S.&S.P.)' read '(D.V.C.&S.P.)'
- Page 45, line 12, for 'date' read 'day'
- Page 46, para 117, line 4 from bottom, for 'Irrigation'
read 'Irrigation'
- Page 49, line 13, for 'estimate' read 'estimated'
- Page 50, heading of para 120, after 'para' insert '6'
- Page 60, line 3, for 'contents' read 'content'
- Page 65, para 136, line 8, for '11,27' read '11,271'
- Page 66, line 14, for 'efficienci' read 'efficiency'
- Page 69, para 139, line 12, for 'has' read 'have'
- Page 71, line 7, for 'ton' read 'tons'
- Page 93, Serial No. 21, Col. 4, line 3, delete 'to'
after 'without'
- Page 103, line 4, for 'in' read 'is'
line 2 from bottom, for 'plants' read 'plans'
- Page 111, line 9, for 'manufacturer' read 'manufacture'
- Page 113, line 14, for 'Nothing' read 'Notings'
- Page 119, line 18, for 'of' read 'on'
- Page 120, line 7, for 'accumulation' read 'accumulation'
- Page 159, Col. 4, line 2, for 'Schedule' read 'schedule'

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*Earlier Sittings relate to the consideration of the Accounts of the Government of Himachal Pradesh, Railways, Govt. of Delhi, P & T Department etc.

**Intervening Sittings relate to consideration of Accounts relating to Defence and Civil and draft Reports on Himachal Pradesh, Delhi, Railway Accounts, etc.

PUBLIC ACCOUNTS COMMITTEE, 1958-59

*Prof. N. G. Ranga—*Chairman*.

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4. Shri N. R. M. Swamy
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19. Shri S. Venkataraman
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21. Shri Rohit Manushankar Dave
22. Shri M. Basavapunnaiah.

SECRETARIAT

1. Shri S. L. Shakhder—*Joint Secretary*
2. Shri V. Subramanian—*Deputy Secretary*
3. Shri M. C. Chawla—*Under Secretary*

*Prof. N. G. Ranga was appointed as Chairman of the Committee on the 11th September, 1958 for the unexpired portion of the term of the Committee ending on the 30th April, 1959 vice Shri T. N. Singh resigned from Lok Sabha.

† Elected on the 23rd September, 1958 vice Shri T. N. Singh resigned from Lok Sabha.

INTRODUCTION

1. The Chairman of the Public Accounts Committee, having been authorised by the Committee to present on their behalf, present this Fourteenth Report on the Audit Report on the Accounts of the Damodar Valley Corporation for the year 1956-57.

2. The Audit Report in question was laid on the Table of the House on the 5th May, 1958.

3. The Committee examined the Audit Report at their Sittings held on the 25th, 26th and 27th August, 1958.

A brief record of the proceedings of these Sittings of the Committee has been maintained and forms part of this Report.

4. According to the Damodar Valley Corporation, the total capital outlay on the Project to the end of 1962-63 when the Revenue Account of the Project will be opened, would be Rs. 151·30 crores of which Rs. 49·85 crores will represent the capitalised interest charges. The original estimates for the Project were Rs. 79·25 crores in 1951. The estimates as revised in 1957 had risen by more than 50 per cent of the 1951 estimates, and the actual outlay at the end of 1962-63 would be very nearly double the original estimates.

The Committee recognised that some delay in the execution of such large construction projects was inevitable, and had in their Third Report (Second Lok Sabha) observed that the delay in this Project and the consequent increase in costs could have been substantially curtailed with proper planning and foresight.

5. While assessing the financial prospects of the Project, the Corporation have observed that the primary consideration for a plan of development of the Damodar Valley was the control of floods and a correct evaluation of the benefits of the Project must take into account the direct and indirect benefits and not merely the cash revenue that would be earned by the Corporation from electricity, water etc. *Flood control, the Committee are aware, was one of the purposes of the Project; but they feel it necessary to point out that this Project at such an enormous cost was designed for the unified development of the Damodar Basin, and the irrigation and power potentials of the Project were intended to have a decisive influence on the financial prospects of the Project.*

The history of the whole project reveals that it was sponsored *inter alia* on the score of its being a paying proposition even on the Irrigation side. In 1951, when the first detailed estimate of the Damodar Valley Project was prepared a net receipt of Rs. 1·33 crores was anticipated under irrigation alone. Even as late as 1955 when a further revised estimate was got out, the Corporation anticipated a net revenue of Rs. 1·3 crores under irrigation, on an assumed capital expenditure of Rs. 22 crores under this head, yielding a return of 5·9 per cent. The same estimate forecast a yield of 8·6 per cent on the outlay on Irrigation by 1970-71 when the full development of irrigation resources would be reached. The Committee regret to observe that so far as 'Irrigation' is concerned, the picture is dismal. The work on Tilaiya Dam was completed in December, 1952 but its waters have not been utilised so far. All that has been done is that the Tilaiya Dam High Level Irrigation Scheme involving an estimated outlay of Rs. 35 crores has been framed and is still under consideration of the Government of Bihar. The Konar Dam was completed in September, 1955 at a cost of Rs. 9·8 crores: it has not yet been found possible to utilise the waters stored therein for irrigation purposes. The original scheme for the generation of power from the Konar Dam has also been deferred on the financial grounds. Utilisation of Water in West Bengal is also being delayed because of legal difficulties.

The summarised financial forecast prepared by the Ministry shows that on a capital expenditure of Rs. 43·97 crores under Irrigation, the net revenue (after allowing for depreciation) will be minus Rs. 1·03 crores in 1963-64. The expectation for 1970-71 (when optimum conditions should be reached) is a deficit of Rs. 61 lakhs.

6. As regards power, Bokaro started producing power on a commercial scale in December, 1953. The rates charged from consumers are comparatively lower with the result that the financial forecast of the Corporation in this respect has been completely belied (Para 43 of the Report).

7. The Committee are distressed to see the poor rate of utilisation of the water for irrigation purposes. The Committee are of opinion that if the new technique of overall inter-related planning and efficient and economical working of the Corporation as envisaged in the Damodar Valley Corporation Act is to prove its worth, the participating Governments, who are the financiers of the Corporation, should appreciate their dual roles in the matter and so frame their policies as not to affect adversely the avowed objects of the setting up of the Corporation.

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

N. G. RANGA,

Chairman

Public Accounts Committee

NEW DELHI;

The 5th April, 1959.

Chaitra 15, 1881 (Saka)

GENERAL FINANCIAL REVIEW OF THE EXPENDITURE OF THE PROJECT DURING THE YEAR 1956-57

The Damodar Valley Scheme which is a multi-purpose project for the unified development of the Damodar River Valley aims at (1) Flood Control; (2) Irrigation; (3) Generation and transmission of electricity; (4) Promotion of all-the-year round navigation; (5) Promotion of afforestation and control of soil erosion in the Damodar Valley; and (6) the promotion of public health and agricultural, industrial, economic and general well-being of the people in the Damodar Valley and its area of operation.

2. Pursuant to these objectives, a phased programme was worked out. The present programme comprises of: (i) four dams at Tilaiya, Konar, Maithon and Panchet Hill with a Hydro-electric station attached to each (except in the case of Konar where the construction of the station has been deferred on financial grounds); (ii) a thermal power station at Bokaro with 200,000 K.W. ultimate capacity; (iii) a grid covering over 800 miles of transmission lines and a number of sub-stations and receiving stations; and (iv) an irrigation barrage at Durgapur with 1,550 miles of irrigation-cum-navigation channels.

3. The total expenditure chargeable to these Projects undertaken by the Corporation is allocated among the three main objects *viz.*, Power, Irrigation and Flood Control and the total amount of capital is provided by the three participating Governments *viz.*, the Central Government, the State Governments of Bihar and West Bengal in the manner envisaged in Sections 30—36 of the D.V.C. Act, 1948. The Corporation have to pay interest at such rate as may from time to time be fixed by the Central Government. For a period not exceeding 15 years from the date of the establishment of the Corporation (i.e. upto 1963) the interest charges are being capitalised.

The following amounts were provided by the Participating Governments during and to the end of the year 1956-57:

	<i>During 1956-57</i>	<i>End of 1956-57</i>
	Rs.	Rs.
Central Government.	2,23,81,000	24,89,86,167
Government of West Bengal.	10,07,62,000	58,52,03,633
Government of Bihar.	2,29,00,000	18,22,77,000
TOTAL.	14,60,43,000	1,01,64,66,800

The capital expenditure during, and to the end of the year 1956-57, on the three main objects, viz., Power, Irrigation and Flood Control is shown below:—

Objects	During 1956-57	End of 1956-57
	Rs.	Rs.
Power.	6,82,43,045 (a)	52,47,40,261(b)
Irrigation.	4,39,13,155	28,69,14,786
Flood Control.	2,87,48,607	19,49,89,759
TOTAL.	14,09,04,807	1,00,66,44,806

(a) Includes a credit of Rs. 201.13 lakhs on account of sale of power and a charge of Rs. 85.36 lakhs on account of direct working expenses of the Power System.

(b) Includes a credit of Rs. 521.00 lakhs on account of sale of power and a charge of Rs. 343.14 lakhs on account of direct working expenses of the Power System.

4. The following projects were under construction during the year under report:—

Maithon.
Panchet Hill.
Durgapur Barrage and Canals.
(Barrage completed in August, 1955, Canals under construction.)
Transmission and Distribution System.

Besides the above, some residual works in connection with the Bokaro Thermal Power Station, Konar, Tilaiya and Durgapur Barrage continued during the year. The installation of the Fourth Unit of the Bokaro Thermal Power Station and the Thermal Power Station at Durgapur was taken in hand during the year under report.

Constant revision in the estimates and financial analysis of the Project

5. The Committee asked the Ministry of Irrigation and Power and the D.V.C. to assess the financial prospects of the Project and furnish to them a statement. In a note (Appendix III) submitted to the Committee, the D.V.C. have contended that the primary consideration for a plan of development of the Damodar Valley was the control of floods. Further, the concept of regional planning and development, envisaged in the D.V.C. Act, 1948 included various classes of Social Welfare and other activities, such as, the promotion of afforestation, soil conservation and of public health and agricultural, industrial, economic and general well-being of the people in the Valley and its area of operation. As such, a correct evaluation of the benefits of the Project must take into account the direct and indirect benefits and not merely the cash revenue that would be earned by the D.V.C. from electricity, water etc.

6. From a statement showing the summary of estimated Financial results of the Project (sub-joined to this Chapter) furnished by the Ministry at the instance of the Committee, they observe that the total capital outlay on the Project to the end of 1962-63 (The Revenue Account of the Project will be opened from 1963-64) would be Rs. 151.30 crores including interest on capital upto 1962-63 amounting to Rs. 49.85 crores. The allocation of the cost of dams between the three objects viz., Power, Irrigation and Flood Control, is based on the existing tentative ratio of allocation of common expenditure and it is stated to be still under examination of a Committee consisting of the representatives of the participating Governments and the Corporation. The object-wise allocation of the capital expenditure and the surplus/deficit is, therefore, subject to change in the light of final conclusions relating to the allocation of the cost of dams.

On the revenue side, the overall position is that in 1963-64, there will be a deficit of Rs. 70 lakhs which is likely to be reduced to Rs. 28 lakhs on full development in 1971-72.

The net receipts from Power with effect from 1963-64 after allowing for depreciation and annual interest charges would be Rs. 1.61 crores. The Irrigation account would show a deficit of Rs. 1.03 lakhs in 1963-64 which would be reduced to Rs. 61 lakhs on full development by 1971-72. As for the Flood Control account, the Corporation have stated, there would be a permanent recurring deficit of Rs. 1.28 crores annually from 1963-64. It has been further urged by the Corporation that the anticipated annual revenue deficit of Rs. 28* lakhs on full development from 1971-72 might be considered to be a premium for insurance against future damages from floods and famine.

7. The Committee appreciate that one of the objects of the Damodar Valley scheme is flood control which does not lend itself to evaluation in terms of money, but it has an insurance value of its own. Nevertheless, they consider that both on the Irrigation and Power sides, the Project was expected to be an economical proposition. They, therefore, expect that the working results of these two wings are constantly kept under review by the Corporation to improve the overall productivity of the Project.

(In crores of rupees)

*Power.	1.61	
Irrigation.		—0.61
Flood Control.		—1.28
	<hr/>	
	1.61	—1.89
	<hr/>	
Net deficit		—0.28

Allocation under Section 32 of the DVC Act—Para 2(a) of Audit Report

8. The question of allocation of expenditure on soil conservation, afforestation and other developmental activities under Section 12(e) and (f) of the D.V.C. Act has already been dealt with at some length in paras 6 to 8 of the 18th Report (1st Lok Sabha) and paras 18—21 of the 3rd Report (2nd Lok Sabha) of the P.A.C. The Committee had emphasised that this question which had a vital bearing on the overall financial working of the Corporation should be decided without any further delay. According to the Audit Report under examination, this question is still under consideration and pending a decision thereon, the allocation of such expenditure in the Annual Accounts is, therefore, provisional as in the previous years.

9. The Committee understand that the total expenditure incurred on the above objects upto the end of 1957-58 is about Rs. 2·11 crores.

10. In evidence, the representative of the Ministry of Irrigation and Power while admitting that there had been delay in the settlement of this matter stated that the Government tried to persuade the participating State Governments to accept the view of the Attorney-General subject to certain conventions, but the latter had asked for an opportunity to be heard by the Attorney-General. *The Committee would once again emphasise an early settlement of this long-outstanding question.*

11. The Committee viewed with some concern the slow pace of progress made by the D.V.C. in the matter of soil conservation and afforestation in the upper catchment region. The erosion of soil, the Committee understand, affects in two ways viz., (i) gradual impoverishment of the soil thereby reducing the productive capacity of the land; and (ii) gradual filling up of the reservoir beds by silt and thus decreasing their capacity considerably.

12. In evidence, the Chairman, D. V. C. stated that the funds allotted to the Corporation for the last two years for this purpose were inadequate; further it was extremely difficult to do anything spectacular in an area where there was water only during three months in a year. Afforestation was thus a serious problem and soil conservation was very difficult. Uncontrolled grazing of grasslands was another handicap in this work. Fencing along the entire perimeter was very expensive. The Corporation were endeavouring with the limited funds at their disposal to fence as much as possible.

The Committee feel that the afforestation and soil conservation schemes are not being given the attention they require. The plea of paucity of funds put forth does not appear to be valid, as against the actual allotment of a sum of Rs. 38·54 lakhs for this purpose in 1957-58, the Corporation spent only Rs. 14·39 lakhs. The Committee desire that the D.V.C. should plan out a phased programme for soil conservation work including afforestation in the Valley as an integral part of the Project and implement it more vigorously.

Allocation under Section 33 of the D.V.C. Act Para 2(b) of Audit Report

13. The Dams at Tilaiya, Konar, Maithon and Panchet Hill are intended to serve more than one of the three main objects (Power, Irrigation and Flood Control). According to Section 33 of the D.V.C. Act, expenditure common to two or more of the main objects is required to be allocated to each of the main objects in proportion to the expenditure which according to the estimate of the Corporation would have to be incurred solely for that object.

14. As stated in Para 22 of the 3rd Report of the Public Accounts Committee (2nd Lok Sabha), this question was referred in November, 1956 to an *ad hoc* Committee (hereinafter referred to as 'Inter-Governmental Committee') consisting of the representatives of the D.V.C. and the participating Government. This Committee had sought an authoritative legal interpretation of certain provisions of the D.V.C. Act relating to this question.

After obtaining the opinion of the Law Ministry, the Inter-Governmental Committee mentioned above, decided in September, 1957, that:

- (i) Each of the four dams should be treated separately for the purpose of allocation of their cost.
- (ii) The cost of dams should be allocated to Flood Control, Irrigation and Power. Any subsidiary use made of the regulated water would be treated as incidental.

The Inter-Governmental Committee could not, however, proceed further until the allocation of the storage capacity at each of the Dams between the various objects was finalised. For this purpose, the Corporation appointed an Advisory Committee on the 5th November, 1957, to examine the water potential of the Dams and to suggest a suitable plan of operation for use of the available water resources. The Committee understand that the Advisory Committee have since finalised their Report on 28th August, 1958 and the Inter-Governmental Committee is expected to finalise their recommendation shortly.

15. The total expenditure awaiting allocation upto 1956-57 is Rs. 43.79 crores. Pending final decision in the matter, the allocation made so far is provisional.

The decision in this case has held up the final allocation of the capital expenditure on irrigation between the State Governments under Section 34 of the D.V.C. Act.

The Committee trust that it should now be possible for the Corporation to finalise the allocation of expenditure between the various objects.

Expeditious settlement of this long-outstanding question is imperative, specially when the Project has already entered upon the final phase of its execution, and the Revenue Accounts of the Project would be opened from 1963-64 for evaluating financial working of the Project.

*Summary of Estimated Financial Results
(January, 1958)*

(Figures in Crores of Rs.)

1	Sanctioned project with schemes approved for inclusion in the Second Five Year Plan			
	Total 2	Power 3	Irriga- tion 4	Flood control 5
Project Expenditure*	124.72	72.42	33.21	19.09
Overhead and Audit (4 crores) and other Miscellaneous expenditure incurred un- der Section 12(e), (f) and 21 of the Act (3.60 crores) to end of 1962-63 and provi- sion for Holiday-home for workers (3 lakhs)	7.63	4.79	1.82	1.02
TOTAL	132.35	77.21	35.03	20.11

Statement sub-joined to Appendix III.

1	2	3	4	5
Working Expenses upto 1962-63 (i.e. 1st 15 years in accordance with Section 39 of the Act)	20·25	18·56	1·32	0·37
Receipts upto 31-3-63	-51·15	-46·90	-4·25	..
TOTAL	101·45	48·87	32·10	20·48
Add interest upto 1962-63	49·85	31·29	11·87	6·69
TOTAL CAPITAL TO END OF 1962-63	151·30	80·16	43·97	27·17
Net revenue during 1963-64 after allowing for depreciation	5·85	5·08	0·88	-0·11
Interest for 1963-64	6·55	3·47	1·91	1·17
Deficit (—) in 1963-64	-0·70	-1·61	-1·03	-1·28
Surplus: (+)				
Net revenue during 1971-72 (on full development)	6·27	5·08	1·30	-0·11
Interest for 1971-72	6·55	3·47	1·91	1·17
Deficit (—) in 1971-72	-0·28	-1·61	-0·61	-1·28
Surplus (+) (on full Development)				

II

ENGINEERING, MACHINERY AND STORES

Nugatory Expenditure on the Manufacture of Harza Gates for Maithon Dam—Para 4 of the Audit Report

16. In November, 1953, the Corporation sanctioned a sum of Rs. 15,56,639 for the departmental manufacture of Harza Gates for the Maithon Dam and several other fabrication works in the Central Mechanical and Fabricating Workshop at Maithon. Against this sanction, a sum of Rs. 3,86,917 was spent on cost of tools and plant, extension of workshop, construction of residential buildings, pay of establishment and cost of design both at Maithon and in Chicago as detailed below*. Eventually in February, 1954, it was decided to provide Maithon Dam with another type of undersluice gates to be obtained from outside suppliers. While the Corporation have contended that the machines bought for the manufacture of Harza Gates have been utilised for the manufacture of other articles, Audit has held the view that the expenditure of Rs. 65,678 incurred on design would be largely, if not entirely, infructuous.

17. In evidence, the representative of the D. V. C. informed the Committee that in February, 1954 it was decided at a meeting of the Board of Consultants of the D. V. C. that the number of gates to be installed at Maithon and Panchet Hill Dams be reduced from 20 and 28 to 5 and 10 respectively. The Board also recommended on second thought that standard proven type gates should be used and only one Harza Type gate should be fabricated for installation at Panchet, as they were rather apprehensive of installing a large number of gates of a new and untried design.

18. From a note submitted to the Committee (Appendix II, Item 1.), they observe that the cost of Harza Gate manufactured in the Workshop of the D.V.C. and installed at Panchet was Rs. 1,79,603. This Harza Gate is reported to be working satisfactorily. This cost would have gone down considerably if all the 15 gates

*Tool & Plant	2,94,257
Workshop Extension & Residential Building	21,905
Establishment	5,077
Design (Chicago)	29,523
Design (Maithon)	36,155
TOTAL	3,86,917

for Maithon and Panchet Hill Projects had been constructed at the D. V. C. Workshop. The cost of each French type of Gate was also Rs. 1:75 lakhs.

19. The Committee feel that the Corporation were not justified in changing the design of the Harza Gates so soon after the decision taken to manufacture them in their own Workshop and to import them after having spent considerable amounts on the manufacture of one prototype and on other preliminaries. Had the Corporation adhered to their design of Harza Gates, the cost of the Gates would have been less; there would have been saving of foreign exchange and the technique of production would have also been established.

Loss of Bricks—Para 6 of the Audit Report

20. According to Audit, 1,22,61,976 bricks were manufactured at a cost of Rs. 3,66,833 during November, 1952 to June, 1953 at Panchet. In October, 1956, two survey reports were submitted by the Chief Engineer for write-off of bricks worth Rs. 42,124. The loss had been explained as follows:

(1) 5,63,299 bricks valued at Rs. 12,140.91- were abandoned in brick fields due *inter alia* to:

(a) Non-clearance of bricks from the different brick fields promptly as the department could not make adequate transport arrangements at the time of manufacture and as a result some quantities were swept away from the low lying fields.

(b) Abandonment of considerable quantities which had been reduced to small bats and clay.

(2) Shortage of 5,69,895 whole bricks and 47,666 cft. of brick-bats in stock valuing Rs. 29,984.12-.

The Corporation ordered on 25th July, 1957 an investigation into the matter by a Superintending Engineer.

21. The Chairman, D. V. C. stated in extenuation that good bricks not being available anywhere within easy reach and the cost of transporting bricks manufactured at Maithon being prohibitive, the Corporation undertook the departmental manufacture of bricks at Panchet with the full knowledge that the bricks would be bad and the percentage of breakage would be high. Both the Corporation and their Financial Adviser were not satisfied with the result of the investigation by the Superintending Engineer and another investi-

gation had been ordered. As the various Measurement Books had been filed in the Court on 13th April, 1956 as exhibits in connection with a civil suit filed by one of the contractors for alleged non-payment for certain quantities of bricks manufactured by him, and these exhibits could not be withdrawn until the case was finally disposed of, the investigation had been held up. The Chairman, D. V. C. stated that the Brick Supply Officer's services had been dispensed with but the Executive Engineer involved in this case was still in service.

22. *The Committee observe that although the manufacturing operation was completed in June, 1953, the losses were reported to the Corporation in October, 1956, i.e., after a lapse of more than 3 years. The Committee learnt that the Brick Supply Officer involved in the present case was the same person who was earlier alleged to have committed certain grave irregularities for not having maintained the initial Account records etc. properly and whose conduct had already been commented upon by the Committee in paras 19-22 of their 18th Report (Ist Lok Sabha). It is obvious that there had been grave neglect of duties on the part of the Engineering Officers concerned in not exercising proper and effective supervision both on the brick manufacturing operations and on the conduct of the Brick Supply Officer. The Committee desire that a stern view of these grave lapses should be taken and the officers concerned dealt with expeditiously on release of the records by the Civil Court.*

Avoidable Expenditure—Para 7 of Audit Report

23. An indent for two Euclid Loader Belts was placed in April, 1956 by the Project Manager, Panchet Hill and the purchase order was issued to a firm on the 9th August, 1956 which provided for delivery within 20 weeks. The import licence was forwarded to the firm on the 22nd December, 1956. As it was considered necessary that the Loader Belts should be at the dam site before the monsoon, it was ordered by the Corporation in January, 1957 to obtain the articles by air. The air freight paid for these two belts was Rs. 16,611/- against the sea freight of only Rs. 396 (approx.) and the purchase price of Rs. 16,671/-.

24. Explaining the reasons for air-lifting the belts, the Chief Engineer, D. V. C. stated in evidence that at the time the air-lifting was ordered in January, 1957, there was no belt in stock except that actually in use at the dam site. The need for a spare was, therefore, obvious. The Committee were given to understand by Audit that on the 11th April, 1956, when the indent was placed, there were two belts in stock and they were subsequently issued on the 21st July, and 12th September, 1956. Although these belts were

required as reserve spares by the 20th July, 1956, these were actually received on the 7th April, 1957, more than nine months later. Of these two belts, one was issued in March, 1958 and the other was stated to be still in stock (May, 1958).

25. The Committee were informed that even in January, 1957, the Financial Adviser, D.V.C. while concurring in the air-lifting of the materials had suggested that after the sanction was issued, the Corporation should enquire whether there were any lapses on the part of the Corporation's Officers in not having foreseen their requirements in time which necessitated air-freighting of the materials. The Committee note that even upto now, this matter has not been looked into. It was also stated by him that despite an offer from the Hirakud Project authorities to loan a belt till March, 1957, the Corporation thought it necessary to order air-lifting of the belts. *It was thus apparent that there was little justification for expending money on air-freight.*

The Committee, therefore, desire that the matter should be investigated and responsibility fixed.

26. From a note (Appendix II, Item 3) furnished by the Corporation, the Committee observe that there had been procedural delays both in placing the supply order and in procuring the import licence for these belts. For instance, it took 7 days for a letter to reach the section concerned.

The quotations for belts were called on 26th April, 1956 to ascertain their estimated value, which information was received on 3rd May, 1956. The Director General, Commercial Intelligence and Statistics was requested on 17th May, 1956 to arrange publication of the advertisement in the 'Indian Trade Journal' as the cost exceeded Rs. 10,000-. *The Committee are unable to understand why the advertisement could not be sent to the D.G.C.I. & S. for publication in the 'Indian Trade Journal' on 3rd May, 1956.*

The Joint Controller of Imports wrote on 8th October, 1956 to the Corporation requiring them to submit written declarations both from the Goodyear and Dunlop Companies to the effect that the belts could not be manufactured in India. *But it took the Corporation about 40 days to obtain them. The Committee see no reason why the Corporation should take so much time for this when both the Companies had their headquarters in Calcutta itself.*

Lastly, it took 4 months to get the Import Licence though the offices of Licensing authority, D.V.C. and the two manufacturing firms viz. Dunlop and Goodyear were all stationed at Calcutta.

The Committee are distressed to observe that such procedural delays should have overtaken autonomous Corporations like the D.V.C. to avoid which the device of creating autonomous bodies had been resorted to.

Avoidable Expenditure at Tilaiya Project—Para 9 of Audit Report, 1956-57

27. 37 bushings including 7 lightning arrestor units imported in May/June, 1951 from Japan for Tilaiya Hydro-Electric Power Station were damaged in transit and rendered unsuitable for use. The goods were all insured against loss or damage. Under the terms, the Insurance Company was to pay a sum not exceeding the cost of replacement or repairs. In March, 1952, the D.V.C. informed the Insurance Company that the repaired materials would not be acceptable to them as they were informed by the supplying firm in Calcutta that the materials would not hold the original guarantee of the manufacturers. No enquiry was, however, made of the manufacturers. In May, 1952, the Corporation sanctioned fresh purchase of the materials from the same suppliers and stated that the cost (£ 6,620) was recoverable from the insurance Company. At a meeting held some time during August to November, 1952, the D.V.C., however, agreed to have the repaired materials from the Insurance Company as spares. The replacements were received in January, 1953.

The damaged materials were shipped to Japan by the end of February, 1954 and were received after repairs in September, 1955 with the original guarantee. (They would have been ready for re-shipment after repairs by December, 1954 but for the Electrical Department's preference for dark chocolate porcelain to white porcelain). The cost of the repairs was borne by the Insurance Company.

The Corporation decided in February, 1956 to dispose of the major portion of the material worth Rs. 72,000 as surplus to their requirements. They had not, however, been disposed of upto September, 1957 and the Corporation now proposed to utilise them as spares during the next ten years.

28. Explaining the reasons for the placing of a new purchase order, the representative of the D.V.C. informed the Committee that their endeavour was to get replacement rather than repaired materials because they were not quite sure whether these could be used as new bushings and would have the original guarantee. The Insurance Company was not agreeable to replacement. It was also hesitating to incur the expenditure of sending the goods back to

Japan for repairs. As the commissioning of the Tilaiya Dam was fixed for January-February, 1953, it was not considered advisable to wait till the settlement of the case with the Insurance Company, and, therefore, a second order was placed on the suppliers.

29. The Committee understand from a note (Appendix II, Item 4) furnished by the Corporation that in September, 1951, the supplying firm in India informed the D.V.C. that the bushings if repaired in India would not stand the manufacturers' guarantee. The Insurance Company, however, insisted on the bushings being sent back to Japan for repairs. Thereupon, it was decided at a joint meeting of the representatives of the D.V.C., the supplying firm and the Insurance Company held on 25th January, 1952 that the Insurance Company would pay for the replacement or repairs cost, whichever was lower, and that the supplying firm would arrange for returning the damaged equipment to the manufacturers in Japan for replacement or repair. The Insurance Company kept on reminding the Corporation on 28th January, and again on 28th April, 1952 to send the damaged equipment to the supplying firm for onward transmission to Japan as decided at the joint meeting. But the D.V.C. did not hand over the equipment and informed the Insurance Company in March, 1952 that the repaired equipment would not be acceptable to them as the supplying firm had advised that any equipment repaired would not hold the original guarantee. The decision of the joint meeting in January, 1952 would not, therefore, hold good. Prolonged negotiations continued and the matter could not be finalised even in May, 1952. The Corporation thereupon placed orders with the supplying firm for replacement of the bushings.

Subsequently, the repaired materials were accepted by the Corporation as spares to be utilised during the next ten years. In support of this, it was urged to keep a small number of these repaired bushings as spares and to modify the remaining ones suitably for use in the breakers which the Corporation proposed to buy in future without bushings until all these bushings were used up.

30. The Committee regret to observe that these explanations are unconvincing. It is evident that both the supplying firm in India and the Insurance Company in their attempt to gain their ends by outwitting each other had succeeded in doing so at the expense of the Corporation. They are concerned at the vacillation displayed by the Corporation in this matter, which was taken advantage of by the other two parties. In the Committee's opinion, a direct

reference to the manufacturers in Japan by the Corporation was the obvious course and the Committee regret to state that they could not get a convincing answer explaining this omission. The result was that the Corporation was over-burdened with spares worth Rs. 72,000|.-.

31. The Committee were informed that the Financial Adviser, D.V.C. had recorded a note in this case stating that 'surplus stores should be disposed of to the best advantage of the Corporation instead of any over-stocking, unless the materials would be required in the distant future and were not liable to deterioration in the meantime'.

The Committee are surprised at the scant regard paid by the Corporation to this remark of the Financial Adviser. The Committee feel that this matter merits more serious attention.

Departmental Construction of Cable Trenches—Para 18 of Audit Report

32. The construction of the cable trenches at Kalipahari sub-station was completed in March, 1955 at a cost of about Rs. 40,000. Soon after the construction had been completed it was reported that the cable trenches developed serious cracks at the bottom along their lengths and were likely to collapse. Protective measures in the shape of patch repairs did not prove satisfactory and the heavy flood of September, 1956 caused a further deterioration in the condition of the trenches. The trenches had to be repaired at a cost of Rs. 14,000'- approximately. The Corporation had ordered an investigation in the matter.

33. The Committee were informed that the Executive Engineer responsible for this work was found guilty of gross error of judgement, lack of appreciation of the physical conditions of the soil and failure to exercise adequate supervision. It was decided to censure him. He was, however, permitted by the Corporation to apply for a post under the Hindustan Steel Ltd., and was allowed to leave the Corporation's service. The Character Roll of the officer concerned was forwarded to the Hindustan Steel Ltd. on 21st November, 1957 but this case was not mentioned therein as it was still under investigation and the responsibility of the officer in the matter had not been fixed by them. As he was due to leave the service of the Corporation, it was decided that he need not be punished.

34. *The Committee are surprised at the manner in which the Corporation had chosen to deal with the Executive Engineer*

concerned in this case. Not only had they failed in their duty in not punishing the officer but they had recommended the services of an officer who was found lacking in his capacity, to another Undertaking owned by Government. This, the Committee feel, should not have been done by the Corporation. They are glad that the Hindustan Steel Ltd., have since been informed of these facts of this case.

The Committee trust that the Corporation will see that such cases do not recur.

III

POWER, REHABILITATION AND UTILIZATION OF STORED WATERS

Progress of Expenditure on Bokaro Thermal Power Station—Para 10 of Audit Report

35. Expenditure on this Project upto 31st March, 1957 was Rs. 1485.43 lakhs which was exclusive of overhead and general charges, as against the sanctioned estimate of Rs. 1492.20 lakhs. A Committee was set up in May, 1956 by the Government of India to investigate whether full value of the money spent on the Bokaro Thermal Power Station had been obtained.

36. The Committee understand that it was not a full-time Committee. One Member of this Committee died and Government appointed another person in his place in May, 1957. The Investigation Committee hoped to finalise its report shortly. In reply to a question, the Committee were informed that no time-limit was fixed for the submission of the Report by this (Investigation) Committee.

The Committee would like the report to be expedited. It is their considered opinion that in such cases, it might be profitable to appoint a Small Committee with full-time members to ensure quicker and more positive results.

Working of the Power System—Para 11 of Audit Report

37. With the commissioning of the Bokaro Thermal Power Station and the Tilaiya Hydel Power Station in December, 1953, the D.V.C. have been selling in bulk electric energy, including the power purchased from Sindri Fertilisers and Chemicals, Limited upto 30th June, 1955, through their transmission and distribution system to various consumers. There was a deficit of Rs. 1.95 crores (approx.) in the working of the D.V.C. Power System for the four years upto 1956-57 after taking into account interest and depreciation charges.

38. In evidence, the representative of the D.V.C. stated that the question of the rate of the supply of power to consumers was considered by the Corporation in 1956 and the Corporation thought that the rates already in force would be sufficient. According to him, during the initial period of the working of any power system, the cost of production of power would be higher than the price at

which it could be sold; it would come down gradually. In support of this, he observed that in 1957-58 a net profit of about Rs. 45 lakhs was anticipated after taking into account the overheads, depreciation and interest. He added that the cumulative deficit relating to the earlier years would be completely wiped out by 1959-60.

39. It was, however, brought to the notice of the Committee by Audit that the proforma Revenue Accounts did not include the following charges in addition to normal depreciation and interest:

- (a) interest on the accumulated amount of interest;
- (b) the charges for the supply of water from Konar Dam to the Bokaro Thermal Power Station for cooling purposes;
- (c) the actual audit and general overhead charges (A debit of only 2½ per cent of the expenditure was being made now on an ad hoc basis); and
- (d) a sum of nearly Rs. 26 lakhs payable to the Sindri Fertilizers Factory.

If the above items were also taken into account, there would be a deficit of more than Rs. 1.95 crores. The Committee endorse the view that while considering the financial working of the Power System, the above factors should also have been taken into account.

40. At the instance of the Committee, the Comptroller and Auditor General agreed to include in the next Audit Report a statement of the rates for power charged by the Sindri, Hirakud and Damodar Valley Corporation to enable them to compare the economics of power production and supply by these three Projects. The Committee would, therefore, reserve their further comments in the matter.

Loss on Sale of Power Purchased from Sindri—Para 12 of the Audit Report

41. In February, 1950, the D.V.C. entered into an agreement with the Government of India for the purchase of 22.5 MW of electricity from the Sindri Fertilizers Factory. The agreement was for a period of 25 years from 1st July, 1952 and provided for the payment of a fixed charge provisionally fixed at Rs. 1,12,519 per month but finally revised to Rs. 1,57,100/- per month in addition to the cost of energy at 0.2 anna per KWH subject to adjustment in accordance with the provisions of the agreement. It was anticipated in May, 1950 by the Corporation and communicated to the Central Water and Power Commission that the sale of Sindri Power would result in a net revenue of Rs. 14.48 lakhs in 1952 and Rs. 11.85 lakhs in first six months of 1953. However, during the

period from 1st July, 1952 to 28th February, 1953 the working expense including interest and depreciation exceeded the receipts from the sale of energy by Rs. 2,62,293.

The power purchased from Sindri was inter-connected with Bokaro Thermal Power Station from March, 1953. The off-take of Power from Sindri gradually diminished when the Bokaro Thermal Power Station started producing commercial power in December, 1953, the off-take being only 2,000 KWH in February, 1955. But the fixed charges of Rs. 1,57,100 per month continued to be a liability till the contract was terminated on 30th June, 1955 at the instance of Sindri Fertilizers Factory. The question of standing and other charges payable by the D.V.C. from November, 1953 to the date of the termination of the contract was stated to be still under correspondence.

42. In evidence, the Committee were informed that before the D.V.C. came into existence, the Sindri Fertilizers Factory made additions to their power plant at the request of Government of Bihar to make available the power generated by these additional units to the Collieries. The D.V.C. decided to purchase the power from Sindri in bulk as it would enable them to build up a sizeable demand for load by the time Bokaro Power Station was ready. Secondly, it would serve as a stand-by. As the normal expected life of a thermal plant was 25 years, the agreement with Sindri was entered into for that period.

The Committee were also informed that it was not in the interest of the Corporation to terminate the contract because as a long-term plan, it would be beneficial. But the Sindri Factory approached the D.V.C. for terminating the contract as they required the bulk of the additional power for their own internal use. There was thus no alternative but to terminate the agreement.

43. *The Committee regret to observe that the D.V.C. had grievously erred in this case. According to the financial forecast by the Corporation, a net revenue of Rs. 25.55 lakhs was anticipated upto 30th June, 1953. Actually, however, the Corporation incurred a net loss of Rs. 49.71 lakhs from 1st January, 1952 to 30th June, 1955, the date of termination of the Sindri Contract. The bulk of the loss (Rs. 47.09 lakhs) was reported to have been incurred between March, 1953 and June, 1955. Even assuming that the Corporation entered into this contract with the best of intentions, (they were under no obligation to supply power to the Collieries before they started commissioning production of power), it is surprising why they should have continued the supply of the purchased power at a*

heavy loss to themselves. It appears no steps were taken to review the rates either. It is apparent that this initial mistake had led to the continuance of the subsidised rates even after the Corporation had started purchasing power in July, 1952. This resulted in a loss of Rs. 1.95 crores on the Power System. The Committee understand that even in August, 1956, the Corporation were warned by the World Bank about the uneconomic power rates charged by the Corporation, but the Corporation revised its tariff only in January, 1959 i.e., after 2½ years. It is regrettable that the Corporation did not take timely notice of the advice of the World Bank. The Committee, therefore, feel that this matter deserves the serious consideration of Government.

The Committee understand that the payment of standing and other charges by the D.V.C. from November, 1953 to the date of termination of the contract is still under dispute with the Sindri Fertilizers and the Corporation have put forth the claim for refund of the capital charges which they had paid to the Sindri Fertilizers. The Committee desire that the matter should be settled expeditiously.

Loss Due to Delay in Disposal of Bamboos—Para 23 of the Audit Report

44. For construction of 450 houses for the persons to be displaced from submergence area of the Tilaiya reservoir, the Rehabilitation and Development Department purchased at a total cost of Rs. 1.30 lakhs (approx.) a large quantity of bamboos during the period from November, 1950 to March, 1952. With the curtailment of the housing programme by 111 houses in 1952, as the displaced persons' willingness to accept the houses built by the Corporation could not be obtained, 1,81,620 bamboos worth Rs. 45,000 were declared surplus in July, 1954. In March, 1956 auction sale of 1,64,656 bamboos, then in stock, was advertised and the highest offer received was only Rs. 1200 for the entire lot against the book value of Rs. 40,000 (approx.) The Director, Rehabilitation and Development Department considered this offer too low and suggested in May, 1956 that the Department might be allowed to dispose of the bamboos at Rs. 6¼ - per 100 bamboos. No disposals were made till September, 1957.

45. In evidence, the representative of the D.V.C. stated that 1,04,673 bamboos had been disposed of so far (August 1958) and the amount realised was Rs. 6,655. There was still a balance of 60,000 bamboos which the Corporation had not been able to sell even at the price of Rs. 6¼ - per 100. He added that perhaps after the rains,

it would be possible to dispose of all these old bamboos. Lack of local demand and the prohibitive cost of transporting them to out-lying areas were responsible for the delay in their disposal.

The need for quick disposal of the remaining bamboos (60,000) is obvious as further delay is fraught with the risk of pilferage and deterioration.

46. The Committee also understand that out of 339 houses actually constructed by the Corporation, 157 houses were accepted by the displaced persons, 118 were to be taken over by the Bihar Government and the remaining 64 were lying vacant (March, 1958). The services of an Assistant Store-Keeper and a Chowkidar had to be kept beyond April, 1953 when the building programme was completed, resulting in avoidable expenditure.

47. In extenuation, it was urged by the representative of the D.V.C. that the question of the acceptance of these houses by the Government of Bihar was still under negotiation with that Government and, therefore, the services of the Assistant Store-Keeper and the Chowkidar were retained not only for keeping watch over surplus materials but also for looking after the vacant houses.

48. *The Committee regret to note that despite the observations made by them in para 95 of their 3rd Report (1957-58), the question of the acceptance of vacant houses and land by the Government of Bihar and the compensation payable therefor has not yet been settled. They desire that this matter which has been pending for the last 5-6 years should be settled without any further delay by convening a Conference of the participating Governments. In the meantime, the possibility of handing over the vacant houses to the Bihar Government pending the settlement of compensation might be explored.*

Utilisation of D.V.C. Water for Irrigation Purpose—Para 24 of the Audit Report

49. **Tilaiya:** The dam was completed in 1952. The capital cost upto 31st March, 1957 is Rs. 3,78,12,911|- of which Rs. 1,51,25,165|- has been provisionally allocated to Irrigation. A scheme for supply of water to Bihar area is understood to be under consideration.

Konar: The dam was completed in 1955. The capital cost upto 31st March, 1957 is Rs. 10,77,45,223|- out of which Rs. 4,30,98,000|- has been provisionally allocated to Irrigation.

Durgapur: The barrage was completed in 1955. The capital cost upto 31st March, 1957 is Rs. 401.26 lakhs (approx.), wholly debited to Irrigation.

During the Kharif season of 1956, an area of 11,271 acres only was irrigated although the Corporation declared their ability to irrigate 1.53 lakh acres of land from July, 1956. For the Kharif season of 1957, the Corporation were in a position to irrigate 1.91 lakh acres. The actual area irrigated was, however, 86,000 acres only.

50. The main reasons for the shortfall according to the D.V.C. were:

- (i) Sideslip of canal banks.
- (ii) Public opposition to removal of gaps at certain points.
- (iii) Interference by villagers by raising cross bunds and preventing water from flowing down as also by surreptitious cuts at certain points.
- (iv) Breaches or normal damages at certain points which are usual for some time after construction.
- (v) Theft of Regulator parts.

51. The bulk supply rate agreed to by the Corporation was Rs. 9/- per acre less the cost of collection, retail distribution, etc. incurred by the State Government. According to the Government of West Bengal, the total cost of retail distribution of water and collection of water rate during 1956-57 amounted to Rs. 2 lakhs against Rs 1,01,439/- only at the agreed rate for irrigating 11,271 acres and no amount was, therefore, payable to the Corporation.

During Kharif season of 1958 although the D.V.C. supplied water to an area of about 4.88 lakh acres no revenue on account of sale of water could, however, be collected by them.

52. The Government of India set up on 22nd March, 1957 a Working Group to study and report on the question of utilisation of the waters of the reservoirs of the D.V.C. for purposes of Irrigation in Bihar and West Bengal, the reasons for delay and shortfall in utilisation and the steps to be taken for the full and proper utilisation of the waters.

53. In evidence, the Committee were informed that as the progress of the Working Group had been very slow, it was dissolved and a team was appointed by the Planning Commission under one of its Advisers. This team had submitted a report setting out the various factors which had impeded the progress in the development of the Irrigation in the D.V.C. area. There were two bottle-necks in this regard. One was the absence of legislation in West Bengal for the levy of compulsory water rates. A Bill for the levy of water rates

passed by the West Bengal Assembly was pending with the Legislative Council of that State. Secondly, there were some difficulties in the construction of canals also. The public were opposed to the removal of gaps at certain points unless bridges were provided at these points. Construction work could not be taken up as the supply of water in the canals had to be continued, as desired by the West Bengal Government to enable the farmer in that area to raise the potato crop.

54. It was also urged before the Committee that the responsibility for the management and maintenance of the canal system in the existing set-up by the Corporation was not conducive to promote efficiency. Attempts were being made by the D.V.C. to persuade the West Bengal Government to take over the entire Irrigation Canal system. That Government was willing to take it over, but the question of payment of compensation to the Corporation as provided for in the D.V.C. Act, 1948 was to be settled. Alternatively the West Bengal Government might operate and maintain the canal system as an agent of the D.V.C. on terms to be fixed after mutual consultation. The whole question was stated to be under examination.

55. *The Committee regret to note the poor rate of utilisation of D.V.C. water for irrigation purposes. It is hardly necessary for the Committee to point out that the participating authorities as the financiers of the Corporation have a responsibility to ensure that the objects for which the Corporation were set up are achieved. The Committee trust that their dual roles will be appreciated by the participating authorities as a concomitant of the setting up of the Corporation. (See also para 7 of Introduction)*

IV

FINANCIAL IRREGULARITIES AND INFRACTUOUS EXPENDITURE

Working the Bermo Colliery taken on Lease by D.V.C.—para 15 of the Audit Report

56. For supplying low grade coal to the Bokaro Thermal Power Station at cheap cost price irrespective of the controlled price of coal, the Corporation took a sub-lease of the Bermo Coal Seam at Kargali for 35 years from the 1st January, 1951 on payment of Rs. 28 lakhs. According to the investigation of the D.V.C. Technical Adviser made in 1950, the Bermo Coal Seam was estimated to contain an overall ash content varying from 26·6% to 31%. The boilers of the Thermal Power Station were designed normally for using coal having 26·6% ash content. The detailed investigation carried out subsequently in 1952 by the Fuel Research Institute, however, indicated that the Bermo Coal Seam at Kargali was intermingled with continuous bands of shaly coal with an overall ash content of 34·6%, the individual bands of coal possessing ash contents from 17·3% to 56·1%.

57. The Corporation were advised that mechanised open-cut excavation would be the best and cheapest method of mining coal from the sub-leased mine. Tenders for open-cut mining were invited in April, 1951 but the selected tenderer withdrew in March, 1952 before the agreement was finalised. At the Corporation's request, the Government of India lent the services of an Expert through the T.C.M. to advise the Corporation in the matter. The expert submitted a project report involving a capital expenditure of Rs. 67·5 lakhs on equipment. Till the equipment was installed, he advised mining of coal on labour contract. This report was accepted by the Corporation in February, 1954 and a tender for raising coal on labour contract for a period of two years was accepted. The contractor did not fulfil the terms of the contract as, according to Audit, he raised only 2,78,800 tons of coal and removed 76·22 lakhs cft. of overburden against the stipulated quantity of 500,000 tons of coal and 10 million cft. of overburden within 2 years.

58. In the meantime, it was decided in June, 1955 that there should not be any long-term arrangement for mining or for invest-

ment of large capital therefor as there was a possibility of the Corporation getting middlings from the Central Washery being set up by Government within three or four years. The same contractor was given a further contract for three years from 6th February, 1956. A penalty clause was provided in the contract. The contractor again lagged behind in the supply of coal by the 6th February, 1958, but the penalty clause in the contract was not invoked. The Corporation had to purchase coal from outside to make up the short-fall at a cost of Rs. 7,11,500. Further, because of the high ash content of the coal raised in the sub-leased mine, the Corporation had to purchase high grade coal from outside for mixing.

59. *The Committee are unhappy over this case. In their opinion, the technical execution of the mine by the D.V.C. expert was perfunctory. Even in the matter of operating this mine through contractors, the Corporation did not act in a businesslike manner. The Corporation did not invoke the provisions of the penalty clause in the contract against the Contractor for his failure to fulfil the contract. The Committee could not get any satisfactory explanation for this favoured treatment to the contractor. They suggest that the Corporation should conduct an early enquiry into this matter.*

**Extra Expenditure Due to not Availing of the Best Available Offer—
para 16 of the Audit Report**

60. In the above case, the contractor while quoting rates for 2 years' contract offered still lower rates for 3 or 4 years' contract with a stipulation that if the contract was terminated after the expiry of one year, no compensation would be charged from the Corporation. But an agreement for 2 years only from 7th February, 1954 was entered into with him which provided for earlier termination of the contract on giving three months' notice on either side without any liability for any loss or damage suffered or incurred in consequence or arising out of such termination. On 7th February, 1956 a second contract was entered into for 3 years for the same items of work at rates higher than those in the earlier tender for 3 years. According to Audit, had the rates for 4 years been accepted with the stipulation of the tenderers that no compensation would be payable for the termination of the contract after the expiry of one year, there would have been less expenditure to the extent of Rs. 49,000/- (approx.).

61. In extenuation it was urged that a long-term contract was not accepted as there was no bona fide intention in 1954 to operate the mine for more than 2 years with manual labour. The Comptroller

and Auditor General, however, intervened to say that the wording of the tender notice did not support this statement.

The Committee cannot help observing that with little more forethought by the Corporation, this extra expenditure could have been avoided.

Infructuous Expenditure in keeping Operational Establishment idle at Maithon for Want of Reclamation Work—para 22 of the Audit Report

62. The Superintending Engineer, M.E.M. Circle posted operational staff at Maithon from November, 1952 for reclamation work. Small blocks of land were available from November, 1952 to August, 1954. For nine months during the period from February, 1954 to March, 1955, the staff and machines were practically idle. The expenditure on staff excluding overheads for the period of nine months worked out to Rs. 95,881. This expenditure was ignored by the Executive Engineer in working out the unit rate of reclamation charges per acre.

63. In evidence, the Committee were informed that though the staff were posted for reclamation work in November, 1952, the machines were moved in December, 1953 to the operational area and the reclamation work started in the middle of January, 1954. In reply to a question why the staff was not utilised on other work during those thirteen months, the Committee could not get a satisfactory answer. *In the opinion of the Committee, the Corporation have erred not only in sending more staff and equipment than was necessary for the land available for reclamation but also in allowing the staff to remain idle without being utilised on other work.*

64. In reply to a question, the Financial Adviser, D.V.C. stated that the decision taken by the Corporation to ignore the expenditure on the above staff in working out the unit rate per acre was not brought to his notice.

65. *The Committee were surprised to hear this. Under the D.V.C. Act, the Financial Adviser was responsible for the preparation of the Budget of the Corporation, the compilation of the annual and other financial statements and for supervision of the manner in which the accounts of the Corporation are maintained and made available for Audit. It was, therefore, his duty to have ensured that all connected expenditure was accounted for under the relevant head of account so that the unit cost, rate etc. were worked out taking into account all the expenditure. It is, therefore, evident that he had failed in his duty.*

V

GENERAL

Fishery Scheme—Stocking of Tilaiya Reservoir started in 1953-54— para 25 of the Audit Report

66. According to this Audit para, the total direct expenditure upto the end of 1956-57 under the head 'Works, Fisheries'—which includes stocking and commercial exploitation of fish in the Tilaiya Reservoir and purchase of miscellaneous equipment, scientific instruments, fish gear etc. and other works, was Rs. 2,23,437. The total direct expenditure under "Establishment" upto end of 1956-57 was Rs. 1,00,168/-. As against the expenditure of Rs. 3,23,605 excluding indirect expenditure such as share of overhead charges, interest on capital etc., the receipts and recoveries recorded upto the end of 1956-57 amounted to Rs. 11,945/- which consisted mainly of licence fees and royalties from fishermen.

67. The Committee understand that the total expenditure upto the end of 1957-58 was Rs. 4.26 lakhs and the receipts were Rs. 21,572 only. In evidence, the Financial Adviser, D.V.C. informed the Committee that this Scheme was started on the advice of the Fisheries Adviser to the Government of India. The scheme was still in its experimental stage and it might become productive only from 1961-62.

Attention of the Committee was, however, drawn by the Comptroller and Auditor-General to a statement made in the scheme sanctioned by the Corporation that 'considering its water spread, it is estimated that the Tilaiya Reservoir can support about 30 millions of finger-lings making an allowance for mortality, perdition etc. which in total may extend to 50 per cent.'

68. *In view of the above, the Committee consider that the implementation of the scheme is not as it should be. While they appreciate the cautious approach of the Corporation in this matter, they feel over-caution might result in the expenditure becoming nugatory. If the ultimate aim is to make the scheme a commercial proposition, the Corporation should phase the scheme in a manner which will facilitate its fruition. They would be well-advised to plan accordingly in consultation with the experts on Fisheries.*

69. *The Committee understand that the Corporation had sanctioned on the 17th March, 1958, an expenditure not exceeding Rs. 14.25 lakhs for fishery works during the Second Five Year Plan in all reservoirs. The Committee expect that the extension of the scheme to the other reservoirs will be based on sound technical advice, especially when, the experiment at Tilaiya according to the Corporation, is still in the investigation stage.*

Purchase of Boats for use on D.V.C. Lakes—para 26 of the Audit Report

70. On the 30th March, 1955 an ex-ruler who had some motor-driven pleasure boats made an unsolicited offer to sell those boats to the Corporation. While stating that they were in excellent condition and might be useful on the D.V.C. lakes and reservoirs, the owner observed that they would deteriorate if not put to constant use. On the 16th May 1955, the Corporation recorded a note to the effect that the boats should be purchased as it would be difficult to obtain them at anything like this price from anywhere else in the world. According to Audit, there was no provision in the project estimates for the purchase of the boats; nor was there any immediate necessity for purchasing them which might be required, if at all, in the operation stage and not in the construction stage. The Corporation, however, finally decided on 27th May, 1955 to go ahead with the purchase of the boats. The number of boats actually purchased was 27 plus 8 engines (without boats) and a bank draft of Rs. 66,590 was issued to the ex-ruler on 11th June, 1955.

71. The total expenditure incurred on the purchase of the boats including incidental items such as freight, insurance, handling charges, etc. and the construction of a Jetty amounted to Rs. 73,105/-. The total working expenses during the two years 1955-56 and 1956-57 on account of salary of drivers and mechanic and wages of muster roll labour plus petrol and oil and repairs amounted to Rs. 18,984. The total revenue realised from the tourists for use of these boats during the years 1955-56 and 1956-57 was Rs. 89/- only. In 1957-58, the Corporation is reported to have sustained a loss amounting to Rs. 6,898.25 in the maintenance of these boats.

72. From the evidence given before them, the Committee learn that the boats were purchased as the price quoted for them was very low. (In response to an enquiry in 1954, the only firm which had such boats quoted Rs. 29,000 for each). Even the Financial Adviser advised against the purchase of the boats at the construction stage and in so large a number. The Chairman of the Corporation considered it 'a purely businesslike proposition' and sanctioned the

purchase on 27th May, 1955 after consulting the other Members of the D.V.C. The Committee consider it unfortunate that the Chairman should have acted in this manner disregarding the advice of the Financial Adviser. He displayed undue haste in putting through this deal which lacked justification. The Committee would like to know whether the Financial Adviser communicated this case to the Government of India for decision, as required under the existing convention and whether any action was taken by the Government thereon.

73. From a note (Appendix II, Item 8) submitted to them, the Committee learn that besides these 27 boats, there were another 17 boats which were purchased by the Corporation during the years 1952 to 1957. The Chief Engineer had been asked on 7th October, 1958 to re-examine the whole matter and to assess the absolutely essential requirement of boats after taking into account these 17 boats also so that the maximum number could be sold out.

74. The Committee desire that this matter should be finalised without any further delay and the surplus boats disposed of to the best advantage of the Corporation.

Expenditure on Ranchi Move—para 27 of the Audit Report

75. In May, 1954, it was decided that the Corporation would spend about 3 months at Ranchi, from about the middle of June to about the middle of September each year largely to maintain a liaison with the various Departments of the Government of Bihar. The move was not effected in 1954 as residential and office accommodation could not be secured. The move took place in the summer of 1955 and 1956. The periods spent by the Chairman, Members and the Financial Adviser at Ranchi during the summer months of 1955 and 1956 are stated below:

	1955	1956
Chairman	42 days	17 days
One Member	21 days	(He was Chairman in 1956)
Another Member	16 days	9 days
Financial Adviser	5 days	1 day

Three houses were leased on a full year basis at a rental of Rs. 987-8-0 per month from April, May and June, 1955. One of the houses was intended for the use of the Chairman, the second house was taken for Camp Office purpose where non-gazetted staff were also accommodated and the third house was hired for use as Circuit House for Members, Financial Adviser and other officers. Watch

and Ward and conservancy staff were entertained throughout the year. The expenditure on rent and other charges was Rs. 12,762 in 1955 and Rs. 17,905 in 1956. Furniture including linen, crockery, cutlery, utensils and carpets costing Rs. 14,079 was acquired during these two years. *The direct expenditure for the move was Rs. 44,459 in 1955 and Rs. 28,198 in 1956. In addition there had been indirect expenses which had been booked against other heads e.g. frequent telephone calls between Ranchi and Calcutta, sending of couriers, T.A. of officers called for consultation, postal and freight charges on transmission of papers and files etc.*

Three other houses had been rented in February, 1955 at Ranchi and they were surrendered in June, 1955 as unsuitable after incurring an expenditure of Rs. 2,893 on rent.

76. Explaining why the Corporation could not move to Ranchi, the Chairman D.V.C. observed in evidence that as there were floods in 1956, the Chairman and other Members of the Corporation had to be 'at the distress points'. *He, however, admitted that the purpose of this move which was to have liaison with the Bihar Government was not fulfilled as the officers' stay at Ranchi was too brief.*

The Committee, however, understand from Audit that the move to Ranchi was subject to the following conditions:

- (i) Residential and Office accommodation at Ranchi would be arranged by the Government of Bihar; and
- (ii) Bihar Government would also move to Ranchi.

Though the Bihar Government did not move to Ranchi in 1957, the Corporation did so. The period of stay at Ranchi during 1957 was as shown below:

Chairman	21 days
One Member	7 days
Another Member	7 days
Financial Adviser	Nil

This resulted in an expenditure of Rs. 22,653 during 1957-58.

77. *The Committee would, therefore, observe that the move to Ranchi in all the years lacked justification and the expenditure incurred thereon was completely wasteful.*

Para 92 of 3rd Report—*Headquarters Construction

78. In para 92 of their 3rd Report, the Committee suggested that since the operational work of the D.V.C. was almost complete, they should seriously consider the question of shifting their Headquarters from Calcutta to some other place in the Valley and take immediate action to dispose of the property acquired by them at Ranchi at a cost of Rs. 7·8 lakhs in 1950-51 for construction of Headquarters office and thus redeem the funds locked up in this transaction.

79. In evidence, the representative of the Ministry informed the Committee that the permission of the Government of Bihar was necessary before the Corporation could sell the land. The Government of Bihar were not giving the permission pending the settlement of the question of the Headquarters of the D.V.C. This subject, the Committee were informed would be discussed at the next meeting of the participating Governments and the representatives of the D.V.C.

80. *This question has been pending decision for the last 8 years or so. The Committee would recommend that now that the Project is nearing completion,, the Corporation should settle the location of their Headquarters Office in the Valley without any further delay.*

Air-conditioning of some rooms on the second floor of Anderson House—para 28 of the Audit Report

81. In April, 1954 the Corporation decided to air-condition five rooms (occupied by the Chairman, two Members, the Financial Adviser and the Secretary) in the South-east Block on the second floor of Anderson House, Calcutta. Open tender was not invited for the work but only five local firms were asked to submit quotations. Four of them quoted as follows:

(i) 1st firm	Rs. 31,700
(ii) 2nd firm	Rs. 35,165
(iii) 3rd firm	Rs. 42,800
(iv) 4th firm	Rs. 43,800

In the meantime, two more rooms located in the middle of the block were added to the scheme resulting in an increase by 20% of the space to be air-conditioned. The lowest tender was not accepted and the work was entrusted to the firm which quoted Rs. 42,800. No reasons were recorded for the rejection of the lowest tender. In reply to an audit query, the Corporation explained on 20th August, 1957 that the lowest tender was not accepted because the capacity

* See also S. No. 28 of the Statement of Outstanding Recommendations (Appendix I).

of the plant offered by that firm would have been insufficient for air-conditioning the enlarged area. The Corporation, however, asked the 4th firm whose tender was the highest and the third firm whose was the second highest as to the adequacy of their plant for air-conditioning the enlarged area. No such inquiry was made of the firm whose tender was the lowest although the capacity of the plant offered was of approximately the same capacity as that of the highest tenderer. The work was entrusted to the firm which quoted Rs. 42,800 (the second highest) and the purchase order for Rs. 46,353 was issued on the firm after completion of the work.

82. In evidence, explaining the reasons as to why the lowest tenderer who offered the plant of approximately the same capacity as the highest tenderer was not consulted regarding the adequacy of their plant for air-conditioning the enlarged space, as was done in the case of the other two firms offering the highest and second highest tenders, the representative of the D.V.C. stated that apart from the third firm whose tender was accepted, the air-conditioning units of the other firms were more or less undersized. However, as a check, the Controller of Purchase and Stores asked the fourth firm which had offered the next biggest unit of 10½ tons ice-forming capacity as to the adequacy of its plant for air-conditioning the enlarged area. But the firm was not in a position to undertake this. So it was thought that when the firm with a unit of 10½ tons of ice-forming capacity could not do the work, there was no point in consulting the other firms who had offered air-conditioning units of 10 and 6½ tons.

83. The Committee were given to understand that out of 21 firms on their approved list of suppliers of air-conditioning equipment, the Corporation invited quotations only from five firms. In extenuation, it was urged that as summer had already started, it would not have been possible to instal the plant if open tenders from all the 21 firms had been invited.

84. *The Committee are not satisfied with the explanations furnished by the Corporation. In their opinion, the procedure followed in this case was very objectionable. Since the space to be air-conditioned was increased and two of the firms offering the highest and second highest tenders were consulted about the adequacy of their plant for the increased area, the decision not to consult the firm offering the lowest tender lacked justification. In the context of the fact that this firm had offered a plant of practically the same capacity as that offered by the higher tenderer, it is apparent that the Corporation had already decided to place the contract with the second highest*

tenderer for reasons of their own. The Committee are also not convinced of the plea of urgency for not calling for open tenders from all the 21 approved suppliers of air-conditioning equipment. As all the firms were in Calcutta, an enquiry could have been made simultaneously from all of them.

85. The Committee have come across a number of cases where plea of urgency was often put forth whenever the administration failed to observe the prescribed rules and procedure. On scrutiny, however, in most cases the urgency could not be established. The Committee would urge that strict instructions be issued by Government to all Executive Officers that no deviation should be made from the prescribed procedure unless there was a compelling necessity.

Writes off and losses etc.—para 29(a) of Audit Report—Items (iii) and (iv)—Purchase of Concrete Mixers

86. Rs. 5,946 being the value of one Anderson Concrete Mixer purchased in 1950 for the Mechanical Division of the Barrage and Irrigation Project and Rs. 7,633/- being the value of one Blow Knox Drum type Portable Mixer also purchased in 1950 were written off as they were found unserviceable and beyond economic repairs. The first one was not used at all since its purchase, while the latter was used for a purpose other than that for which it was intended, resulting in its early wear and tear.

87. In a note [Appendix II, Items 9(b&c)] submitted to the Committee, it has been stated that no specific sanction of the Corporation was obtained for the purchase of these mixers. Both the Mixers were purchased from Railway surplus in 1950 on the basis of selection made by the Engineer-in-Charge from the disposal list against future requirements for construction of the Durgapur Barrage. It has been admitted that the Anderson Mixer was a bad purchase as the Mechanical Engineer condemned it as unserviceable in October, 1954 and stated that it required major overhauling and heavy repairs which would be uneconomical.

The Blow Knox Concrete mixer was put into commission for washing gravel in connection with the construction of the Durgapur Barrage, as the Gravel Washing Plant in course of manufacture at the Maithon Workshop was not available until January, 1954. Even after that the Mixer was continued to be used for washing gravel, as the Gravel Washing Plant manufactured in the Maithon Workshop was not found suitable for the type of soil encountered and it was not also sufficient to cope with the large volume of gravel washing that had to be done. Although the Engineers were aware that a concrete Mixer deteriorated rapidly by gravel washing "this course had to be

resorted to with a view to maintaining the progress of work which would otherwise have suffered seriously with consequential loss which would have far exceeded the price of this plant viz. Rs. 7,630". The two plants were sold in June, 1957 for Rs. 1,400.

88. *The Committee regret to observe that this is a typical case of scant regard for public funds. It has been stated by the Corporation that as the officers concerned had left the service of the Corporation before the case came to notice, no further action could be taken in the matter. But the Committee find from the evidence before them that the Corporation could have instituted investigation into the purchase much earlier.*

89. The Committee understand that the Engineer-in-Charge (B & I) who selected these mixers for purchase is at present working as a Superintending Engineer under the Government of West Bengal, from whom his services were borrowed by the Corporation.

The Committee would like the irregularities committed by the Engineer-in-Charge in this case to be communicated to the Government of West Bengal (where he is working at present) for such action as may be considered necessary. They would also urge that action should now be taken to fix the responsibility on the Inspector of the Corporation, who certified that the machines were in good working condition at the time of their purchase.

Non-Imposition of Penalty—para 29(b) of Audit Report

90. In accordance with clause 22 of the power-supply agreement with the consumers, the Corporation should present the bill to the consumer within 15 days of the expiration of the calendar month for payment within 31 days from the date of receipt of the bill. Clause 23 *ibid* provides that the defaulting consumer should pay a surcharge of one per cent per month from the due date of payment of the monthly bill for power supplied. The provision of this agreement was not enforced upto 31st March, 1957. (Corporation started to supply power to the consumers with effect from 1st January, 1952). The Corporation have since sanctioned waiver of recovery of Rs. 54,645 on this account.

91. The reasons given to Audit by the Corporation for non-enforcement of penalty were (a) the initial failure of the Corporation to present the bills within the stipulated time and (b) the inability of the consumers in the initial stage to make payment of bills strictly in terms of agreement due to (i) lack of procedure for scrutiny of meter readings and power supply bills in initial stage of supply; (ii) some clarification in respect of power supply bills on the

score of meter readings and billing procedure etc; and (iii) procedural delay in respect of payment by the Government Agencies.

92. The Committee understand (Appendix II, Item 10) that the Corporation authorised the Commercial Engineer in March, 1957 to waive penalty upto a limit of Rs. 1,000 in each case. Even during 1957-58, the Commercial Engineer waived a sum of Rs. 4006.22 nP. in exercise of this delegated power and the Corporation had written off a sum of Rs. 1097.16 nP.

93. *The Committee see no justification for the waiving of penalty by an autonomous and commercial Corporation like the D.V.C. for delay in payment of dues by the consumers including private consumers for the supply of power continuously for six years from 1951-52 to 1957-58. The plea put forth by the Corporation that some period was necessary to enable the consumers to get accustomed to the procedure of billing, scrutiny of meter readings and procedure of payment during the initial stages of supply is hardly convincing, as normally the consumers of power are expected to pay the charges billed for and to point out errors in the bills separately.*

The Corporation is stated to be considering the proposal of introducing a Rebate System for payment by a specified date on the lines similar to that in force in the Calcutta Electric Supply Corporation instead of the present system of penalty. The Committee desire that this matter should be finalised quickly. They would like to watch the results of the working of the new procedure through the subsequent Audit Reports.

Reconciliation of balances of stores with Financial Accounts—para 31(e) of Audit Report

94. It has been pointed out in the Audit Report that the reconciliation of the value balances of stores in the ledgers with those appearing in the financial accounts has not been carried out in any Division or Workshop.

95. From a note [Appendix II, Item 11(c)] submitted to them, the Committee understand that the reconciliation of stores ledger balances with the financial accounts has been completed except in the case of two formations in respect of which the work of reconciliation is still in progress and it will take some more time as the Divisions were experiencing some difficulty for want of experienced personnel.

96. *The Committee regret to note that despite the observations made by them in para 13 of their 18th Report (1955-56) regarding this matter, an efficient standard of store-accounting which is neces-*

easy for avoidance of pilferage and loss of stores by fraudulent means, has not so far been achieved by the Corporation.

Cold Storage Plant at Burdwan—para 31(g) of Audit Report

97. The *pro forma* Account in respect of this plant upto 1956-57 showed a net loss of Rs. 30,084.

From a note submitted to them [Appendix II, Item 11(f)] the Committee learn that the un-audited *proforma* balance sheet and the profit and loss account of this Plant disclose a loss of about Rs. 72,600 during 1957-58. In extenuation, it was stated by the Corporation that the working of the Plant during the 1957-58 season was more of an experimental nature. According to the estimates for 1958-59, the Corporation expected a net profit of about Rs. 27,000 and the deficits of the first two years ending March, 1958 would be wiped out by March, 1961, if not earlier, and the Cold Storage Plant would stand on its own feet thereafter.

The Committee would like to know the actual results of the working of this plant during 1958-59.

VI

OUTSTANDING RECOMMENDATIONS

Utilization of waters stored in Tilaiya and Konar Dams*

98. In para 7 of their last Report on the D.V.C. Accounts (3rd Report), the Committee pointed out that although the Tilaiya Dam was completed in December, 1952, it had not been found possible to utilise the waters for irrigation purposes even then (1958). The same is the position even now. The D.V.C. have restated that the prospects of irrigation in the upper reaches of the Valley were poor. The technical experts were against irrigation being provided in Bihar on the ground that it was uneconomic. All that has been done so far in this direction is that the Tilaiya High Level Irrigation Scheme costing about Rs. 35 lakhs has been worked out and is still awaiting Government's decision. *However, according to the D.V.C., the anticipated financial return on this scheme indicates that the scheme cannot be productive. In the light of this anticipation, the Committee would like to caution the Government of India and the D.V.C. against incurring any further expenditure towards the implementation of this scheme.*

99. So far as the Konar Dam is concerned, it was constructed at a cost of Rs. 9·8 crores. Although completed in September, 1955, it has not been found possible to utilise the water stored therein for irrigation purposes. As regards the generation of hydro-power from the Konar Dam, the D.V.C. have stated that this question has been deferred on financial grounds as it was felt that for the same cost a new thermal plant of greater capacity can be put up.

100. *In the course of their examination, the Committee put a pointed question to the Chairman, D.V.C. about the utility of this Dam. In this connection, he stated as below:*

"If we look at things with the knowledge we now possess, we would not build Konar Dam again".

The Committee do not consider any further comments necessary.

101. As regards the low level irrigation scheme in the Durgapur area, the Committee note that the Report of the Lower Damodar In-

*See also S. Nos. 6 and 30 of the Statement showing action taken on the Outstanding Recommendations of the P.A.C. (Appendix I).

investigation Committee set up by the D.V.C. is still under consideration of the Government and the D.V.C. *In this connection, the Committee would emphasise the necessity of having a proper unified development of the entire lower valley as a whole instead of resorting to the solution of individual problems for local and short-term benefits.*

***Revision of construction schedules of Maithon and Panchet Hill Projects—paras 23-32 of the 3rd Report (Second Lok Sabha)**

102. The Committee in para 32 of their 3rd Report commented upon the delay in the construction schedule and upward revisions of the estimates of the Maithon and Panchet Hill Projects and they expected that the Corporation would now adhere to the revised schedule for completion of these Projects.

103. According to a note (Appendix I, Annexure III) submitted by the Corporation, it had not been possible to complete the Maithon Hydel Station within the target date. The three units of the Maithon Power House were scheduled to go into operation in June 1957, September, 1957 and December, 1957; but the first and the second units went into operation on the 31st October, 1957 and 31st May, 1958 respectively while the third unit was commissioned in August, 1958.

104. The Panchet Hill dam was scheduled to be completed by December, 1958. But this schedule had again been revised and the concrete dam and the Power House were now expected to be completed by June, 1959.

105. The main reasons given for the delay in the case of Maithon are:

- (i) Delay in delivery of the Actuator Control Panel for Unit No. 1 which was received at site only in June, 1957.
- (ii) Non-availability of oxygen for a long period during 1957 on account of strike in Indian Oxygen and Acetylene Co.'s Works.
- (iii) Flight of experienced Welders to better paid jobs in nearby projects causing serious set-back to progress in 1957.

*See No. 11 of the Statement of Outstanding Recommendations (Appendix I).

- (iv) High incidence of influenza in the camp in 1957 leading to heavy absence from work.
- (v) Non-receipt of components of Hydro-electric equipment in time.

The D.V.C. have further stated that procurement action in respect of additional components and accessories including 3 Actuator Control Panels which were found necessary in the course of execution of work was initiated in August, 1956 with the manufacturers of the main plant. But the materials were actually received at site in June, 1957.

106. *The Committee can do no more than to reiterate the recommendation made in para 32 of their 3rd Report (2nd Lok Sabha) that delays in the execution of works resulting from non-stocking of essential spare parts could be curtailed with proper planning and foresight.*

The primary reasons given for the delay in the case of Panchet Hill Projects are (i) non-adherence of the supply dates by the two suppliers of timber for shuttering and (ii) delay in delivery of the spillway gates by TEXMACO.

It has been urged by the Corporation that considerable difficulties had been experienced in locating reliable suppliers of timber for shuttering. In these circumstances, the 1st supplier was allowed extension of time from time to time. As he could not complete the supply even by the last extension date which expired on 31st July, 1958, his contract had been rescinded on 28th August, 1958. The dues of the supplier amounting to Rs. 9,600 have been withheld pending settlement of the question of penalty. The Second supplier was also allowed extension of time.

107. *The Committee see no reason why no penalty could be imposed on both the suppliers for non-delivery of the timber by the stipulated date. They would like to be apprised of the final outcome of the action when taken against them and also of the fulfilment of the contract by TEXMACO.*

108. *The Committee view with great concern the repeated changes in the scheduled dates for the completion of these two projects as they add to the cost of the projects considerably and affect their productivity. It should now be possible for the Corporation to adhere to the revised Schedule for their completion.*

***Purchase of unsuitable Wagon Drills: Paras 33-35 of
3rd Report (Second Lok Sabha)**

109. The Committee in para 35 of their 3rd Report suggested the expeditious disposal of the 12 C.P.T. Wagon Drills purchased at a total cost of Rs. 1,69,004 for the excavation of Diversion Channel of the Maithon Dam, which were found unsuitable for the work and had to be abandoned.

110. The Corporation have stated that out of the four drills earmarked for Nagarjunasagar Project, only one had been taken by that Project. The Kaiser Corporation of Jamshedpur to whom five drills were allotted had since withdrawn their requisition. The Bombay P.W.D. inspected the drills in September, 1958 and had since placed a firm indent for 7 wagon drills out of the surplus of 8. *The Committee would like to be informed of the final disposal of these drills and the total loss sustained by the Corporation in this case.*

**@Excess payment to Messrs. Hind Patel & Co., for certain items of
work done on Konar Dam: paras 88-89 of 3rd Report
(Second Lok Sabha)**

111. The Public Accounts Committee had earlier commented upon this case, which related to an excess payment of the order of Rs. 119 lakhs or so to Messrs. Hind Patel and Co., for certain items of work done by them at Konar Dam, first in Chapter VI of their 15th Report and again in para 37 of their 18th Report (First Lok Sabha) and paras 88-89 of their 3rd Report (Second Lok Sabha).

112. In the course of evidence, the Committee were informed that the arbitration proceedings in this case were still going on and were expected to last till the end of December, 1958.** Till 21st August, 1958 (a period of about 2 years), 97 sittings had been held and the expenditure on arbitration had amounted to nearly Rs. 2 lakhs. The Arbitrator who is a retired High Court Judge is being paid at the rate of Rs. 3,000 per month minus his pension. The Corporation are being assisted by a lawyer who is being paid a fee at the rate of Rs. 1,000, per day of his appearance.

113. The overpayment occurred in 1950-51. The successive Public Accounts Committees have expressed their concern over the halting manner in which this case was being dealt with by the Corporation and the Government of India.

*See S. No. 12 of the Statement of Outstanding Recommendations (Appendix I).

@See also No. 26 of the Statement of Outstanding Recommendations (Appendix I).

**The Ministry of Irrigation & Power have now intimated vide their office memorandum No. 18(6) DVC/58 dated 11th April, 1959 that it will take at least another six months for the proceedings to come to a close.

The Committee of 1957-58 were informed that the contractor had agreed to make good to the D.V.C. whatever amount was adjudged by the arbitrator as overpayment. The arbitration deed was executed by the parties in January, 1957 and the award was expected by April, 1958. (An extension of six months was given from October, 1957—the original date fixed for the award).

114. *Although 97 sittings had taken place and the expenditure incurred so far on arbitration amounted to nearly Rs. 2 lakhs, the matter has not yet reached a settlement. The Committee are amazed at the manner in which things are allowed to take their own course.*

NEW DELHI;
The 5th April, 1959.

Chaitra 15, 1881 (Saka)

N. G. RANGA,
Chairman,
Public Accounts Committee.

PART II
PROCEEDINGS OF THE SITTINGS OF THE PUBLIC ACCOUNTS
COMMITTEE HELD FROM 25TH TO 27TH AUGUST, 1958
AND 5TH APRIL, 1959

PROCEEDINGS* OF THE NINETEENTH SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON MONDAY,
THE 25TH AUGUST, 1958

115. The Committee sat from 14.30 to 17.00 hours.

PRESENT

Shri T. N. Singh—*Chairman*

MEMBERS

2. Dr. Ram Subhag Singh
3. Shri Arun Chandra Guha
4. Shri N. R. M. Swamy
5. Pandit Jwala Prasad Jyotishi
6. Shri Rameshwar Sahu
7. Shri T. Sanganna
8. Shri Upendranath Barman
9. Shri Prabhat Kar
10. Shri H. C. Dasappa
11. Shri Khushwaqt Rai
12. Shri Aurobindo Ghosal
13. Shri Jaipal Singh
14. Shri Amolakh Chand
15. Shri T. R. Deogirikar
16. Shri S. Venkataraman
17. Shri Rohit Manushankar Dave
18. Shri M. Basavapunnaiiah.

Shri A. K. Chanda, *Comptroller and Auditor General of India.*

*Earlier Sittings relate to the Consideration of the Accounts of the Govt. of Himachal Pradesh, Railways, Govt. of Delhi, P. & T. Department etc.

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General.*

Shri D. C. Guha, *Additional Accountant General, West Bengal, (D.V.S. & S.P.).*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary*

Shri M. C. Chawla, *Under Secretary.*

WITNESSES

Ministry of Irrigation and Power

Shri T. Sivasankar, *Secretary*

Shri R. R. Bahl, *Joint Secretary.*

Damodar Valley Corporation

Shri J. P. L. Shenoy, *Chairman*

Shri A. M. Komora, *Chief Engineer*

Shri U. K. Ghosal, *Secretary*

Shri S. M. Banerjee, *Financial Adviser*

Shri K. M. Chinnappa, *Additional Chief Electrical Engineer*

Shri K. Subramaniam, *Commercial Engineer.*

Ministry of Finance

Shri S. Vohra, *Joint Secretary, (Department of Expenditure)*

Shri R. Saran, *Deputy Secretary, (Department of Economic Affairs).*

AUDIT REPORT ON THE ACCOUNTS OF THE DAMODAR VALLEY CORPORATION, 1956-57

Powers and functions of the Financial Adviser, Damodar Valley Corporation

116. At the outset, the Committee wanted to know what happened when the financial advice given by the Financial Adviser was not accepted by the Corporation. The Financial Adviser stated that he had a right by convention to refer to the Government of India differences of opinion where he disagreed with the Corporation's decisions and he also included them in his six monthly Report to

Government. It was not, however, incumbent on him to refer every case of difference of opinion to Government unless he felt strongly about it. He added, further, that in some cases the Corporation agreed with his point of view and accepted his advice, in others they did not. His duty ended when he submitted his report. In some cases the Corporation had referred certain matters to Government at his instance. When asked to elucidate Government's view point on this aspect, the representative of the Ministry of Irrigation and Power stated that the Government have not received any specific report of disagreement from the Financial Adviser and in the absence of any such specific reference the Government did not interfere in the day-to-day administration of the Corporation as they were precluded from doing so under the D.V.C. Act, 1948.

Elucidating further, the representative of the Ministry stated that under the D.V.C. Act 1948, the Corporation was empowered to overrule the Financial Adviser. The Financial Adviser was always consulted on all matters involving financial implications. But it was not necessary always for the Corporation to obtain his concurrence—the whole object being to ensure that the Financial Adviser did not hold up the progress of work if the Corporation thought that by not doing a particular thing, the progress would be held up. A convention had, however, been established in consultation with the participating Governments in May, 1951 that in the event of difference of opinion between the Financial Adviser and the Corporation on a matter on which the Financial Adviser felt that a report should be made to Government, he could do so. The Government could, intervene by issuing directives to the Corporation in the case of difference of opinion where the Financial Adviser referred the matter to Government.

When the representative of the Ministry was asked whether in any case Government had taken such action on the six monthly Reports submitted by the Financial Adviser, he stated in reply that there had not been any case of that type. He added that if considered necessary, the Ministry would send those reports for comments of the D.V.C. When asked to point out a single instance where Government had taken action on the six monthly report of the Financial Adviser, the representative of the Ministry stated that there was no such case in which Government's intervention was felt to be justified. The Government could interfere only if there was a gross violation of financial principles and financial propriety.

In reply to a question as to why the Financial Adviser had not exercised his right on any occasion to refer the differences of opinion to Government, the representative of the Ministry stated

that the Financial Adviser had no such powers under the D.V.C. Act or the Rules made thereunder even now. It was, as a result of the convention established in 1951, at the instance of the Ministry at a conference of the Participating Governments that if the Financial Adviser had any differences of opinion with the Members of the Corporation, he should record his views and bring the matter to the notice of the Government of India. Such a reference was, however, to be made under intimation to the Corporation. Then the D.V.C. Enquiry Committee, 1952, called the Rau Committee, objected to this convention. But it was ultimately decided that the convention should remain to the extent that the Financial Adviser should have a right to report to Government implying thereby that he need not report each and every case. It was also agreed that six monthly reports were to continue and that it should be confined mainly to a broad review of the financial position of the Corporation or any other matter of general interest relating to financial matters.

Replying to the specific question asked by the Committee whether he (the Financial Adviser) had exercised this right of representing to Government, he stated that in one or two cases, he had made specific references to Government which agreed with him and issued certain directions to the Corporation on procedural matters. The representative of the Ministry, however, intervened to say that since the inception of the Damodar Valley Corporation, no directive had been issued by Government under the D.V.C. Act.

The Committee then proceeded to take up consideration of the Audit Report on the Accounts for 1956-57.

Allocation under Section 32 of the D.V.C. Act, Para 2(a) of Audit Report and paras* 18-21 of the Third Report of P.A.C. (1957-58)

117. The question of allocation of expenditure on soil conservation, afforestation and other developmental activities under Section 12(e) and (f) of the D.V.C. Act has not yet been finally settled. The opinion of the Attorney General given in February, 1956 that the expenditure on developmental activities undertaken by the D.V.C. should be shared equally by the participating Governments has not been accepted by the Governments of Bihar and West Bengal.

Giving out the latest position, the representative of the Ministry of Irrigation and Power while regretting the delay in the settlement of the matter, stated that Government tried to persuade the State Governments to accept the view of the Attorney General subject to certain conventions, but they had asked for an opportunity to be

*Item 9 of Statement of Outstanding Recommendations (Appendix I).

heard by the Attorney General. The comments of D.V.C. were received only a day or two ago and these were being sent to the Attorney General. He assured the Committee that the soil conservation work was going on and the afforestation work was also proceeding apace. He added that the soil conservation and afforestation were two facets of the same problem and the Government were not quite happy about the delay and he promised to get the decision in the case expedited.

In reply to a question, the representative of the Ministry stated that unless they took measures now to see that soil erosion was effectively checked there was a danger of the dams getting silted up quicker. Government, he said, had taken up this matter as a general question with the Planning Commission. He, however, admitted that not enough was being done in the matter of soil conservation which he described as an expensive business.

The Chairman, D.V.C. stated that according to some foreign experts, Rs. 50 crores would be required for afforestation and soil conservation etc. and it would take fifteen years to do this job. The funds allotted to D.V.C. for the last two years for this purpose were inadequate. Only recently Rs. 50 lakhs had been allotted and they intended to utilise the amount to the fullest extent during the next two years. He, however, pleaded that it was extremely difficult to do anything spectacular in an area where there was water only during three months in the year, and therefore, afforestation was a serious problem and soil conservation was difficult. The state of affairs had been further aggravated by the uncontrolled grazing of cattle. Fencing of areas could stop this. But that was very expensive. The administration were endeavouring with the limited funds at their disposal to fence as much as possible.

In reply to a question he stated that in the estimate for the construction of the dam, no provision was made for afforestation which was necessary whether the dam was constructed or not. Most of the lands in the D.V.C. area were owned by farmers. The Corporation had to enlist the co-operation of the cultivators which was rather difficult to get and whatever work had been done in the past, had been inadequate. They had not yet drawn up any scheme for soil conservation as they had not yet been able to get any indication of what funds would be placed at their disposal. The nature of their scheme would depend on the size of the funds available. It was pointed out to him by the Committee that even though the Corporation had budgeted nearly Rs. 12 lakhs under soil conservation in 1957-58 they had spent only about Rs. 6 lakhs which indicated that finance was not the real difficulty. The Chairman of the D.V.C. stated that the Corporation was trying to accelerate the programme and he hoped

that in the next two or three years or by the end of the Second Five Year Plan, they would make appreciable progress in the field of afforestation.

Allocation under Section 33: Para 2 (b) of Audit Report and *Para 22 of the Third Report of the P.A.C. (1957-58)

118. According to Section 33 of the D.V.C. Act, expenditure common to two or more of the main objects is required to be allocated to each of the main objects in proportion to the expenditure which according to the estimate of the Corporation would have to be incurred solely for that object. But this estimate has not been finally made by the Corporation. The question of allocation of common expenditure on Tilaiya, Konar, Maithon and Panchet Hill was referred to a Committee consisting of the representatives of the D.V.C. and the participating Governments. But that Committee have not yet submitted their report.

Explaining the position further the representative of the Ministry stated that at a conference of the three participating Governments held in April, 1956, a decision was taken that the question of allocation of costs of the dams under Section 33 should be examined by a Committee consisting of representatives of the D.V.C. and the three participating Governments. The D.V.C. constituted a Committee consisting of two representatives each of the participating Governments and three of the D.V.C. This Committee met on the 5th April, 1957 and expressed the view that an authoritative interpretation of a certain section of D.V.C. Act should be obtained before they could proceed further in the matter. The Ministry of Law were consulted and their advice was furnished to the D.V.C. on the 30th July, 1957. In December, 1957, the D.V.C. informed the Government that the work of the Committee could not proceed further until the water potential of the dams had been examined by the Advisory Committee appointed by the Corporation for this purpose and also suggested a suitable plan of operation for the use of available water resources. The Report of this Committee was expected by the end of August, 1958 and on its receipt, the Committee on allocation of costs of dams would proceed with their work. *In reply to a question, the Chief Engineer, D.V.C. stated that the storage capacity of the dams was known from the beginning but now the water management plans were being revised on the basis of actual river flow records for the last nine years.*

When questioned as to how 60% was proposed to be allocated for power in Konar when in actual practice it was neither generating any power nor irrigating any land except supplying water to Bokaro for cooling purposes, the Financial Adviser explained that it was according to the original allocation. It was for the participating Gov-

*Item 10 of Statement of Outstanding Recommendations (Appendix I).

ernments to decide now if the investment did not serve the purpose for which it had been intended or it now served a purpose other than that for which it was intended. The decision would depend on future policy as to how Konar would be developed. *He further stated that when the decision to go ahead with Konar scheme was taken by Government in 1946 they were aware that the scheme would be unprofitable.* The Chairman, D.V.C. stated that Konar had the potential to generate 40,000 kw of electricity but with the same capital cost a thermal station with assured supply of power all the year round could be erected now. *He stated that with the knowledge they now have, they would not build Konar dam again.*

As regards Tilaiya, it was stated that it would irrigate land to the extent of 10,000 acres and the estimate cost of the scheme was Rs. 35 lakhs. The financial scrutiny was being done by the C.W. & P.C. The matter was under consideration of the Planning Commission and they were examining whether the project was remunerative or not.

Nugatory Expenditure on the Manufacture of Harza Gates for Maithon Dam—Para 4 of the Audit Report

119. Out of an amount of Rs. 15,56,639 sanctioned in November, 1953 for the departmental manufacture of Harza Gates for the Maithon Dam and several other fabrication works, a sum of Rs. 3,86,917 was spent on cost of tools and plant, extension of workshop, construction of residential buildings, pay of establishment and cost of design both at Maithon and in Chicago. Eventually, it was decided in February, 1954 to provide Maithon Dam with another type of Undersluice Gates to be obtained from outside suppliers.

When asked to state the reasons for changing the type of the gates within four months after incurring a lot of expenditure on preliminaries, the representative of the D.V.C. stated that in February, 1954 at the meeting of the D.V.C. Board of Consultants, the number of gates at Maithon and Panchet was reduced from 20 to 6 and from 28 to 10 respectively. The Board also recommended that standard proven type gates should be used and only one Harza type gate should be fabricated for installation at Panchet. This Harza Gate was working satisfactorily. This type of gate was of a new design and did not need any mechanical or electrical power to operate. It could be easily installed on other dams in India. He contended that this had been a successful experiment and the money spent on its design and development could not be stated to have been wasted.

When asked why the Consultants had not been consulted originally before the work on Harza gate was undertaken, the Chief Engineer, D.V.C. stated that they had consulted the Design Engineer. In his opinion, there should be a fewer number of

gates in Maithon and Panchet Hill dams. The Board of Consultants were also of the same view and they recommended the standard proven types. As a result of the reduction in the number of gates, the cost has come down. The Committee pointed out that with the reduced number of gates, the cost of manufacturing Harza gates would have been much less. The Committee, however, desired to be furnished with further information on the following points:—

- (a) What was the total amount sanctioned for the manufacture of Harza Gates and the number thereof?
- (b) What was the cost of departmental manufacture of Harza Gates of the various sizes?
- (c) What was the total number of such Gates manufactured?

Loss of Bricks—Para of the Audit Report

120. In two survey reports for the write-off of bricks manufactured at Panchet submitted by the Chief Engineer in October, 1956, it was stated:—

- (1) 5,63,299 bricks valued at Rs. 12,140-9-0 were abandoned in brick fields due *inter alia* to the following—
 - (a) Owing to inability to make adequate transport arrangements for clearing bricks from the fields some quantities were swept away.
 - (b) Considerable quantities which had been reduced to small bats and clay were abandoned.
- (2) Rs. 29,984 representing the value of 5,69,895 whole bricks and 47,666 cft of brickbats were found short in stock.

In extenuation, the Chairman, D.V.C. stated that good bricks not being available anywhere within easy reach and the cost of transporting bricks manufactured at Maithon being prohibitive, *they undertook to manufacture bricks at this place with the full knowledge that the bricks would be bad and the percentage of breakage would be high.* An investigation, he added, had been carried out by a Superintending Engineer. But neither the Corporation nor the Financial Adviser was satisfied with the result of investigation and another investigation had been ordered. The report was awaited since the various Measurement books etc. were in the custody of the Court, the contractor having filed a suit, the investigation had been held up.

When asked whether the Brick Supply Officer involved in the present case was the same person about whom mention had been made at page 10 of the Eighteenth Report of P.A.C. for not having maintained accounts, etc. properly, the Chairman, D.V.C. could

not say definitely. The Financial Adviser, D.V.C. admitted that there had been delay in this case and the loss was due to negligence also. He further disclosed that the period during which this loss occurred was almost the same as the other case cited above and the same persons were involved. In reply to a question, the Chairman, D.V.C. stated that the Brick Supply Officer had been sent away but the Executive Engineer involved in this case was still there. The Chairman, D.V.C. undertook to furnish detailed information with regard to the following:—

“Whether the copy of documents filed in court were produced before the Investigating Officer? If not what are the reasons therefor?”

Avoidable Expenditure—Para 7 of Audit Report

121. Audit has commented that had the import licence been issued to the firm immediately after the purchase order for the two belts was issued in August, 1956, air freight charges of Rs. 16,611 (against sea freight of Rs. 396 approx.) would have been avoided.

The Chief Engineer, D.V.C. stated that they noticed that they had no stock before the monsoon. At the time they were placing the indent (April, 1956) they had none in stock, except what they were left within the actual operation, because if one broke, they must have a spare. He contended that they could not, therefore, afford to take a chance and needed spares.

The Comptroller and Auditor General, however, informed the Committee that indents for two belts were placed on 11th April, 1956 when there were two belts in stock. They were subsequently issued on the 21st July and 12th September, 1956.

The Financial Adviser intervened to say that he had accorded concurrence in the air-lifting provided the materials were required urgently. He had also suggested that after the sanction was issued the Corporation should enquire whether there were any lapses which necessitated air-freighting of the materials. But even now this matter did not appear to have been looked into. The Committee desired that an enquiry into the matter should be made to fix responsibility and action taken.

122. The Committee then adjourned till 14.00 hours on Tuesday, the 26th August, 1958.

PROCEEDINGS OF THE TWENTIETH SITTING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON TUESDAY, THE 26TH
AUGUST, 1958.

123. The Committee sat from 14.00 to 17.00 hours.

PRESENT

Shri T. N. Singh—*Chairman.*

MEMBERS

2. Dr. Ram Subhag Singh
3. Shri Arun Chandra Guha
4. Shri N. R. M. Swamy
5. Pandit Jwala Prasad Jyotishi
6. Shri Rameshwar Sahu
7. Shri T. Sanganna
8. Shri Upendranath Barman
9. Shri Prabhat Kar
10. Shri N. G. Ranga
11. Shri H. C. Dasappa
12. Shri Khushwaqt Rai
13. Shri Jaipal Singh
14. Shri Amolakh Chand
15. Shri T. R. Deogirikar
16. Shri S. Venkataraman
17. Shri Rohit Manushankar Dave
18. Shri M. Basavapurnaiah.

Shri A. K. Chanda, *Comptroller and Auditor General of India.*

Shri P. C. Padhi, *Addl. Dy. Comptroller and Auditor General.*

Shri D. C. Guha, *Additional Accountant General, West Bengal (D.V.C. & S.P.).*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

WITNESSES

Ministry of Irrigation and Power

Shri T. Sivasankar, *Secretary.*

Shri R. R. Bahl, *Joint Secretary.*

Damodar Valley Corporation

Shri J. P. L. Shenoy, *Chairman.*

Shri A. M. Komora, *Chief Engineer.*

Shri U. K. Ghosal, *Secretary.*

Shri S. M. Banerjee, *Financial Adviser.*

Shri K. M. Chinnappa, *Addl. Chief Electrical Engineer.*

Shri K. Subramaniam, *Commercial Engineer.*

Ministry of Finance

Shri S. Vohra, *Joint Secretary.*

(Department of Expenditure)

Shri R. Saran, *Deputy Secretary.*

(Department of Economic Affairs)

DAMODAR VALLEY CORPORATION

124. The Committee resumed consideration of the Audit Report on the Accounts of the D.V.C. for the year 1956-57.

Avoidable Expenditure—Para 9 of Audit Report 1956-57

125. 37 bushings including 7 lightning arrestor units imported in May/June, 1951 from Japan for Tilaiya Hydro-Electric Power Station were damaged in transit and rendered unsuitable for use. The goods were all insured against loss or damage. Under the terms, the Insurance Company was to pay a sum not exceeding the cost of replacement or repairs. In March 1952, the D.V.C. informed the Insurance Company that the repaired materials would not be acceptable to them as these would not hold the original guarantee of the manufacturers, without making enquiry from the manufacturers to that effect, and, therefore, made a formal claim for £7,266 upon the Insurance Company. By May, 1952 the Corporation sanctioned fresh purchase of the materials from the same Suppliers and stated that the cost was recoverable from the Insurance Company. At a meeting held sometime during August to November, 1952, the D.V.C.

however, agreed to have the repaired materials from the Insurance Company as spares. The replacements were received in January, 1953.

The Committee wanted to know the reasons for the acceptance of repaired materials, as spares. Explaining the extenuating circumstances, the representative of the D.V.C. stated that their endeavour was to get replacement rather than repaired material because they were not quite sure whether it could be repaired and if repaired whether it could be used as new bushings and would have the original guarantee. The Insurance Company was not agreeable to replacement. It was also hesitating to incur the expenditure of sending the goods back to Japan for repairs. As the commissioning of the Tilaiya Dam was fixed for January-February, 1953, it was not considered advisable to wait till the settlement of the case with the Insurance Company and, therefore, a second order was placed on the Suppliers.

Continuing, he stated that while it was true that they were compelled to incur additional expenditure, they had planned not only to keep a small number of these repaired bushings as spares but also to modify the remaining ones so that they were suitable for use in future equipment because the D.V.C. were going to need more and more similar breakers. He added that they proposed to buy these breakers without bushings until all these bushings were used up and only a reasonable number was kept as spares.

When asked how many of the spares have been used up-till now, the representative of the D.V.C. stated that luckily no bushings had been damaged.

The Chairman, however, drew attention of the Committee to certain facts placed before him by Audit according to which the representatives of manufacturers in Japan and their agents in Calcutta inspected the goods on 15th September, 1951 and held that the goods will not have the three years guarantee if repaired in India. At a joint meeting of the representatives of the D.V.C., the agent of the supplying firm and the Insurance Company, on 25th January, 1952, it was agreed that the Insurance Company would pay for the replacement or complete repairs, whichever was lower, and that the agents of the supplying firm would arrange for returning the damaged goods to Japan for repairs or replacement. The Insurance Company asked the Corporation on 28th January and again on 28th April, after 3 months to send the damaged materials to the supplier's agents for onward transmission to Japan as settled in their joint

meeting. But the D.V.C. did not hand over the materials and informed the Insurance Company that the repaired materials would not be acceptable to them.

On the Committee pressing the issue further as to why the D.V.C. did not hand over the damaged goods to the supplier's firm in Calcutta for being sent to Japan for repairs, the representative of the D.V.C. could not give any satisfactory explanation.

In reply to a question as to why the Financial Adviser agreed to the second purchase, the Financial Adviser, D.V.C. stated that his predecessor dealt with this case and he recorded that there was no objection as it was presumed that the cost of replacement was fully covered by the Insurance. *He further read out to the Committee the note recorded by him in this case saying that the surplus stores should be disposed of to the best advantage of the Corporation instead of any over-stocking, unless the materials would be required in the distant future and were not liable to deterioration in the meantime.* (The materials, it seems, would cover their requirements for nearly 20 years).

As the Committee were not satisfied with the explanations given by the representatives of the D.V.C. they called for a further note on the point as to what were the considerations which weighed with the Corporation for sanctioning fresh purchase of the material and not accepting the repaired material with the original guarantee.

Progress of Expenditure on Bokaro Thermal Power Station—Para 10 of Audit Report

126. On the recommendation of the Estimates Committee in 1952, a Committee had been set up in 1956 by the Government of India to investigate whether the full value for the money spent on the Bokaro Thermal Power Station had been received. The expenditure incurred on this Station was Rs. 1485·43 lakhs upto 31st March, 1957 against the sanctioned 1956 estimate of Rs. 1492·20 lakhs.

When asked whether this Committee has submitted its report, the representative of the Ministry of Irrigation and Power stated that one Member of this Committee died and the Government had appointed another man in his place in 1957. In May, 1958, the Chairman of this Committee informed the Government of India that there were certain points which required further clarification from the D.V.C. and that the Corporation had been addressed in the matter. Moreover, the Committee was not a full-time Committee and that was why the delay.

In reply to a question, the representative of the Ministry stated that no time limit had been fixed for the submission of the Report by this Committee. When asked why it took Government four years to appoint the Committee, the representative of the Ministry of Irrigation and Power stated that the accounts of the Bokaro Thermal Power Station were not ready. The Financial Adviser of the D.V.C. pointed out by way of clarification that the accounts in respect of money spent were ready. But that did not mean that the project had been completed. The Comptroller and Auditor General, however, informed the Committee in this connection that completion report was quite different from the accounts of the Project.

The Committee desired to be furnished with information on the following points:—

1. How many sittings were held by the Committee set up by the Government of India to investigate whether full value for money spent on the Bokaro Thermal Power Station has been received?
2. What is the total expenditure incurred on this Committee since its constitution? (Including T.A. & D.A. etc.).
3. Likely date by which the Committee were expected to conclude their work and submit the Report to the Government.

Working of the Power System—Para 11 of Audit Report

127. With the commissioning of the Bokaro Thermal Power Station and the Tilaiya Hydel Power Station in December, 1953, the D.V.C. have been selling in bulk electrical energy including the power purchased from Sindri Fertilizers and Chemicals Limited upto 30-6-1955 through their transmission and distribution system to various consumers. There was a deficit of Rs. 1·95 crores (approx.) in the working of the D.V.C. power system for the four years upto 1956-57 after taking into account interest and depreciation charges. The working expenses, however, did not include the charges for water from Konar used at the Bokaro Thermal Power Station. Though the average revenue realised by the sale of energy was less than the working expenses during the period 1953 to 1957, the difference between the working expenses and the receipts had, however, been progressively and rapidly decreasing.

When asked whether this power system was going to be economical in any way, the representative of the D.V.C. stated that the profits in 1957-58 were estimated to be Rs. 45 lakhs including all the overheads and the cumulative deficits of the earlier years would be

completely wiped out by 1959-60. This figure, however, did not include the charges for the supply of cooling water from Konar to Bokaro and the amount of Rs. 26 lakhs payable to the Sindri Fertilizers Factory.

In reply to a question as to why the D.V.C. were put to a big loss though it had been anticipated by the Corporation and communicated to the Central Government that the sale of Sindri power would be a profitable proposition, the representative of the Corporation stated that taking the operative date as 1-1-1952 and not as 1-7-1952, they had actually made a profit of Rs. 16,000 on the electricity actually taken, consumed and sold from Sindri. He further stated that they had paid Rs. 63 lakhs to the Sindri Fertilizers on this account and according to their calculations only Rs. 4 lakhs were still due. But the Sindri Fertilizers claimed Rs. 89 lakhs.

The Committee, however, pointed out that if the Corporation had to pay Rs. 89 lakhs to the Sindri Fertilizers, the commercial working of this project would be completely changed.

When asked as to what was the reaction of the D.V.C. to the upward revision of the rates of the supply of power to the consumers, as suggested by the International Bank for Reconstruction and Development, the representative of the D.V.C. stated that this question was considered by the Corporation even in 1956 and they thought that the rates that were already in force would be sufficient. He stated that during the initial period of the working of any power system, it was inevitable that the cost of production would be higher than the price at which electricity could be sold, but gradually it came down and by 1959-60 the whole of the accumulated deficit by the Corporation would be wiped out.

In reply to a question as to how these rates compared with the rates charged by the Madras and Bombay Electric Corporations, the representative of the D.V.C. stated that these rates were higher than that of those Corporations. However, the rates were lower than the rates charged by Jamshedpur from its subsidiary consumers.

The Comptroller and Auditor General, however, promised to include a comparative statement of the rates charged by the Sindri and Hirakud and D.V.C. Projects etc. in the next Audit Report.

Loss on Sale of Power Purchased from Sindri—Para 12 of the Audit Report

128. In February 1950, the D.V.C. entered into an agreement with the Government of India for the purchase of 22.5 MW of electricity from the Sindri Fertilizers Factory. The agreement was for a period of 25 years from 1-7-1952.

The power purchased from Sindri was inter-connected with Bokaro Thermal Power Station from March, 1953. The off-take of Power from Sindri gradually diminished when the Bokaro Thermal Power Station started producing commercial power in December, 1953. The off-take was only 2,000 KWH in February 1955. But the fixed charges of Rs. 1,57,100 per month continued to be a liability till the contract was terminated on 30-6-1955 at the instance of Sindri Fertilizers Factory.

The question of standing and other charges payable by the D.V.C. from November, 1953 to the date of the termination of the contract was stated to be still under correspondence.

In reply to a question as to why they entered into an agreement with the Sindri Fertilizers for a period of 25 years, the representative of D.V.C. informed that the Sindri Fertilizers made additions to their power plant at the request of the Government of Bihar to make available the power generated by these additional units to the collieries, the Government of Bihar agreeing to pay the interest and depreciation charges for the additional plants. This agreement was ready before the D.V.C. was set up. The D.V.C. decided to purchase the power from Sindri Fertilizers in bulk and entered into agreement as it would enable a sizable load to be built up by the time Bokaro was ready. 25 years was the normal life for a thermal plant and so the agreement was for that period.

When asked as to why they did not terminate the contract when the off-take of power from Sindri was diminishing the representative of the D.V.C. explained that it was not in the interest of the Corporation to terminate the contract because as a long term plan, it was beneficial. The economics of the whole work load had to be spread over a period of years. Continuing he said that if the contract had not been terminated and the Sindri Factory would have supplied power for 25 years, the D.V.C. would have made profitable use of that power. But when the power consumption of the Sindri Factory itself increased more due to some imbalance in their planned output, the Sindri Factory approached the D.V.C. to terminate the contract. When it became clear that they were not able to supply the D.V.C. more power, there was no point in continuing the arrangement and the contract was terminated.

When asked as to how the rates for the supply of the power were fixed resulting in loss to the Corporation, the Financial Adviser, D.V.C. stated that this question was still under dispute as the Corporation had put forth the claim that they should get back the capital charges which they had paid to Sindri Fertilizers. He thought that some satisfactory solution would be arrived in the matter.

Working the Bermo Colliery taken on Lease by DVC—Para 15 of the Audit Report

129. For supplying low grade coal to the Bokaro Thermal Power Station at cheap cost price irrespective of the controlled price of coal, the Corporation took a sub-lease of the Bermo Coal Seam at Kargali for 35 years from the 1st January, 1951 on payment of Rs. 28 lakhs. According to the investigation of the D.V.C. Technical Adviser made in 1950, the Bermo Coal Seam was estimated to contain an overall ash content varying from 26·6 per cent to 31 per cent. The boilers of the Thermal Power Station were designed normally for using coal having 26·3 per cent ash content. The detailed investigation carried out subsequently in 1952 by the Fuel Research Institute indicated that the Bermo Coal Seam at Kargali was intermingled with continuous bands of shaly coal with an overall ash content of 34·6 per cent, the individual bands of coal possessing ash contents from 17·3 per cent to 56·1 per cent. As the coal to be used for the Bokaro Thermal Power Station must not have an ash content in excess of 30 per cent, this meant that about one-third of the quantity of mined coal would be unusable in the Power Station.

The Corporation were advised that with proper planning mechanised open cut excavation would be the best and cheapest method of mining coal. In February, 1954 the Corporation accepted a project report submitted by an expert as a master plan. It was, however, later decided in June 1955 that in view of the possibilities of D.V.C.'s getting middlings from the Central Washery in 3 or 4 years, there should not be any long term arrangement for mining or appreciable capital investment therefor. Short term arrangements for raising the exposed coal from the sub-leased mine by labour contractor and removing the overburden by the contractor as well as department were being made from time to time. *However, the leased mine did not serve the purpose fully, resulting in an extra expenditure of Rs. 6·49 lakhs up to 31st March, 1957 on the purchase of 1,14,000 tons of coal from the market.*

The Chairman, D.V.C. stated that the colliery was taken over from Indian Mining and Construction Company Limited and it was taken over on the advice of the expert of the Ministry of Irrigation and Power, the Coal Commissioner and the Geological Survey and they expected the coal to be mined at a very low rate of Rs. 9 per ton. At present the Corporation was able to raise 9,000 tons a day from the Colliery for the Bokaro Thermal Power Station whereas their requirements were 14,000 tons. The balance for the time being was secured from private contractors. *The Committee, however, pointed out that even if the Corporation were able to raise the entire*

requirements of 14,000 tons from this colliery, they would require high grade coal to mix with the coal raised from this colliery as its ash contents was very high.

**Extra Expenditure due to not availing of the best available offer—
Para 16 of the Audit Report**

130. In December, 1953, the lowest tenderer for mining the D.V.C. Bermo Colliery besides quoting rates for 2 years' contract offered still lower rates for 3 or 4 years' contract with a stipulation that if the contract was terminated after the expiry of one year, no compensation would be charged from the Corporation. But an agreement for 2 years only from 7-2-1954 was entered into with the firm for (1) removal of over-burden to expose coal seam (2) mining of exposed coal (3) mining of coal by underground inclines. The agreement provided for earlier termination of the contract on giving three months' notice on either side without any liability for any loss or damage suffered or incurred in consequence of, or arising out of such termination. The contract was extended upto 31-5-1956 in respect of over-burden removal only. It resulted in more expenditure to the extent of Rs. 49,000 than if the contract had been entered for 4 years with the stipulation that no compensation would be payable for termination of the contract after the expiry of one year.

A contract was entered into again for 3 years from 7-2-1956 for the above items of work at rates higher than those of the previous quotations.

When asked as to why the D.V.C. did not accept the contract at a reduced rate even though they could have terminated the contract, if necessary, with 3 months' notice, the representative of the D.V.C. stated that they did not think it proper to accept this long term contract when there was no bona fide intention of working it for more than two years. In reply to a question the Financial Adviser stated that he agreed with the Corporation's view.

**Progress of Expenditure on Transmission and Distribution System—
Para 17 of the Audit Report**

Explaining the reasons for the absence of sanction to the estimate for 'Other Extension Schemes etc.' the representative of the Corporation stated that the overhead charges had been under dispute for some time and the revised estimate had recently been sanctioned.

**Departmental Construction of Cable Trenches—Para 18 of Audit
Report**

131. The construction of the cable trenches at Kalipahari sub-station was completed in March, 1955 at a cost of about Rs. 40,000.

Soon after the construction had been completed, it was reported that the cable trenches were likely to collapse. Protective measures did not prove satisfactory and the heavy flood of September, 1956 caused a further deterioration in the condition of the trenches. The trenches had to be repaired at a cost of Rs. 14,000 approximately. The Corporation have ordered an investigation in the matter.

When asked as to who was the officer responsible for this work, the representative of the D.V.C. stated that the Executive Engineer responsible for this work had been censured and his contract terminated. It, however, transpired that the Engineer had been permitted by the Corporation to apply for a post under the Hindustan Steel (Private) Limited and was allowed to leave the Corporation.

In reply to a question whether the Corporation informed the Hindustan Steel (Private) Limited, the Officer's present employer, about his conduct, the representative of the D.V.C. could not give a definite answer. He agreed to submit a note on this point.

Progress of Expenditure—Konar Project—Para 20 of Audit Report

According to the Audit Report, arbitration proceedings have been taken up in accordance with an agreement between the Corporation and the contractors for the construction of the Konar Dam in regard to certain items of claims and counter-claims and certain matters arising out of the D.V.C. Enquiry Committee Report. When asked about the progress made in the Arbitration proceedings, the representative of the D.V.C. stated that these were still going on.

In reply to a question, the Committee were informed that till 21st August, 1958 (a period of about 2 years) 97 sittings were held in this case and the expenditure on arbitration had been nearly Rs. 2 lakhs. The Arbitrator was a retired High Court Judge and was being paid Rs. 3,000 a month minus his pension.

132. The Committee then adjourned till 14.00 hours on Wednesday, the 27th August, 1958.

PROCEEDINGS OF THE TWENTY-FIRST SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON WEDNESDAY, THE
27TH AUGUST, 1958

133. The Committee sat from 14.00 to 16.40 hours.

PRESENT

Shri T. N. Singh—*Chairman.*

MEMBERS

2. Dr. Ram Subhag Singh.
3. Shri Arun Chandra Guha.
4. Shri N. R. M. Swamy.
5. Shri Rameshwar Sahu.
6. Pandit Jwala Prasad Jyotishi.
7. Shri T. Sanganna.
8. Shri Upendranath Berman.
9. Shri Prabhat Kar.
10. Shri N. G. Ranga.
11. Shri H. C. Dasappa.
12. Shri Khushwaqt Rai.
13. Shri Aurobindo Ghosal.
14. Shri Amolakh Chand.
15. Shri T. R. Deogirikar.
16. Shri S. Venkataraman.
17. Shri Rohit Manushankar Dave.
18. Shri M. Basavapunnaiiah.

Shri A. K. Chanda, *Comptroller and Auditor General of India.*

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General.*

Shri D. C. Guha, *Additional Accountant General, West Bengal (D.V.C. & S.P.).*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

WITNESSES

Ministry of Irrigation and Power

Shri T. Sivasankar, *Secretary.*

Shri R. R. Bahl, *Joint Secretary.*

Damodar Valley Corporation

Shri J. P. L. Shenoy, *Chairman.*

Shri A. M. Komora, *Chief Engineer.*

Shri U. K. Ghosal, *Secretary.*

Shri S. M. Banerjee, *Financial Adviser.*

Shri K. M. Chinnappa, *Additional Chief Electrical Engineer.*

Shri K. Subramaniam, *Commercial Engineer.*

Ministry of Finance

Shri S. Vohra, *Joint Secretary (Deptt. of Expenditure).*

Shri R. Saran, *Deputy Secretary (Deptt. of Economic Affairs).*

Infructuous expenditure in keeping operational establishment idle at Maithon for want of reclamation work—Para 22 of the Audit Report

134. The Superintending Engineer, M.E.M. Circle, posted Operational staff at Maithon from November, 1952 for reclamation work. Small blocks of land were available from November, 1952 to August, 1954. For nine months during the period from February, 1954 to March, 1955, the staff and machines were practically idle. The expenditure on staff excluding overhead for the period of nine months worked out to Rs. 95,881. This expenditure was ignored by the Executive Engineer in working out the unit rate of reclamation charges per acre.

On a question as to why the staff was not utilised on other operations, when the land was not available for reclamation, no satisfactory reply was given by the representative of the D.V.C.

The Committee were, however, informed that though the men were posted in November, 1952, the machines were moved in December, 1953. When asked to give the reasons for this time-lag, the Chairman D. V. C. stated that he was not aware of this fact.

In reply to a question whether any inquiry was instituted to find out the persons responsible in the matter, the representative of the D.V.C. could not give any reply.

When further questioned as to whether the Financial Adviser concurred in the decision to ignore this expenditure in working out the unit rate per acre, the Financial Adviser, D.V.C. stated that this point was not brought to his notice.

Loss due to delay in disposal—Para 23 of the Audit Report

135. For construction of 450 houses for the persons to be displaced from submergence area of the Tilaiya reservoir, the Rehabilitation and Development Department purchased at a total cost of Rs. 1.30 lakhs (Approx.) a large quantity of bamboos during the period from November, 1950 to March, 1952. In July, 1954 bamboos worth Rs. 45,000 were declared surplus as they could not be utilised for the construction of houses for Konar and Maithon areas as the displaced persons' willingness to accept houses built by the Corporation could not be obtained. In March, 1956 auction sale of 1,64,656 bamboos, then in stock, was advertised and the highest offer received was only Rs. 1,200 for the entire lot against the book-value of Rs. 40,000 (Approx.). The Director, Rehabilitation and Development Department considered this offer too low and suggested in May, 1956 that the Department might be allowed to dispose of the bamboos at Rs. 6/4/- per 100. Up to September, 1957, no disposal appeared to have been made.

The Chairman, D.V.C. informed the Committee that 1,04,673 bamboos had been disposed of so far and the amount realised was Rs. 6,655. There was still a balance of 60,000 bamboos which they had not been able to sell even at the nominal price of Rs. 6/4/- per 100. He added that perhaps after the rains there might be greater possibility of disposing of all these old bamboos.

In reply to a question as to why the D.V.C. did not take immediate action to dispose of the surplus stores to avoid deterioration, he stated that they tried to sell the bamboos, but there was no local demand. Where there was a demand, the cost of transport was prohibitive which was more than the value of the bamboos.

When asked, why the services of the Assistant Store Keeper and the Chowkidar had to be kept beyond April, 1953, when the building programme had been completed resulting in a further expenditure of Rs. 12,000 upto May, 1957, the representative of the D.V.C. stated that the question of the acceptance of these houses by the Government of Bihar was still under negotiation with that Government and,

therefore, the services of these people were felt necessary to keep watch over these vacant houses as well as surplus materials.

In reply to a question as to why the Government of Bihar took such a long time in taking over these houses, the representative of the D.V.C. stated that they could not agree to the compensation payable to the D.V.C.

The Committee pointed out that the houses could as well have been handed over to the Government of Bihar and the question of compensation settled later on even by arbitration, if necessary.

Utilisation of D.V.C. water for Irrigation purposes—Para 24 of the Audit Report

136. During the Khariff season of 1956, an area of 11,271 acres only was irrigated. The bulk supply rate agreed to by the Corporation was Rs. 9 per acre less the cost of collection, retail distribution etc. incurred by the Government of West Bengal. It has been stated by the Government of West Bengal that the total cost of retail distribution of water and collection of water rate during 1956-57 amounted to Rs. 2 lakhs against Rs. 1,01,439 at the agreed rate for irrigating 11,271 acres and no amount was, therefore, payable to the Corporation.

The Government of India set up on 22-3-1957 a working group to study and report on the question of utilisation of the waters of the reservoirs of the Damodar Valley Corporation, to examine and report on the extent to which the waters of the Tilaiya and Konar reservoirs were utilised for purposes of irrigation in Bihar and West Bengal, the reasons for delay and shortfall in utilisation and the steps to be taken for the full and proper utilisation of the waters.

The Committee wanted to know whether the working group had submitted any report and how the waters of the D.V.C. were going to be utilised. The representative of the Ministry of Irrigation and Power stated that as the progress of the working group had been very slow, it was dissolved and the Planning Commission appointed a team with one of its Advisers, Programme Administration as the Chairman and they had gone into this problem fully and set out in their Report various factors which had impeded the progress in the development of the Irrigation in the D.V.C. area. He further stated that there were two bottlenecks. One was the absence of legislation for the levy of compulsory water rates. A Bill for the levy of water rates had been passed by the Lower House of the West Bengal Legislature. As regards betterment fees, the West Bengal Government felt that it was not the proper time for putting through necessary

legislation. Secondly, there were some difficulties on the construction side also. In certain cases, the water would not reach the fields. The Chairman, D.V.C. intervened to say that to proceed with the construction work, water supply had to be cut which the Government of West Bengal opposed as the potato crop would suffer extensively. The work had to be postponed for a year.

Referring to the Audit Para wherein it has been stated that the total cost of collection and retail distribution of water by the Government of West Bengal amounted to Rs. 2 lakhs against Rs. 1,01,439 only being the agreed rate for bulk supply of water for irrigating 11,271 acres, the Committee wanted to know whether the matter had been settled with the State Government. The Chairman, D.V.C. stated that the dual control of the canals system by the Corporation and the Government of West Bengal did not promote efficiency and diluted responsibility.

Attempts were being made to persuade the West Bengal Government to take over the entire irrigation system. That Government had agreed to take over, but did not want to pay the D.V.C. any compensation as provided in the D.V.C. Act. An alternative suggestion was that the West Bengal Government might operate and maintain the Canal system as an agent of the D.V.C. on terms to be fixed after mutual consultation. The whole question was under examination.

In reply to a question as to what was the present estimate regarding the utilisation of D.V.C. waters, the Chairman, D.V.C. stated that they expected that the Corporation would be able to command an area of 5 lakhs acres including 1,85,000 under the old system. To what extent the people would use the D.V.C. water depended on the monsoon because if there was enough rainfall, there would not be demand for the D.V.C. water.

In reply to a further question as to why the Corporation agreed to the deduction of the cost of retail distribution of water and collection of water rate from the bulk rate fixed for the water as contemplated in the Act, the representative of the D.V.C. stated that this stipulation was made by the West Bengal Government which was accepted by the Corporation. The Corporation expected that the cost of collection would be within reasonable limits.

The Committee desired to be furnished with a note on the following points:—

- (a) What quantity of D.V.C. water is expected to be utilised for irrigation purposes?
- (b) What is the area of land expected to be irrigated?

- (c) What are the reasons for delay and shortfall in the utilisation of water?
- (d) What steps have been or are proposed to be taken by the D.V.C. to ensure full and proper utilisation of the waters?

**Fishery Scheme—Stocking of Tilaiya Reservoir started in 1953-54—
Para 25 of the Audit Report**

137. The total direct expenditure upto the end of 1956-57 for stocking and commercial exploitation of fish in the Tilaiya Reservoir and purchase of Miscellaneous equipment and establishment etc. amounted to Rs. 3,23,605 and the receipts were Rs. 11,945 mainly consisting of licence fees and royalties from fishermen. This excludes indirect expenditure such as share of overhead charges, interest on capital etc. The Corporation had not yet taken up exploitation of fish on commercial basis as the reservoir had not yet been adequately stocked for the purpose.

The Financial Adviser, D.V.C. informed the Committee that the scheme had been given effect to with the approval of the Fishery Adviser to the Government of India. It would take time before any appreciable revenue could be derived from these fisheries and the project might be productive only in 1961-62. At present, the scheme was only at an experimental stage.

When asked why no adequate arrangements were made to prevent poaching in the reservoir resulting in loss of revenue to the Corporation, the Chairman, D.V.C. explained that the area to cover was vast and the proposal would involve heavy expenditure. Even in the Tennessee Valley System, he said, the Authority did not derive a single pie of revenue from the entire lot of fish that were stocked in those reservoirs.

Purchase of boats for use on D.V.C. lakes—Para 26 of the Audit Report

138. On 27-5-1955, the D.V.C. decided to purchase 35 boats at a cost of Rs. 66,950 from an ex-ruler who had some motor-driven pleasure boats and who made an unsolicited offer in this behalf. The D.V.C. considered that it would be difficult to obtain them at anything like this price from anywhere else in the world. There was neither budget provision nor provision in any project estimate for the purchase of these boats. There was also no immediate necessity for purchasing the boats which might be required, if at all, in the operation stage and not in the construction stage. The number of boats actually purchased was 27 plus 8 Engines (without boats) and a bank draft of Rs. 66,590 was issued to the ex-ruler on 11-6-1955.

The total expenditure incurred on the purchase of the boats including incidental items etc. amounted to 92,089. Total revenue realised from tourists for use of these boats during the year 1955-56 and 1956-57 amounted to Rs. 89 only.

When asked as to what was the necessity for purchasing these boats especially when the project estimates did not provide for it, the Chairman, D.V.C. stated that in response to an enquiry made in 1954, the only firm which had boats of quality quoted Rs. 29,000 for one country-boat with an outboard motor, whereas the price quoted for the boats by the ex-ruler was very low. He further stated that these were not included in the project estimates because the boats were not required during the construction phase but they might be needed during the operational phase and no specific provision was, therefore, considered necessary as it came under maintenance charges.

On being questioned as to why only 27 boats and 8 engines were purchased when the cheque was drawn for Rs. 66,590 for the purchase of 35 boats, the representative of the D.V.C. stated that offer was only for 27 boats and 8 engines. But the office made a mistake in computing the numbers, as they added the figure of 8 to 27, thus making the total as 35. The Controller of Purchase and Stores was asked to inspect these boats on the spot and he reported that there were 27 boats and 8 engines and it was rectified in a subsequent sanction.

At the instance of the Committee, the representative of the D.V.C. agreed to forward a copy of the letter from the ex-ruler offering the sale of the boats.

On being asked as to what was his advice regarding this purchase, the Financial Adviser, D.V.C., stated that he was not convinced of the necessity of the purchase of these boats in such a large number.

In reply to a question whether all the 27 boats were put to use, the Chairman, D.V.C. stated that the boats had been allocated as follows:

7 to Maithon, which were in use there, 1 to Panchet, 2 to Konar, and 2 to Tilaiya. 6 boats were necessary for tourism etc. The balance of the boats had been kept as reserve for further uses as operations develop. The total revenue collected during 1957-58 was Rs. 9,275.

The Comptroller and Auditor General, however, pointed out that in the T.V.A. they had only 2 or 3 boats. So far as India was concerned, Bhakra Nangal had one motor-launch, Hirakud has some country boats and Tungabhadra had one steam launch costing about Rs. 40,000 for purposes of tourism. He suggested that even if these

boats were purchased on consideration of an advantageous price to meet future requirement, steps should have been taken to establish the requirement of the boats on the basis of experience gained elsewhere, whether in India or abroad and surplus boats disposed of.

The Comptroller and Auditor General also informed the Committee that two cutters were purchased by the D.V.C. in September, 1953, from the Disposals Organisation at a cost of Rs. 2,800 and the Corporation had incurred an expenditure of Rs. 34,132 on these two boats and they were lying in Calcutta. The Chairman, D.V.C. stated that the port authorities did not allow them to shift those boats from Calcutta because they had no qualified boat men. They had, however, since moved one of the boats out from there.

Expenditure on Ranchi Move—Para 27 of the Audit Report

139. In May, 1954, it was decided that the Corporation would spend about 3 months at Ranchi, from about the middle of June to about the middle of September each year largely to maintain a liaison with the various departments of the Government of Bihar. The move was not effected in 1954 as the residential and office accommodation could not be secured. The move took place in the summer of 1955 and 1956 but only a few days were spent there. *Three houses were leased on a full year basis at a rental of Rs. 987/8/- per month for 3 months from April, May and June, 1955. The expenditure on rent and other charges was Rs. 12,762 in 1955 and Rs. 17,905 in 1956. The direct expenditure for the move was Rs. 44,459 in 1955 and Rs. 28,198 in 1956. In addition, there has been indirect expenses which have been booked against other heads, e.g., frequent telephone calls between Ranchi and Calcutta, sending of couriers, T.A. of officers called for consultation, postal and freight charges on transmission of papers and files etc. Three other houses had been rented in February, 1955 at Ranchi and they were surrendered in June, 1955 as unsuitable after incurring an expenditure of Rs. 2,893 on rent.*

Explaining the circumstances why the Corporation could not move to Ranchi, the Chairman, D.V.C. agreed that the purpose of this move which was to have liaison with the Bihar Government was to some extent defeated as the officers were able to stay there actually for a few days only.

In reply to a question as to why some land had been purchased in Ranchi, he stated that they had bought vast area of land with a view to shifting the headquarters of D.V.C. to Ranchi but they had now decided not to have the headquarters at Ranchi because they would have to incur heavy expenditure on constructing a building. He added that the Corporation would be able to dispose of that land.

The representative of the Ministry of Irrigation and Power, however, added that the permission of the Government of Bihar was necessary before the Corporation could sell it. The Bihar Government were not giving the permission pending settlement of the question of the headquarters of the D.V.C. He further stated that this subject would be discussed in the next meeting of the participating Governments and the representatives of D.V.C.

Air conditioning of some rooms on the second floor of the Anderson House—Para 28 of the Audit Report

140. In April, 1954 the Corporation decided to air-condition five rooms in the South East Block on the Second Floor of Anderson House. No open tender was invited for the work and the following quotations were received from four local firms:—

(i) 1st firm	..	Rs. 31,700
(ii) 2nd firm	..	Rs. 35,165
(iii) 3rd firm	..	Rs. 42,800
(iv) 4th firm	..	Rs. 43,800

In the meantime, two more rooms located in the middle of the block were added to the scheme resulting in an increase by 20 per cent. of the space to be air-conditioned. The lowest tender was not accepted and the work was entrusted to the firm which quoted Rs. 42,800. The Corporation explained to Audit on 20-8-1957 that the lowest tender was not accepted because the capacity of the plant offered by that tenderer would have been insufficient for air-conditioning the enlarged area. The Corporation asked the 4th firm whose tender was the highest as to the adequacy of their plant for air-conditioning the enlarged area. The firm informed the Corporation that it would require an additional sum of Rs. 10,800 for effectively air-conditioning the enlarged area. No such inquiry was made of the lowest tenderer who offered a plant of approximately the same capacity as the highest tenderer. The work was entrusted to the firm which quoted Rs. 42,800 and the purchase order for Rs. 46,353 was issued on the firm after completion of the work.

When asked as to why the lowest tenderer who offered the plant of approximately the same capacity as the highest tenderer was not consulted regarding the adequacy of their plant for air-conditioning the enlarged space, as was done in the case of the other two firms offering the highest and second highest tenders, the representative of the D.V.C. stated that apart from the third firm whose tender was accepted, the air-conditioning units of the other firms were more or less under-sized. However, as a check the Controller of Purchase

and Stores asked the fourth firm which had offered the next biggest unit of 10½ tons ice-forming capacity as to the adequacy of its plant for air-conditioning the enlarged area. But the firm could not do it. So when the firm with a unit of 10½ tons of the ice-forming capacity could not do the work, there was no point in consulting the other firms who had offered air-conditioning units of 10 and 6-3/4 ton. The representative of the D.V.C. also urged that there was an urgency in this case.

Writes off and Losses etc.—Para 29(a) of the Audit Report

141. The Committee desired to be furnished with further information on the various losses dealt with in this para.

Non-Imposition of Penalty—Para 29(b) of Audit Report

142. Clause 23 of the agreement for supplying power to consumers provides that the defaulting consumer should pay a surcharge of one per cent. per month from the due date of payment of the monthly bill for power supplied. The provision of this clause was not enforced upto 31-3-1957. The Corporation have since sanctioned waiver of recovery of Rs. 54,645 on this account.

When asked as to what were the reasons for not enforcing these provisions, the representative of the D.V.C. stated that the penalty clause was put in to ensure that nobody made a wilful default or delay in the payment of bills and it was not intended that it should form a source of additional revenue as such. He further stated that the Corporation dealt with only consumers for bulk supply of power and the majority of them were departments of either State Governments or the Central Government. In the initial stages, it took sometime, particularly for the Government agencies to set up a procedure for expeditious payment of bills. *The Corporation was satisfied that normally there had been no case of wilful default and it was not necessary to enforce penalty.*

When asked whether the approval of the Corporation for waiver of penalty was obtained, the Committee were informed that the power had been delegated to the Commercial Engineer who had been authorised to waive penalty charges up to a maximum of Rs. 1,000 in each case.

The Committee then proceeded to discuss the overall economics of the D.V.C. Project. They wanted to know whether the Central Government or the D.V.C. had considered the questions of the recurring expenses, capital costs, depreciation charges, overheads and suspense accounts etc. on the one hand and the limits of income from

power supply and irrigation facilities etc. on the other. The representative of the Ministry stated that this question was considered by an ad hoc Committee set up in 1954 to report whether the expenditure would be commensurate with the benefits received. The Report submitted by them was considered at the Conference of the participating Governments in April, 1956. The Committee desired to be furnished with a copy of the Report and the Government decision thereon and a statement regarding the overall financial results of the D.V.C.

The Committee also desired to be furnished with a note regarding the various Committees set up by the Government of India or the D.V.C. to review the working of the D.V. Project in the technical, administrative, and financial operations ever since the D.V.C. was set up and the total expenditure incurred on each one of these Committees.

The Committee deferred further consideration of this question till the receipt of the above information.

143. The Committee then adjourned *sine die*.

PROCEEDINGS* OF THE FORTY-NINTH SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON SUNDAY, THE 5TH
APRIL, 1959/CHAITRA 15, 1881 (SAKA)

144. The Committee sat from 10.00 hours to 12.10 hours.

PRESENT

Prof. N. G. Ranga—*Chairman.*

MEMBERS

2. Dr. Ram Subhag Singh
3. Shri Arun Chandra Guha
4. Shri N. R. M. Swamy
5. Shri Rameshwar Sahu
6. Shri Upendranath Barman
7. Shri Raghubar Dayal Misra
8. Shri Aurobindo Ghosal
9. Rajkumari Amrit Kaur
10. Shri Amolakh Chand
11. Shri T. R. Deogirikar
12. Shri S. Venkataraman
13. Shri M. Govinda Reddy
14. Shri Rohit Manushankar Dave
15. Shri M. Basavapunnaiiah.

Shri A. Kalyanaraman, *Deputy Comptroller and Auditor
General of India.*

Shri S. Venkataraman, *Accountant General, Central
Revenues.*

Shri P. V. R. Rao, *Director of Audit, F.R.S.C.S. and M.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

*Intervening sittings relate to consideration of Defence and Civil Accounts and draft Reports on Himachal Pradesh, Delhi, Railway Accounts, etc.

145. The Committee considered and approved the following draft Reports subject to certain minor modifications here and there:

- I. Fourteenth Report on the Audit Report on the Accounts of the Damodar Valley Corporation for the year 1956-57.
 - II. Sixteenth Report on the Excesses over Voted Grants and Charged Appropriations disclosed in the—
 - (i) Appropriation Accounts (Defence Services), 1955-56;
 - (ii) Audit Report (Defence Services), 1958;
 - (iii) Appropriation Accounts (Civil), 1956-57 and Audit Report, 1958; and
 - (iv) Appropriation Accounts of the Government of Delhi for the year 1956-57 (1st April, 1956 to 31st October, 1956) and Audit Report, 1958.
146. The Committee then adjourned *sine die*.

APPENDICES

APPENDIX I

Statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee

S. No.	Reference to Para No. of the Report	Ministry/ Department concerned	Particulars of the items	Remarks of the Ministry	Remarks of the Committee
1	2	3	4	5	6
<i>3rd Report (Second Lok Sabha)</i>					
1	5 (Introduction)	All Ministries	A perusal of this Report and other reports of the Public Accounts Committee should enable to draw certain lessons in regard to the planning and execution of national projects of such a magnitude. It is essential in the interest of proper financial control and economy as well as of speedy execution that details both of the estimates and the construction phases	This has been brought to the notice of all concerned.	No comments.

of a Project of great magnitude should be worked out well in advance before it is taken in hand. Frequent revisions of the scope and details of a project are in most cases due to lack of advance thinking and detailed planning which vitiate the financial control of Parliament even as such a situation is unsatisfactory from the point of view of administrative control.

2	6 (Introduction)	All Ministries	The Committee feel that Government should be ready with detailed planning as well as estimates before they come to Parliament for the sanction of a Project. It is hoped that the experience of the Damodar Valley Corporation will be a guide to the Administration in future.	This has been brought to the notice of all concerned.	No comments.
3	7 (Introduction)	Ministry of Irrigation and Power <hr style="width: 100%; border: 0.5px solid black; margin: 5px 0;"/> D.V.C.	Another problem which requires immediate attention is the question of establishment charges at this stage of the Damodar Valley Project. Although the Project is	The Corporation have been asked to introduce such economies as are possible in the administration and establishment charges. With the reconstitution of the	The Committee would like to watch further developments.

in the final phase of its construction, the establishment expenditure has shown no corresponding reduction. The Public Accounts Committee in this Report have made certain recommendations to effect economy in the administration and it is hoped these recommendations will be implemented soon.

D.V.C. Board with the whole-time Chairman and two part-time members with effect from the 12th April, 1958, a reduction in the establishment charges to the extent of about Rs. 1 lakh per year is likely to be effected.

It may be mentioned in this connection that the D.V.C. is concerned with the construction of a number of projects which have been taken up one after the other. With the completion of Tilaiya and Konar Dams the emphasis on work shifted to Maithon Dam Project. As work tapered off on the Maithon Dam, the tempo of work on the Panchet Hill Dam and the irrigation system gained momentum.

Preliminary work has now started on the Durgapur Thermal Power Station, the 4th Generating Unit in Bokaro and extensions of transmission lines which have been included in the Second Five Year Plan. Work on these projects will be in full swing by

the time the Panchet Dam gets completed.

It will, therefore, be observed that the schedule of construction of Damodar Valley projects proceeded in such a way that as soon as work tapers off on one project it is balanced by increased activities on another project. In this way the Corporation have been executing work to the cost of about Rs. 11 crores every year for the last few years. In the Budget for 1958-59, also there is provision of Rs. 10.85 crores excluding interest charges etc. for works expenditure. The position, therefore, is that although some projects have been completed and some are nearing completion, there are others which have been taken up during the 2nd Plan and the work on which is now gathering momentum. On the whole the work of the D.V.C. has been so programmed that as yet there is

no reduction in the overall volume of work handled by D.V.C. at the moment. In the circumstances, a stage has not yet been reached when any considerable reduction can be made in the establishment charges of the Corporation.

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(Introduction). | <u>Ministry of I&P</u>
D.V.C. | The Committee feel that a comprehensive amendment of the Damodar Valley Corporation Act should only be taken up after mature consideration. The Project is not yet complete and the proper time to make any changes in the Act will be when the administration aspect of the Corporation takes precedence over the construction phase of the Project. | The views of the Committee have been noted. | No comments. |
| 5 | 9
(Introduction). | All Ministries | The Committee desire to draw the attention of Parliament to the long delays in getting notes and memoranda from the Executive. As already pointed out by the Committee in para 2 of their Second Report 1957 such | This has been brought to the notice of all concerned. | Do. |

abnormal delays hamper the proper functioning of the Committee. The Committee would once again impress upon the Ministries of the Government of India etc. to furnish the information called for by the Committee within the stipulated time.

6	6 & 7	<u>Ministry of I & P</u> <u>D.V.C.</u>	<p>The Committee regret their inability to share the satisfaction of the D.V.C. that the three-fold purposes of the Damodar Valley Project have been achieved. Taking irrigation first, they would point out that although the Tilaiya Dam was completed in December, 1952 it has not been found possible to utilise the waters for irrigation purposes even now. All that has been achieved during the last 5 years is that a High Level Irrigation Scheme costing Rs. 35 lakhs has been worked out with the concurrence of the Government of Bihar and it is</p>	<p>A note has been submitted (Annexure I).</p>	<p>See Paras 4-7 of Introduction and paras 55, 98-101 of the Report.</p>	8
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under the consideration of the Government of India.

As regards irrigation in the Lower Valley, though the Durgapur Barrage itself was completed in April, 1955, the progress in the utilisation of its water is held up because of certain legal difficulties encountered by the Government of West Bengal in levying water rates.

So far as Konar Dam is concerned it has not been found possible to utilise this water for irrigation purpose even now. It is also doubtful whether any power can be generated economically at Konar. Even in regard to supply of cooling water to the Bokaro Thermal Power Station, it has its own limitations.

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Ministry of I & P

D.V.C.

The Committee would stress the point that flood control was only one of the objects of the Project. But complementary action of afforestation and soil conservation has yet to be undertaken.

Noted. The D.V.C. have taken up a number of soil conservation and afforestation schemes. A provision for a sum of Rs. 213 lakhs has been made in the Second Five Year Plan for soil

See Para 12 of the Report.

conservation and afforestation schemes in the Damodar Valley.

8	11	Ministry of I&P	The Committee trust the Corporation will address itself to the question of incidence on administrative charges and keep the expenditure on Administration to the minimum.	See comments against S. No. 3.
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9	20 & 21	Ministry of I&P	The Committee regret to observe that not much headway has been made in the matter of apportionment of expenditure incurred by the D.V.C. on Soil Conservation, afforestation and other development works between the then participating Governments as envisaged in section 12(c) and (f) of the D.V.C. Act, 1948.	The matter is being pursued with the State Governments of Bihar and West Bengal. The Public Accounts Committee will be informed of the decision as early as possible.
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The Committee are anxious that this question which involved the allocation of a total expenditure of about Rs. 183 lakhs (upto December, 1956) should be decided without any further delay. They desire that the budget estimates for the next year should

See para 10 of the Report.

present a more correct and realistic picture of the working of the Corporation.

10 22 Ministry of Irrigation and Power. A note has been submitted (Annexure II).

The Committee emphasise that the question of allocation of expenditure common to two or more of the main objects of the Project should be settled quickly. The principal consideration which the Committee have in mind while drawing pointed attention to the delay caused in arriving at decision in these matters is to avoid not only over-capitalisation but also any dispute at a later date that might arise between the three participating Governments about the quantum of common expenditure to be borne by them on the completion of the Projects.

11 32 Ministry of I&P While the Committee can appreciate the existence of minor delays and bottlenecks which are inevitable in any large construction project they are unable to accept that delays such as those resulting from non-stock-
ing of essential spare parts were either inevitable or normal.

A note has been submitted (Annexure III). See paras. 106—108 of the Report.

From the facts placed before them they are led to the conclusion that the delays in the execution of the project and the consequent increase in costs could have been substantially curtailed with proper planning and fore-sight. They trust that it would now be possible for the Corporation to adhere to the revised schedule for completion of the projects.

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D.V.C.

(i) The Committee feel that it would have been prudent to try out the wagon drills purchased in November, 1951 as an experimental measure before proceeding with fresh purchase.

(i) Noted.

No comments.

(ii) As regards the disposal of the surplus drills the Committee would suggest that these should be disposed of expeditiously.

(ii) Out of the four drills earmarked for Nagarjunasagar Project, they have so far taken delivery only of one. Regarding the remaining five drills allotted to Kaiser Corporation of Jamshedpur, the

See para 110 of the Report.

later have since withdrawn their requisition. The Bombay P.W.D. inspected the drills in September '58 and have since placed a firm indent for seven wagon drills out of the surplus of 8.

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Do.

The Committee are surprised to note that the first block making machine costing Rs. 12,332/- should have been purchased by the D.V.C. merely on the advice of certain engineers of the Cement Company without proper investigations regarding its suitability; and that after its unsuitability had been proved it should have been merely transferred to Maithon instead of making an enquiry as to how such a machine was purchased.

As regards the purchase of the second machine the Committee feel that since the first machine had already proved a failure at Bokaro, the D.V.C. should have met their requirements of bottom concrete blocks which were rather of a special

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			<p>and limited character (worth Rs. 1½ lakhs) by direct purchase from private suppliers.</p>		
			<p>The Committee are amazed that in order to meet this limited requirements of blocks, the D.V.C. should have undertaken the purchase of a second machine costing Rs. 1.13 lakhs. They cannot help concluding that the persons who initiated and approved of this purchase were unmindful of the financial interests of the Corporation. The Committee would like to be apprised of the disposal of these machines.</p>	<p>Noted. The Corporation have since received an offer of Rs. 2,500/- for the smaller machine and Rs. 7,500/- for the bigger machine. These bids have been accepted.</p>	<p>No comments.</p>
74	45	D.V.C.	<p>The Committee are unable to appreciate the implicit reliance evinced by the Corporation on the advice of manufacturers of the earth moving machinery. They feel that instead of relying solely on the advice of the manufacturers, the Corpora-</p>	<p>Noted. The value of spares declared as absolute surplus amounts to Rs. 2.36 lakhs. Lists of these spares had been circulated to all the River Valley Projects and the CWPC on different dates in 1956 and recirculated in July '58, but</p>	<p>The progress in the disposal of stores may be intimated.</p>

tion should have made efforts to assess the actual consumption of spares either from their own experience with these machines or from the experience of others who had utilised such machines in the past.

the response has not been encouraging.

The Committee would like to be apprised of the disposal of these surplus stores.

15	47	D.V.C.	<p>The Ministry of Irrigation & Power have not so far apprised the Committee about the result of the arbitration proceedings in the case referred to in para 10 of the Audit Report on the Accounts of the D.V.C. for 1955-56. In the absence of this, the Committee are obliged to reserve their comments in this case till they hear in the matter further.</p>	<p>The arbitration proceedings are still going on. Having regard to the highly technical and complicated nature of the issues involved, the D.V.C. expect that the arbitration of proceedings will last till the end of December, 1958.</p>	<p>The result of arbitration may be intimated.</p>
16	49	Ministry of I&P/D.V.C.	<p>The Committee would like to be apprised of the progress of the case referred to in para 13 of Audit Report, 1955-56 regarding the purchase of excess</p>	<p>The case is still proceeding in the Calcutta High Court.</p>	<p>The outcome of the case may be intimated.</p>

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material from Kuljian Corporation who were entrusted with the construction of Bokaro Power House. In the meantime, the Committee would reserve their comments.

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Ministry of I.&P./
D.V.C.

In the two cases relating to the excess collection of stores commented upon in para 11 of Audit Report, 1954-55 though there had been fortuitous profits in the disposal of the surplus materials the Committee cannot overlook the lack of proper planning which the circumstances revealed. In several cases of excess purchases and consequent accumulation of surplus stores reported to them, the one common factor which the Committee have noticed is the absence of any realistic appraisal of requirements before making purchases.

This has been brought to the notice of the Corporation. No comments.

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Do.

The Committee would like to reiterate their oft-repeated obser-

Noted. The position with regard to the disposal of surplus stores The Committee may be

vation that the maintenance of excessive stocks involved the tax-payer in a four-fold loss ; there is loss of interest on capital unnecessarily locked up ; there is loss arising from the possibility of the stores becoming obsolete and unsaleable or disposable only at a rate lower than the cost price ; there is also avoidable expenditure on care and maintenance staff besides expenditure on storage accommodation.

as at the end of July, '58 is approximately as follows :— intimated the further progress made in this regard

Type of Stores	Declared surplus upto July, 1958	Figures (in lakhs of Rupees) Book value of stores disposed of upto July, 1958	Balance in hand
Plant and Machinery.	159·51	89·93	69·58
Spares . . .	33·34	2·77	30·57
Other Stores	41·61	22·64	18·97

The Committee should like to be apprised, in due course, of the latest position in respect of disposal of surplus stores in the custody of the D.V.C. and at other Projects undertaken by the Government of India.

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19	58	D.V.C.	<p>In the case relating to the purchase of Transmission Towers, the Committee are unable to see how the question of any price variation taking place after the guaranteed date of completion of supplies could conceivably entitle the contractor to any compensation. The Committee consider that as there has been default on the part of the contractor in adhering to the date of completion, that would justify the imposition of penalty or liquidated damages but cannot confer on him a right to claim payments which he could not have claimed if he had fulfilled the contract in time.</p> <p>The Committee should be informed in due course of the extent of the penalty imposed on the firm and also of the recovery of the overpayment on account of price variation.</p>	<p>The matter is under further examination in consultation with the Ministry of Law. The P.A.C. will be informed of the final decision taken in the matter in due course.</p>	<p>Final decision awaited.</p>
20	60	D. V. C.	<p>The Committee are of the opinion that the nugatory expenditure to</p>	<p>Noted. Both the Ball Mills have since been disposed of. The</p>	<p>No comments.</p>

the tune of Rs. 1,26,037 on the purchase of two Ball Mills could have been avoided had the D.V.C. taken expert opinion before going in for these mills instead of after.

machines were sold to the Bhakra Project at the cost price and there was no loss on the machines themselves. The sum of Rs. 18,731/- represents infructuous cost of work on the foundation for installation of the machines which were not ultimately installed. Transport and other incidental charges are payable by the Bhakra Project and have been included in the bills which have not yet been settled.

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Ministry of I&P/
Finance/All Mi-
nistries/D.V.C.

The tendency on the part of the Engineer to proceed with the execution of works without to entering into a formal agreement with the contractors should be discouraged and definite instructions issued in this regard. It is regrettable that such a practice is at all countenanced by the Administration despite the Committee's oft-repeated recommendation as reiterated in Para 25 of their 18th Report on the D.V.C. that save in some exceptional circumstances, no work of any kind should be commenced without the prior execution of the contract documents, as such a

This has been brought to the notice of all concerned. No comments.

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course not only undermines the recognised canons of business prudence but also at times, tends to place the Government at the mercy of the contractors.

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Ministry of I&P/
D.V.C.

In the Committee's opinion, there was no justification for resuming the construction of the swimming pool at Maithon after suspension for a long period when the construction work at Maithon Dam had been practically completed and the bulk of the labour force for whose benefit this pool was being constructed had been dispersed. They feel strengthened in this view as they learnt that no such swimming pool amenity had been thought of by the D.V.C. either at Bokaro or Konar or Tilaiya or Durgapur.

A note has been submitted (Annex-ure IV). No comments.

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Do.

The Committee feel that in their case relating to the construction of Ranchi Patna Diversion Road, the D.V.C. appears to have under-

A note has been submitted (Annex-ure V). No comments.

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taken an onerous responsibility by putting too much faith on what was evidently a guess estimate without taking reasonable precautions to ensure that the estimate was reliable. The Committee desire that the Corporation should proceed to fix responsibility on the persons responsible for the original unreliable estimate on which judgement was based.

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82

Do.

(i) The Committee regret to note that in the case relating to the appointment of Deputy Project Manager and Chief Construction Engineer a decision was taken by the Ministry of Irrigation and Power 2½ years after the actual appointment had already been made when they could not but acquiesce to the appointment of the Project Manager which had become a *fait accompli*.

(ii) The Committee are of the view that *ad hoc* creation of posts in this manner, apart from increasing the establishment charges of the Project which are already very heavy, results in impeding the progress of work on account

This has been brought to the notice of the D.V.C. No comments.

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of the inevitable dilution of responsibilities which it involves.

(iii) The Committee are surprised that the D.V.C. should have proceeded to make the appointment of the Chief Construction Engineer so shortly after they had for valid reasons decided to drop the idea. The Committee cannot resist the conclusion that in this case the Corporation acted without careful consideration.

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Ministry of I& P/
Finance/D.V.C.

The Committee are unable to understand why even at this stage of the progress of the Project the administrative expenditure persists in the upward direction instead of registering a steep decline. The whole problem needs the urgent attention of Government.

See comments against S. No. 3.

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Do.

In the case relating to excess payment to M/s. Hind Patel & Co., for certain items of work done at Konar Dam which had been successively commented upon by the Committee in the past,

The arbitration proceedings are still going on. Having regard to the highly technical and complicated nature of the issues involved the D.V.C. expect that the arbitration proceedings will

See para 114 of the Report.

			the Committee would reserve their further comments until they are in possession of the results of the arbitration proceedings.	last till the end of December, 1958.*	
27	90	Do.	In the case relating to the construction of some staff quarters at Durgapur, the Committee were informed that one of the two contractors who had put in some extra claims had refused to sign the Agreement as he had demanded high rates and the matter had therefore gone up for arbitration. The Committee would await the result of the arbitration.	The outcome of the arbitration is awaited.	The outcome of the arbitration may be intimated.
28	92	Do.	The Committee would suggest that since the operation work of the D.V.C. is almost completed, the D.V.C. should seriously consider the question of shifting their headquarters from Calcutta to some other place in the Valley and take immediate action to dispose of the property acquired by them at Ranchi for construction of the Headquarters office and thus realise the funds locked up in this connection.	The D.V.C. has been asked to take necessary action for disposal of property at Ranchi and also to consider the question of shifting of the Headquarters. The matter will also be discussed at the next Conference of the participating Governments.	See para 80 of the Report.

*The Ministry of Irrigation and Power have now intimated vide their Office Memorandum No. 18(6) DVC 58, dated 11th April, 1959 that it will take at least another six months for the proceedings to come to a close.

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29	95	Ministry of I&P/ D.V.C.	The Committee suggest that as this question regarding the final adjustment of the expenditure incurred by the D.V.C. on rehabilitation of the displaced persons in pursuance of the policy of "land for land" and "house for house" had been pending for over 5 years, the Government of India may consider the desirability of convening a high level Conference between the representatives of the D.V.C. and the Bihar Government under their auspices with a view to arriving at a mutually acceptable settlement, as no purpose is likely to be achieved by protracted correspondence or routine negotiations between the D.V.C. and the Bihar Government.	The matter will be discussed at the next conference of the participating Governments.	See para 48 of the Report.
30	98	Do.	The Committee like to have a report on the implementation of the High Level Lift Irrigation Scheme for utilisation of water stored in Tilaiya Dam and its	See comments against S. No. 6.	

financial effects in due course. As regards the low level scheme at Durgapur, the Committee were informed that this was under investigation. The Committee desire to be apprised of the result of these investigations in due course.

ANNEXURE I

(See S. No. 6 of Appendix I)

The prospects of irrigation in the upper reaches were poor. The technical experts were against irrigation being provided in Bihar on the ground that it was uneconomic. In the beginning of 1953, a scheme was drawn up but had to be abandoned as the cost was too high. The second scheme for the purpose was drawn up in November, 1954 and this too had to undergo revision and finally has taken the shape of the Tilaiya High Level Irrigation Scheme costing about Rs. 35 lakhs. This is in the final stage of examination by the Central Water & Power Commission. The anticipated financial return on this scheme reveals that the scheme is unproductive. Government are likely to take a decision very soon on this scheme.

As regards irrigation in the lower valley, the Government of Bengal are taking steps to introduce a bill in the State Legislature for levy of compulsory water rates in the D.V.C. commanded area.

No irrigation is feasible in the Konar area owing to the terrain in this region. As regards generation of hydro-power from the Konar Dam the question has been deferred on financial grounds as it was felt that thermal power would be cheaper than hydro-power to be generated at Konar and the money previously intended for the Konar hydro plant could best be utilised for installation of a new thermal plant producing more energy at the same cost.

ANNEXURE II

(See S. No. 10 of Appendix I)

The interpretations by the Ministry of Law on the points raised by the Committee were forwarded to the D.V.C. on 30th July, 1957. These were considered at the Second Meeting of the Committee held on 24th September, 1957. The Committee felt that their work could not proceed further until the allocation of storage capacity at each of the dams between the three main objects were finalised. The DVC appointed an advisory committee to examine the water-management plans of the D.V.C. Dams. This Committee was due to report in May, 1958 but could not do so as the Members of the Committee were unable to assemble for the final meeting owing to other pre-occupations. It is now understood that the meeting will be held at Calcutta on 12th August, 1958, and their report may be expected about the end of August, 1958. After the receipt of this Report, the Committee on allocation of cost of dams will proceed further with the question.

ANNEXURE III

(See S. No. 11 of Appendix I)

- (i) *What steps have been taken by the Corporation to ensure that the revised schedule for the completion of the Projects is adhered to?*

A close watch is being kept on the monthly progress reports and timely action is taken to step up any shortfall in the monthly targets. All possible steps have been taken by the Corporation to adhere to the time schedule laid down in 1957 but owing largely to circumstances beyond control, it has not been possible to complete the Maithon Hydro Station within the target dates. The target date of completion of the Panchet Hill Project has also been shifted to June, 1959. The circumstances leading to the change in the Schedule are explained below:

Maithon:

The three units of the Maithon Power House were scheduled to go into operation in June, 1957, September, 1957 and December, 1957. The first and the second units went into operation on the 31st October, 1957 and 31st May, 1958 respectively while the third unit went into operation in August, 1958. The main reasons for the delay are indicated below:

- (i) Delay in delivery of the Actuator Control Panel for Unit No. 1 which was received at site only in June, 1957.
- (ii) Non-availability of oxygen for a long period during 1957 on account of strike in Indian Oxygen and Acetylene Co.'s Works.
- (iii) Flight of experienced Welders to better-paid jobs in nearby projects causing serious set-back to progress in 1957.
- (iv) High incidence of influenza in the camp during epidemic in 1957 leading to heavy absence from work.
- (v) Non-receipt of components of Hydro-electric equipment in time.

Panchet Hill:

The Panchet Hill dam was scheduled to be completed in December, 1958. The earth dam including the dykes has been almost completed. The work remaining to be done in stripping of earth slope, sodding with grass, additional rip-rap, protection paving surface roadway and lighting. The earth dam is expected to be completed by December, 1958 *excepting* two small portions of the wrap-around on the downstream of the right and left abutments which have to wait until the two electric cranes and the trestles are dismantled and removed i.e. some time in April and May 1959.

Regarding the concrete dam, 93 per cent of the concrete work has been completed. The Project has still to receive the concrete-embedded parts which are inserted into the piers, without which the construction of the piers cannot be completed. The biggest bottleneck has, however, been caused by the delay in delivery by TEXMACO of the spillway gates. The contract provided for complete erection by 6th February, 1958 subject to steel being available within 6|8 months from the date of the Letter of Intent. Unfortunately, the schedule for supply of steel could not be adhered to in spite of all parties concerned having done their best to overcome the difficulty. At a meeting held in the Office of the TEXMACO at Calcutta on 31st January, 1958 the Corporation was assured that the 15 Crest Gates would be ready for delivery by January, 1959. There was a further meeting with the TEXMACO on 20th August, 1958 in which they gave a revised schedule of delivery whereby they would deliver 4 gates by October, 1958 and complete the supply of all gates by 31st March, 1959. If this schedule is not disturbed, there is a prospect of the Crest Gates being installed and the dam being completed in all respects by 30th June, 1959. It must be emphasised, however, that the Panchet dam has been completed up to the bottom of these Crest Gates and that water is being impounded in the present monsoon and the level of water in the reservoir already reached El. 402.80 on 10th October, 1958. This helped to a great extent in regulating the unprecedented flood on the 15th and 16th September, 1958.

Regarding the Power House, the overall progress upto the end of July, 1958 is about 78 per cent. It is expected that the Power House will be completed by June, 1959. It is necessary to explain in some detail the circumstances leading to the delay in completing the Power House. A Fault Zone was exposed during the course of excavation in January, 1955. Original plants to encounter the situation were to excavate the zone to clear out all weak materials and

if sound unaltered schist was encountered at moderate depth then the excavation would be carried to that point and the excavation refilled with concrete to the general level of the foundation rock. The matter was reported to Messrs Harza Engineering Co. in February, 1955. Simultaneously the problem was being explained by Geological Survey of India. The first report in this respect was submitted in April, 1955 and the second report in September, 1955 by Officers of the Geological Survey of India. The second report dealt extensively with the nature of soil and suggested certain treatment of fault zone but the same was not agreed to by Messrs Harza Engineering Co., *vide* their letter No. R/808 dated the 23rd January, 1956.

The fault zone was also inspected in February, 1955 by the members of Board of Consultants consisting of two American Consultants and the Chief Engineer, Hirakud Dam Project, and the fact of this was recorded in Consultants' Report of February, 1955.

The nature of treatment of fault zone was not decided by Messrs Harza Engineering Co. even in December, 1955. Then came a representative of Messrs Harza Engineering Co. in February, 1956 for a visit to site and he desired further excavation to be carried out in the Power House area before a final decision could be taken for treatment of the shear zone. Thereafter, a further inspection of the site by their representative was suggested by Harza Engineering Co. after the required excavation was completed in May, 1956. This time a representative from the Geological Survey of India as well as the Chairman, Central Water & Power Commission, and the Chief Engineer, Hirakud Dam Project, were also invited to join the inspection. The inspection was carried out by two representatives of Harza Engineering Co. and one representative of Geological Survey of India as the two other members namely, the Chairman, Central Water & Power Commission, and the Chief Engineer, Hirakud Dam Project, could not attend due to previous engagements. The final report regarding treatment to be done was submitted by the group on the 15th May, 1956.

Excavation work in the fault zone which passed through the power house area and Blocks No. 3 and 4 of the Dam could be resumed only in May, 1956. The Consultants recommended deeper foundation for the Power House structure involving additional excavation work. The Corporation decided to carry on the excavation work even during the monsoon by dewatering the pits but this plan failed as the two high-lift pumps procured for the purpose had to be rushed to Maithon for

dewatering the Maithon Power House area which was endangered by flood. No work could, therefore, be done during the monsoon of 1956, which extended upto November, 1956. When excavation work was started after the monsoon, a fold of mica schist zone was observed on the right flank which started slipping with exposure to weather. The Corporation had, therefore, to put up a breast-wall against the fold to prevent further slipping. This breast-wall had again to be extended as the foundation for the Power House was to be taken further down. Underpinning, therefore, became necessary. The result was that concreting in the power house which was to commence in May, 1956 according to 1955 Schedule could be started only in February, 1957. The construction schedule was, therefore, revised in 1957.

This schedule was based on the anticipation that Blocks 3, 4 and 5 of the Dam would be raised upto El. 335 and the Power House foundation upto El. 299, i.e. the floor level, before the 1957 monsoon. The Corporation set up a Ring Bund on the upstream side and earthen coffer dams on the upstream and downstream sides of the dam to protect the power house area and work there as long as possible but no work could be done beyond 3rd July, 1957. Block No. 3 could be raised upto El. 333 and Block No. 5 to El. 330, but no work could be done on Block 4. Concrete work on the second unit of the power house went upto El. 290 and that of the first unit to El. 270. This was due to the fact that the Crawler type crane working on the Power House concreting could not reach the opposite end of the Power House and carriage by head-load had to be resorted to. On the dam side, the extension of the trestle bridge beyond Block No. 6 could not be completed for want of fabricating steel while Block No. 4 was outside the command area of the Crawler Crane. Added to this was the fact that no work could be done beyond 3rd July, 1957.

Two heavy floods passed over Panchet—one on the 4th of July, 1957 and the other on the 20th July, 1957. The coffer dams up and down-stream breached and water started flowing over the power house side. Damages to the upstream wrap-around at the end of the retaining wall were noticed and more dumping was done immediately after the first flood subsided. The second flood of the 20th July '57 was in the order of 80,000 cusecs and due to severe erosive action against the retaining wall, the whole of the dumped rock was washed away. The wrap-around in front of the upstream retaining wall was undermined by severe churning action and crosscurrent thereby exposing a deep gully immediately fronting the permanent concrete retaining wall. As the Power House gap could not be

filled up before the monsoon, the whole water found its way into the Power House area through the lower portions of Blocks 4 and 5, carrying with it silt, boulders and debris which filled up the entire power house area downstream of the Dam. Besides the time taken in taking protective measures, the time required for desilting this area after the monsoon of 1957 extended to January, 1958, which meant approximately a loss of four months. It was, therefore, necessary to re-schedule the power house construction. The direct cause of this hold-up was the severe damage caused by flood in July, '57, which would have had little or no effect on the construction of the power house if the decision about the final foundation level of the power house and the mode of treatment of the fault zone could be taken earlier, say about December, '55, in which event concreting work on Blocks 3, 4 & 5 could be raised to a safe level long before the monsoon of 1957 with the help of Crawler Crane without waiting for the Trestle bridge.

The second bottleneck was provided by the difficulty in obtaining timber for shuttering. A supplier undertook in May, '56, to supply 200 tons of timber by the first week of July, 1956. As no supplies were received even in September, 1956, a distress purchase of 20 tons was arranged in October, 1956, which was delivered on 9th January, 1957. The first supplier supplied a small quantity for the first time on 24th January, 1957. As no further supplies were forthcoming even in April 1957, a stop-gap arrangement was made in May 1957 with the second supplier to supply 22 tons of timber by the 10th May, 1957. No further supply was received from the first supplier even at this time. An agreement was then executed with the second supplier in June 1957 for the supply of 160 tons of timber to be delivered *before end of July 1957*. This supply was received as follows:—

September, 1957	..	4 consignments
November, 1957	..	4 ..
January, 1958	..	8 ..
February, 1958	..	6 ..
March, 1958	..	6 ..
April, 1958	..	3 ..
August, 1958	..	Last consignment.

Meanwhile the first supplier despatched four consignments in January, 1958, March, 1958, April, 1958, May, 1958 and failed to make any further supplies. The total supplies made by him against the indent for 200 tons was only 69 tons. The manner of supplies

indicated above caused serious bottleneck at various stages of work and they had to be supplemented by distress purchases, once in October, 1957, once in May 1958, twice in June, 1958, twice in July, 1958 and once in August 1958. The quantum of distress purchase ranged from 8 tons to 25 tons on each occasion. The first supplier ultimately failed to fulfil his contract and his agreement has since been rescinded. The question as to whether any penalty should be imposed on the suppliers of timber for their failure to supply the timber within the stipulated dates is being looked into by the Corporation.

- (ii) *What were the reasons for the delay in the delivery of the Actuator Control Panel and non-receipt of components of Hydro-electric equipment in time in the case of Maithon?*

In the course of execution of the work it was felt sometime about July, 1956 that a few additional components and accessories including Actuator Control Panels were necessary. Procurement action in respect of these materials was initiated with the Manufacturers of the main plant in August, 1956, but the negotiations could not be finalised until January, 1957. The matter was discussed by the Corporation with the Manufacturers' Representatives and was formally taken up with them in August, 1956. Their first letter of 21st September, 1956 discussed certain technical matters referred to in the Corporation's letter and said that the wiring diagrams of the new panels would be forwarded to the Corporation in the course of the next few days. The wiring diagrams for the panels were received by the Corporation on the 20th of November 1956. The diagrams were studied and returned to them on the 20th December, 1956 with the comments of the Chief Electrical Engineer. Their final acceptance was received early in January, 1957. Letter of intent was issued on the 21st February, 1957 and the formal supply order in March, 1957. The materials were actually received at site in June, 1957. The delay was more in finalising the procurement arrangement than in the delivery.

- (iii) *What action had been taken by the D.V.C. for non-delivery of the spillway gates by TEXMACO and non-supply of timber shuttering by the suppliers in the case of Panchet Hill Dam? What was the penalty imposed on the suppliers in all these cases for non-supply of goods within stipulated dates? In case no penalty was imposed what were the reasons therefor?*

Regarding TEXMACO, the time allowed to TEXMACO under the contract for delivery of gates was 10 months after the supply of steel. As materials in a reasonable quantity were available to them only in June, 1958, TEXMACO is entitled to an extension of time upto April, 1959, for delivery of the gates. They have promised to deliver the gates by 31-3-1959 and have already delivered 5 gates at site and part of the 6th. It is premature to consider the question of penalty.

Regarding Timber Suppliers, considerable difficulties have been experienced in locating reliable suppliers of timber for shuttering. In these circumstances, the first supplier was allowed extension of time from time to time. The last extension expired on 31st July, 1958. As he could not complete the supply even by this date, his contract was rescinded on 28th August, 1958. The final statement of their accounts with the Corporation was received from the Field Accounts Officer in December, 1958 and the Supplier was asked on 10th January, 1959 to show cause why the Security Deposit should not be forfeited. Two Security Deposits aggregating to Rs. 11,100 against earlier orders executed by this Supplier were arranged to be transferred as Security Deposit in respect of this order but the refund bills having already been endorsed by the Firm in favour of a Bank, the Corporation ordered in February, 1959 to pay this sum to the Bank and to withhold Supplier's dues amounting to about Rs. 9,600 pending settlement of the question of penalty.

The second supplier undertook to supply 160 tons. In this case also, time was extended from time to time upto 16th August, 1958—particularly in view of the difficulty in securing Railway wagons. The full supply was received by this date.

ANNEXURE IV

(See S. No. 22 of Appendix I)

Present position stating action taken in respect of Swimming Pool

The Corporation considers that even after the dispersion of some labour forces the population at Maithon at the time justified the resumption of construction of the Swimming Pool. In the meantime the Electricity Department at Asansol had shifted to Maithon. The Disposal Department has also shifted to Maithon. The total establishment of the two departments is 11 officers and 49 staff members. Some further establishments are likely to move to Maithon in the near future. Apart from this, when Maithon is developed into a Tourist resort, the swimming pool would be an added amenity. The Ministry of Transport are in correspondence with the Corporation in regard to developing tourist traffic in the Valley.

Bokaro, Konar, Tilaiya or Durgapur do not provide a parallel for comparison in this regard as the establishment at these places was very much smaller than at Maithon where in addition to the Maithon Project, there is a large establishment including the Electricity Department, the Chief Engineer's Office, the Design Office, and the Workshops, etc. The Swimming Pool has been completed at a cost of Rs. 30,342. Had the work not been resumed, the expenditure already incurred amounting to Rs. 27,866 would have been totally infructuous. A further expenditure of Rs. 2,476 only thus provided a useful amenity to the Maithon staff.

ANNEXURE V

(See S. No. 23 of Appendix I)

Present position stating action taken in respect of Ranchi-Patna Diversion Road

As already explained in detail the main reasons for the excesses over the original estimate were the following:

- (i) Vital changes in the design and specifications made by the Ministry of Transport, Government of India. (See para 8 of the earlier report reproduced on page 17 of the Third Report, Vol. II)
- (ii) Provision for improvement of an additional length of three miles with a high level bridge thereon in respect of which the (original) site and the specifications were subsequently changed by the Ministry of Transport. (See para 13 of the earlier report reproduced on pages 19-20 of the Third Report, Vol. II)
- (iii) Foundation difficulties on Barakar Bridge. (See para 10 of the earlier report reproduced on page 17 of the Third Report, Vol. II).

In forwarding the first estimate to the Government of India, it was clearly stated that it was an approximate allocation of cost based on certain specifications. The Government of India carried out radical changes in the design and specifications and desired that collection of materials should be taken in hand in anticipation of approval of the estimate. Further changes were also made subsequently from time to time. It is, therefore, difficult to put the blame on any particular person, far less on the Engineer-Officer of the Corporation who made the first estimate.

APPENDIX II

Notes on points on which information was called for by the Public Accounts Committee on paras 4, 6, 7, 9, 10, 18, 24, 26, 29 and 31 of the Audit Report.

(1) Para 4 of the Audit Report for 1956-57—Nugatory expenditure on the manufacture of Harza Gates for Maithon Dam

(a) What was the total amount sanctioned for the manufacture of Harza Gates and the number thereof?

There was no sanctioned amount for manufacturer of the Harza Gates as such. The 1952 Project Estimates for Maithon and Panchet provided for 48 Undersluice Gates—20 for Maithon at Rs. 1.75 lakhs each and 28 for Panchet at Rs. 2,18,000 each. This was superseded by the estimate for 1954 which provided for 5 gates for Maithon at Rs. 1.50 lakhs each and 10 gates for Panchet at Rs. 1.75 lakhs each.

(b) What was the cost of departmental manufacture of Harza Gates of various sizes?

The cost of the Harza Gate manufactured in the Workshop and installed at Panchet was Rs. 1,79,603. This cost would have gone down considerably, if all the 15 Gates for Maithon and Panchet had been constructed at our Workshop. The cost of the two smaller Harza Gates manufactured for the Tilaiya Project was Rs. 63,965. The size of the Panchet Hill Gate was 5'—8"x10' while that of the Tilaiya Gates was 1'—11" x 2'—11".

(c) What was the total number of such gates manufactured?

One for Panchet and two for Tilaiya.

(2) Para 6 of the Audit Report for 1956-57—Loss of bricks

Whether the copies of documents filed in Court were produced before the Investigating Officer. If not, what are the reasons therefor? Any further information, which the D. V. C. may have, may also be furnished?

The documents in question were Measurement Books which were not available to the Investigating Officer. They were filed in the Court on 13th April, 1956 as exhibits in connection with a

Civil suit filed by one of the Contractors for alleged non-payment of certain quantities of bricks manufactured by him. It is understood from the Corporation's Lawyer that these exhibits cannot be withdrawn until the case is finally disposed of. The case is still proceeding and the exhibits are not available.

(3) Para 7 of the Audit Report, 1956-57—Avoidable expenditure

What action has been taken to fix the responsibility for importing articles by air in this case?

At the time the indent for the belts was placed (April, 1956) there were two Loader Belts in stock of which one was issued to the job on 21st July, 1956 and the other on 12th September, 1956. As the licence could not be procured until the third week of December 1956, i.e. three months after the last belt in stock had been issued to the job, it was considered necessary for the belts to be air-freighted so as to serve as a reserve against breakdown of the Loader. The delay in finalising the procurement arrangements was partly due to the formalities required to be followed by our Central Purchase Department and partly due to delay in obtaining the import licence. The following table will show the movement of the case :

18-4-56	Indent received in Calcutta.
26-4-56	Quotations called.
3-5-56	Quotations received.
17-5-56	Director General, Commercial Intelligence & Statistics requested to arrange publication of the advertisement in the Indian Trade Journal as the cost exceeded Rs. 10,000.
15-6-56	Tenders opened.
19-6-56	Panchet Hill Project asked by Purchase Department whether forward delivery term would be acceptable as the date of delivery was specified by them as 20th July, 1956.
3-7-56	Panchet Hill Project confirmed that the forward delivery term would be acceptable.

This letter was not received in the Purchase Department and the Panchet Hill Project was reminded on 26th July, 1956 to reply to Purchase Department letter of 19th June, 1956.

- 1-8-56 Panchet Hill Project confirmed that forward delivery would be acceptable.
- 9-8-56 Supply Order issued on the basis of delivery within 20/24 weeks from date of receipt of the Purchase Order.

The above table accounts for the lapse of about 4 months in finalising the Purchase Order. There are two matters to be noted, viz. (i) it took one month to issue the notification in the Trade Journal, and (ii) there was considerable delay in ascertaining from the Project whether forward delivery term would be acceptable. Regarding (i), the indent was received in Calcutta on 18th April, 1956. As the indent did not specify the price, the Officer in charge asked his office on 21st April, 1956 to take action for ascertaining the current price. Nothing in the file indicate that attempts were made to ascertain the price over the phone but Good-Year could not be contacted over the phone even on 25th April, 1956 when the draft of a formal letter was put up. This letter was issued on 26th April, 1956 and Good-Year's reply was received about the 3rd of May 1956 but reached the dealing clerk on 10th May, 1956. The Director General, Commercial Intelligence, was asked on 17th May, 1956 to arrange publication in the Indian Trade Journal. This is a procedural delay explained hereafter. Regarding (ii), Panchet Hill Project was asked on 19th June, 1956 to state whether the forward delivery term would be acceptable. The Project is reported to have replied to this letter on 3rd July, 1956 but this letter was not received in the Purchase Department. The Project was reminded on 26th July, 1956 and the final reply was received on 1st August, 1956 by teleprinter. This was an accident for which it is not possible to hold anybody responsible.

Then the trouble arose about the import licence. The application for import licence was received from the Suppliers on 25th August, 1956. As import licences are dealt with in another Section, the Procurement Section which received the application had to prepare copies of supporting documents, such as Supply Order and the Firm's letter of declaration about quota licence, etc. This took some time and the file along with the copies of relevant documents was sent to the Import Licence Section on 14th September, 1956. The Import Licence Section found on 14th September, 1956 that the application form was forwarded in duplicate although they were specifically asked to furnish the application in triplicate. Some time was taken to obtain the requisite form, to fill up the respective columns and to get it printed. The application forms

accompanied by the requisite documents were ultimately sent by a *Special Messenger* on 27th September, 1956.

The Joint Controller of Import wrote back to us on 8th October, 1956 requiring the Corporation to submit written declaration from *both* Good-Year and Dunlop to the effect that the belts cannot be manufactured in India. This letter was received on 10th October, 1956. 11th to 19th October were holidays while the 20th was Saturday. The file was put up to the Officer in charge on 23rd October, 1956 and the office note indicates that *they were contacting Dunlop over the phone*. As we had already a certificate from Good-Year, the Purchase Department states that telephonic enquiries were made more than once and they were informed by Dunlop that the certificate was in course of issue. As nothing was actually coming in, a formal letter was issued on 7th November, 1956. Dunlop ultimately replied on 14th November, 1956 which was received in the Section on 19th November, 1956. This letter along with Good-Year's letter of 1st October, 1956 was passed on to the Joint Controller of Imports on 27th November, 1956. Good-Year's letter of 1st October, 1956 was not sent up earlier as there was no use sending up their declaration *only*. After the issue of this letter, contacts were made over the phone more than once although there is no formal record. There is, however, a record of *personal contact by the Assistant purchase Officer on 6th December, 1956*, when we were informed that the licence was in course of preparation. The licence was ultimately received on 21st December, 1956, and passed on to Good-Year on 22nd December, 1956.

It may be observed in this connection that the Purchase Department is a pretty large organisation with various Branches to deal with various subjects and they have to deal with a large number of indents and supply orders. Files have to move from Section to Section and from Officer to Officer. Then there are occasional bottlenecks in the Record and the Typing Section when there is pressure. Some procedural delays are bound to take place under such circumstances unless a particular indent is of an emergent character. In the case of a particular indent delays at particular stages may occur but practical difficulties very often encountered make things move slower than one would like. The Purchase Department has to make numerous contacts over the phone with supplier's and manufacturers' representatives in Calcutta and it is not practicable to keep a record of every such contact. In this particular case we have got clear record of telephonic and personal contacts on three occasions and the mere fact that all contacts, telephonic or personal, are not recorded in the files should not be taken as a proof that nothing was done by the Purchase Department to expedite matters.

(4) Para 9 of the Audit Report, 1956/57—Avoidable expenditure:

What considerations weighed with the DVC for sanctioning fresh purchase of the materials and not accepting the repaired materials with the original guarantee?

The main considerations were *the time factor and the lack of Manufacturer's guarantee of performance of a Plant with required bushings*. The Corporation were informed by the Suppliers in September, 1951 that bushings repaired in India would not carry the original guarantee of performance. It was, therefore, decided at a joint meeting held on 25th January, 1952 between the representatives of the Corporation, the Insurance Company and the Suppliers that the Insurance Company would pay for replacement or repairs cost whichever was lower and that Messrs. Eastern Equipment and Sales would arrange for the return of the damaged equipment to Japan for replacement or repair. Subsequently on 24th March, 1952 there was a discussion with Messrs. Eastern Equipment and Sales, the Manufacturers' representatives, in which the Corporation were advised that any *equipment repaired* would not hold the original guarantee. They, therefore, wrote to the Insurance Company on 27th March, 1952 informing the latter that the decision of the meeting of 25th January, 1952 would not hold good in view of the latest information available with the Corporation and that the question of sending the material for repairs to Japan did not arise. A copy of the Corporation's letter of 27th March, 1952 was endorsed to Eastern Equipment & Sales who acknowledged this letter saying that they would be awaiting receipt of the replacement order before taking any further action. The fact of this meeting of 24th March, 1952 was also recorded in the Corporation's file by the concerned Engineer in his own handwriting dated 1st August, 1958. Copies of letter of 27th March, 1952 to the Insurance Company and the reply from Eastern Equipment and Sales are enclosed to this note for perusal. (Annexures I & II).

The Insurance Company, however, insisted on the bushings being sent out for repairs. Prolonged negotiations and correspondence were going on and the matter could not be finalised even in May 1952, when it was felt that any further delay in making firm arrangements about the damaged bushings would not enable the Corporation to complete the Power House within the target date. Action was, therefore, taken to place orders for replacement bushings. It was only in July, 1953, i.e. about 5 months after the Power House was completed, that the Insurance Company informed that the Manufacturers in Japan were agreeable to offer the original guarantee with

repaired bushings. It is not known how they managed to get it but the fact remains that such an assurance was not available in time.

(5) Para. 10 of the Audit Report, 1956-57—Bokaro Thermal Power Station

- (a) *How many sittings were held by the Committee set up by the Government of India to investigate whether full value for the money spent on the Bokaro Thermal Power Station has been received?*
- (b) *What is the total expenditure incurred on this Committee since its constitution (including T.A., D.A. etc).*
- (c) *When the Committee is likely to conclude their work and submit the Report to Government?*

(a) The Committee has so far held two sittings on 6th June, 1956 and 28th March, 1958.

(b) The expenditure incurred on the Committee since its constitution is approximately Rs. 1,000. This represents T.A. and D.A. drawn by a Member and two officers of the Government of India. The Committee was part-time and the members of the Committee draw pay from their respective offices.

(c) The Committee have already collected the requisite data. On examination of the data, the Committee called for in May, 1958, clarification from the Damodar Valley Corporation on certain points. The Corporation furnished the required clarification on the 19th September, 1958 except on two points for which they have again been addressed on 23rd October, 1958 and 5th November, 1958 by the Committee. The Committee, however, hope to finalise their report shortly.

(6) Para 18 of the Audit Report, 1956-57—Departmental construction of Cable Trenches

Were the irregularities committed by the Official responsible in the departmental construction of Cable Trenches communicated to the Hindustan Steel Private Limited either at the time of forwarding the application of that Officer to this Company, or later?

The Officer was permitted in October, 1957 to apply for a post under the Hindustan Steel Private Limited. The Hindustan Steels wrote to the Corporation in November, 1957 asking for his character rolls which were forwarded on 21st November, 1957. This case was not mentioned in the Corporation's report to Hindustan Steels as it was

still under investigation and responsibility of the Officer in the matter had not yet been determined. In fact his explanation was called for in December 1957 and received in January 1958 but it was decided that he need not be punished because he was due to leave the Corporation's service shortly. The facts of the case were communicated to the Hindustan Steel Private Limited on 17th September, 1958.

(7) Para 24 of the Audit Report, 1956-57—Utilisation of D.V.C. water for Irrigation purposes

(a) *What quantity of D.V.C. water is expected to be utilised for Irrigation Purposes?*

Under the 1951 Water Management Plans the quantity of water that would be available for irrigation purposes was estimated at 2·02 million acre feet for Kharif and 0·45 million acre feet for Rabi irrigation. The latest review made by the Water Potential Committee whose report has just been received, indicates that the total quantity of water expected to be available for Kharif irrigation purposes would be 1·25 million acre feet on the average (Minimum 1·00 million acre feet and the maximum 1·68 million acre feet). The extent of Rabi irrigation depends on the water available in the reservoir at the end of the Kharif season.

(b) *What is the area of land expected to be irrigated?*

Under the Water Management Plans of 1951 the area expected to be irrigated was 1·026 million acres for Kharif and 0·3 million acres for Rabi. Notwithstanding the smaller quantity of water now available for irrigation, the latest review by the Water Potential Committee assesses the area for Kharif irrigation at 1·044 million acres which includes 1,85,000 acres served by the existing irrigation System of the West Bengal Government. The area expected to be utilised for Rabi irrigation will have to be fixed each year on the basis of water available in the reservoir at the end of the Kharif season.

(c) *What are the reasons for delay and shortfall in the utilisation of water?*

(i) In April 1955 the Corporation informed the Government of West Bengal that it would be possible for them to irrigate one lakh acres of land during 1955 subject to completion of work in priority zones. The necessary associated canals were constructed and in June, 1955 the State Government was given an assurance that the Corporation was ready to supply water from the canals with effect from

the first week of July 1955 on requisition. There was, however, no requisition for water from the West Bengal Government during the year 1955.

(ii) For the Kharif season of 1956 the Corporation declared its ability to irrigate 1·53 lakh acres of land from 1st July, 1956. Leases were executed for 19,877 acres but actual utilisation was only to the extent of 11,271 acres. The shortfall was due to flood damages of September 1956 and surreptitious cuts by villagers. As there was no compulsory levy of water rate, only a few cultivators agreed to accept water on a contractual basis although many other cultivators actually received irrigation water for which they did not pay any water rate.

(iii) For the Kharif season of 1957 the Corporation was in a position to irrigate an area of 1·91 lakhs acres. The actual area irrigated was, however, 86,000 acres. It may, however, be mentioned that an additional area of about 30,000 acres of land cut off from the Old Irrigation System during 1956 flood received water from the D.V.C. canals in 1957.

Apart from the absence of legislation for a compulsory levy, the main reasons for the shortfall were as follows:—

- (i) Side-slip of canal banks.
- (ii) Public opposition to removal of gaps at certain points.
- (iii) Interference by villagers by raising cross bunds and preventing water from flowing down as also by surreptitious cuts at certain points.
- (iv) Breaches or normal damages at certain points which are usual for some time after construction.
- (v) Theft of Regulator parts.

(iv) For the Kharif season of 1958 the Corporation offered to irrigate 3·37 lakh acres of land. The total area irrigated during the Kharif season of 1958 was 4,88,444 acres including 1,86,558 acres formerly irrigated through the West Bengal Governments' Canal System. There was a joint survey by the Engineers of the D.V.C. and the West Bengal Government and the actual irrigated area assessed by the Engineers of the West Bengal Government was 4,29,421 acres. While there were small discrepancies in two areas, the discrepancy in the Lower Damodar Division is rather abnormal. The report of the joint survey indicates that the time allowed for the investigation was too short and the investigations had to be restricted to

broad principles only and suggests that the abnormal difference indicated in the Lower Damodar Division requires more detailed examination. A further detailed survey is being undertaken with a view to arriving at the correct acreage.

(d) *What steps have been or are proposed to be taken by the D.V.C. to enforce full and proper utilisation of the waters?*

The D.V.C. have no powers to take any direct action to enforce full and proper utilisation of irrigation water. This must rest with the State Government. The main bottleneck seems to be the lack of legislation to enforce a compulsory levy of water rates. The Government of West Bengal have recently brought in a compulsory levy bill which has been passed by the Lower House of the State Legislature and will be taken up for consideration by the Upper House in its next Session. The other minor difficulties referred to under c(iii) above have been brought to the notice of the West Bengal Government with a view to taking necessary remedial action.

(8) Para 26 of the Audit Report, 1956-57—Purchase of boats for use of D.V.C. lakes

How many boats are actually required by the Corporation and how many are surplus? What action is being taken to dispose of the surplus ones?

Besides the 27 Pepsu boats there are another 17 boats purchased by the Corporation. A statement showing the particulars of the 17 boats, the date of their purchase and the purpose of the purchases is enclosed. (Annexure III). It has not been possible within the short time available to determine in all cases the source from which the purchase was made. 6 FOL boats have already been declared as absolute surplus and orders issued on 3rd September, 1958 to dispose of them at the best price available. It is also proposed to sell 6 sail boats to the Yacht club at Maithon if a reasonable price is offered by them. Otherwise, they will be stabled for the present in the Boat House at Maithon along with the Yacht club boats and used for tourists. If tourist traffic does not bring in sufficient income they will also be sold out. The Corporation are also examining whether Fishery and Malaria Control could make a joint use of boats at each reservoir, in which event some further boats may also be available for disposal.

The Chief Engineer has been asked on 7th October, 1958 to re-examine the whole matter and to assess the absolutely essential requirement of boats after taking into account the non-Pepsu boats also so that the maximum number could be sold out.

(9) Para 29, of the Audit Report, 1956-57—Write off and losses etc.

- (a) *What were the reasons for the breakage etc. of the A. C. Sheets at Panchet Hill? Has any responsibility been fixed in the matter?*

The materials in question were Asbestos cement sheets and ridges which are liable to breakage in handling and crack under pressure of upper layers. It represents the accumulation of normal breakages of large consignments received at Panchet from the very beginning. The failure to adopt the normal procedure of writing off breakages as and when they came to notice accounts for this accumulation which represents about 3 per cent of the total receipts by the Project upto November 1953. No particular persons can be held responsible for the breakages which are about 3 per cent and which is considered as normal.

- (b) *What were the reasons for the purchase of the machine in question? Was the purchase of the machines sanctioned by the competent authority?*

The two mixers were purchased from Railway Surplus in 1950 on the basis of a selection made from the disposal list by the then Engineer-in-Charge, Barrage & Irrigation Project. No specific sanction of the Corporation appears to have been obtained. The purchase seems to have been made by the then Engineer-in-Charge against future requirements for construction of the Durgapur Barrage.

- (c) *Why the machines could not be used for the purpose for which they were intended? What was the amount of expenditure incurred on repairs of the machines? Has any responsibility been fixed in the matter?*

The machine are reported to have been inspected before purchase by an Inspector of the Corporation who certified that they were in good working condition. They are reported to have been received at site in December 1950. From a report of the then Executive Engineer dated 28th February, 1952 it appears that the Blaw Knox Mixer was in complete working condition while the Anderson Mixer required major repairs. This letter is, however, a bit confusing. It states in para 1 that the plants required oiling, cleaning and testing extensively before they are put on to work while in the second para it states that one Mixer (apparently Blaw Knox Mixer) is in complete working condition while the other one (apparently Anderson Mixer) which required major repairs has also been set right by him after having obtained some parts from Maithon. The nature of the actual repairs, if any, carried out cannot be ascertained and

the S. E. reported in June 1956 that no other details beyond what was stated in the Executive Engineer's letter of February 1952 are available to prove that some repairs were carried out.

The Anderson Mixer was transferred to the Mechanical Division of the Barrage & Irrigation Project in September 1952. The Mechanical Engineer condemned the Mixer as unserviceable in October 1954 and stated that it required major overhaul and heavy repairs which would be uneconomical. This was undoubtedly a bad purchase but as this is a very old case and the officers concerned left the service of the Corporation before the case came to notice, no further action can be taken in the matter. This case came to the notice of the Corporation in 1955 while the Engineer-in-Charge (B. & I.) who selected these Mixers for purchase left the service of the Corporation in July, 1952. He was an officer borrowed from the Government of West Bengal and is at present functioning as a Superintending Engineer under the Government of West Bengal.

The Blaw Knox concrete mixer was put into commission for washing gravel in connection with the construction of the Durgapur Barrage as the Gravel Washing Plant in course of manufacture at the Maithon Workshop was not available until January 1954. Even after the receipt of the Gravel Washing plant from the Workshop, the Blaw Knox Mixer continued to be used as the Plant manufactured at the workshop was not found quite suitable for the type of soil encountered and one Gravel Washing Plant was not also sufficient to cope with the large volume of gravel washing that had to be done. It is recognised that a Concrete Mixer deteriorates rapidly by gravel washing but this course had to be resorted to with a view to maintaining the progress of work which would otherwise have suffered seriously with consequential loss which would have far exceeded the price of this plant, viz. Rs. 7,630. It worked 905 hours during 1953 and 1954 and became unserviceable thereafter. It washed about 17,000 cyds. of gravel.

The two plants were sold in June 1957 for Rs. 1,400.

- (d) *What were the reasons for the breakage and pilferage of Boundary Pillars? What steps have been taken to avoid such losses in future? What is the position regarding regularisation of the further loss of Rs. 11,366 on this account which is stated to be under the consideration of the Corporation?*

Boundary pillars are fixed along the entire shore line of the reservoir extending over 120 miles in fields, jungles and forest areas

which are not accessible by road or cart and once the pillars are fixed there is no occasion for the surveyors to visit the place again nor is it possible for them to go round the area and keep a close watch over the pillars. It is not also economical to engage Watch and Ward party for patrolling such a vast area. There is, however, evidence to show that the surveyors had reported matters to the Police whenever it came to their notice. Some people were also caught red-handed and severely reprimanded. The matter was also reported to the Civil S.D.O. who took some steps to detect such crimes. After the loss of 905 pillars the Corporation issued directions in December 1955 for periodical inspection of the pillars. Meanwhile a survey carried in October 1955 disclosed the loss of another 1802 pillars. The matter was brought to the notice of the Additional Superintendent of Police, Dhanbad. The Survey parties working for the reservoir periphery survey have since been withdrawn due to completion of the work. No loss or pilferage of boundary pillars, has, however, since been reported by the Assistant Engineer, River Survey Section, who visits the area periodically although such periodical inspection could not cover the whole area.

The sum of Rs. 11,366 being the value of 1802 pillars has also been written off by the Corporation.

(e) *What steps have been taken by the Corporation to prevent recurrence of such case of smuggling of stores?*

The stores accounting procedure has been amended so as to close all loopholes for such mischief.

(10) Para 29(b)—Non-imposition of penalty

What action has been taken by the D.V.C. against persons responsible for delay in submission of the bills to the consumers? Were defaulters called upon to pay finally?

There were some delays on the part of the operational staff in the initial stages in reporting the meter readings to the Commercial Engineer at Calcutta leading to delay in the issue of bills to the Consumers. This was a new work undertaken by the operational staff and it took some time for them to get accustomed to the system of reading and reporting meter readings to the Commercial Engineer. They have since settled down to the work and reports are being received now-a-days within the time-limit laid down by the Commercial Engineer. As delays were unintentional, no special action is required to be taken against the individuals concerned.

In the case of the consumers likewise the Corporation felt that some time should be allowed to enable them to get accustomed to

the procedure of billing, scrutiny of meter readings and the procedure of payment during the initial stages of supply. In the circumstances the Corporation did not consider it desirable to call upon the consumers to pay any penalty but waived it for the period ending March 1957 and authorised the Commercial Engineer to waive penalty in future upto a limit of Rs. 1,000 in each case. During 1957-58 the Commercial Engineer waived a sum of Rs. 4006.22 nP. in exercise of this delegated power, and the Corporation has written off a sum of Rs. 1097.16 nP. The Corporation is also considering in consultation with the Commercial Engineer whether it will be advantageous for the Corporation to introduce a Rebate System for payment within a specified date instead of the present system of penalty. This system is in force in the Calcutta Electric Supply Corporation.

((11) Para 31 of the Audit Report, 1956-57—Balance Sheet, Miscellaneous Comments

(a) *Is the Register of valuables maintained and the securities actually verified by a responsible officer?*

A Register of valuables is maintained at Headquarters and the securities are actually verified by responsible officer. From information available it appears that the Field Officers follow the same procedure.

(b) *What is the present position of recovery of outstandings mentioned in this clause? What is holding up recovery?*

The sum of Rs. 13,734 represents advance deposits with the D.G. (S. & D.) for some tents which have not actually been delivered. The liability has since been accepted by the D.G. (S. & D.) and it is expected to be settled soon. The sum of Rs. 4,109 represents demurrage charges on steel which were considered as recoverable from the Iron & Steel Controller. It has now been found out that this is chargeable to the projects. This is being settled along with certain other debits and credits relating to Belgian steel.

(c) *Why the value balances appearing in the Stores ledgers have not been fully reconciled with the value appearing in the General ledger in spite of the recommendations of the P.A.C. in para 13 of their 18th Report.*

Reconciliation of Stores ledger balances with the financial accounts has been completed except in respect of two formations in respect of which the work of reconciliation is still in progress. It will take a little more time as the Divisions are experiencing some difficulty for want of experienced personnel.

(d) Why the long outstanding balances under 'Miscellaneous Advances' have not been cleared and what steps have been taken in this direction.

The balance of Rs. 128·38 lakhs as at the close of the accounts for 31-3-1957 was reduced to Rs. 28·39 lakhs on 31-3-1958. Some further adjustments have since been made in respect of which the exact amount is not available. There are some old outstanding balances relating to short receipt of materials which are under correspondence with the Iron & Steel Controller, the Railways, Insurance Companies, etc. The Internal Audit Officer of the Corporation has been frequently touring round the Valley to expedite the clearance of these outstanding balances, and every attempt is being made to clear the old outstanding with all possible despatch.

(e) Lock Manufacturing Industry at Tilaiya

It is noticed that the factory with all its assets and liabilities and staff, etc., was taken over by the Government of Bihar on 1-9-1957. What is the monetary settlement arrived at with that Government?

The Lock Factory was financed partly out of a loan of Rs. 76,755 issued by the Ministry of Commerce & Industries, Government of India, and partly out of the Corporation's funds. The Bihar Government agreed to take over the Factory with all its liabilities and assets as well as the personnel.

(f) Cold Storage Plant at Burdwan

What is the present position of working of this plant?

The proforma balance sheet and the profit and loss account yet to be audited disclose a loss of about Rs. 72,000 during 1957-58. The working expenses amounted approximately to Rs. 78,000 against a receipt of about Rs. 6,000. The working season for the Cold Storage Plant covers a period of 7 months commencing from April of each year. Negotiations for letting out space for the 1957-58 season had therefore to be carried on early in 1957 when the Factory was not fully equipped to enable us to book the full space that would be available on full development. It was, therefore, more an experimental than a full fledged business transaction. For the working season of 1958-59 we have already booked the entire available storage space for customers and collected Rs. 28,000 representing 25 per cent of the hire charges payable by them. In other words, we are already assured of receipts of the order of Rs. 1,12,000 during the current year while the working expenses are estimated at about Rs. 85,000. The Corporation, therefore, hopes that the deficits of

the first two years ending March 1958 will be wiped out by March 1961, if not earlier, and the Cold Storage Plant will stand on its own feet thereafter.

(g) **Spun Pipe Factory at Durgapur**

- (i) *Whether the manufacture of the required quantity of spun pipes was completed by the original required date, i.e. June 1958?*

The total requirement of pipes for the Barrage and Irrigation Project is not readily determinable as all the designs have not yet been prepared.

The total demand for pipes upto June 1958 was 14,946 (95504 Rft.) while the total manufacture upto June 1958 amounted to 15,381 (98582 Rft.). There was, however, a shortfall in respect of 8" x 6' pipes which was caused partly by delay in receipt of the revised demand and partly due to paucity of moulds for this size. This is proposed to be met by diversion from the next higher size, viz, 9"x6'.

- (ii) *How does the departmental cost compare with the rates offered by the private trade after the inclusion of cost of land, General Overheads, etc.?*

No costing has been made. The balance sheet in respect of the period ending March 1958 discloses a net profit of about Rs. 88,000 during 1957-58 after allowing for depreciation, interest, direction and audit charges. The issues and the stock in hand were valued at the D.G. (S. & D.) rates. This will show that the Factory is manufacturing pipes cheaper than private trade. The accounts are yet to be audited.

Sd./R. R. BAHL,

Joint Secretary to the Government of India.

ANNEXURE I

Copy of the letter No. PB/CL/Claim/Tilaiya/44192 dated the 27th March, 1952 from the Transport Officer, D.V.C. to M/s Valcan Insurance Co. Ltd. regarding Tilaiya Hydro-Electric Plant Claims for damaged material.

We would refer you to letter No. CEE-4/3/3A-219 of the 28th January, 1952 under cover of which we sent you the minutes of a meeting held in our Chief Electrical Engineer's office on 25-1-1952. At the meeting it was suggested that some of the damaged material may be returned to the manufacturers in Japan for repairs. The information now available with us, furnished by the manufacturers, indicate that any equipment repaired would not hold the original guarantee.

In the circumstances the question of sending any material for repairs does not arise and we are advised to place order for replacement of all damaged material.

We enclose herewith a formal claim for Condensor bushing 33Kv for which we are now placing an order.

Please note that these are altogether 31 bushings damaged and require replacement. The cost of each bushing is stated to be £ 178-9s-0d F.O.B. Japan. The actual cost payable by you will be intimated when a bill for the material supplied has been received by us. Claim for other damaged material will be forwarded in due course of time.

We shall be glad if you will acknowledge receipt and admit our claim at your earliest convenience.

ANNEXURE II

Copy of the letter No. ES: 1030: 9866 dated the 27th March, 1952 from M/s Eastern Equipment and Sales Limited to the D.V.C. regarding Tilaiya Hydro-Electric Plant Claims for damaged material.

We are in receipt of your above copy of letter addressed to Valcan Insurance Co. Ltd. with a list containing damaged bushings. Please note that pending receipt of your order, we are not taking any action in this connection with our Principals for supply of these bushings.

ANNEXURE III

Details showing boats and out-board engines (other than those purchased from Patiala) purchased by DVC

Sl. No.	Name and description of boats	Date of purchase	Purpose for which purchased	From whom purchased	Remarks
1	2	3	4	5	6
1.	Motor Boat 'Damodar'.	September, 1953.	Periodical inspection of shore line of Navigation Canal and observation soundings at Durgapur Barrage.	Purchased from disposal.	
2.	Out-board Motor Boat "Tilaiya"	August, 1952	Survey and Rehabilitation works.		
3.	Motor Boat "Ospray".	June, 1953	Do.	Purchased from disposals.	
4.	Galvanised Steel Boat complete with 12' ore.	October, 1951	River sounding work and collection of water samples for Bokaro Thermal Power Station and inspection of Barrage Gates (At present used for anti-malarial work).		
5.	Wooden Country Boat (Jolly Boat).	3rd August, 1954.	Malaria control works.		
6.	DAN Fishing Vessel.	14th October, 1955.	Fishery works.	Supplied by T.C.M.	
7.	Motor Boat "Panchmodho".	1st October, 1952.	For Construction work of Tilaiya Project.		
8.	18' Galvanised steel boat with out-board motor (16 H.P.)	11th December, 1956 & 29th April, 1957.	Malaria control of Maithon Reservoir.	Cleaback Boat Co.	
9.	Do.	Do.	Do.	Do.	
10.	12' Galvanised steel boat without out-board motor	11th December, 1956.	Do.	Do.	
11.	Do.	Do.	Do.	Do.	
12.	Country Boat	30th January, 1957.	Anti-malaria work at Durgapur Pond.	Do.	

1	2	3	4	5	6
13.	Country Jolly Boat	} 1st February, 1954.	Malaria control at Tilaiya Reservoir.	at Cleaback Boat Co.	
14.	Do.				} 15th August, 1954.	Anti-malaria work at Konar.
15.	Do.	17. Johnson Sea House out-board motor model Q. D. 10. H. P. complete with mild master fuel tank S. L. No. 160935 fitted in steel boat.	November, 1954 and March, 1955.	Fishery works.			Cleaback Boat Co., Calcutta Tiljala Road.
16.	Do.				

APPENDIX III

Note regarding the economics of the Damodar Valley Project.

A copy of the Report of the *ad-hoc* Committee set up in December, 1954, to examine the revised estimates of the D.V.C. is enclosed (not printed). The Committee was appointed as a result of a decision by the Conference of the Participating Governments held in July, 1954, that the Central Government should appoint an *ad-hoc* Committee to examine the revised estimates and the financial analysis of the Damodar Valley Projects (including excess in the Maithon estimates). The terms of reference of the Committee were:—

- (i) To examine and report on the adequacy or otherwise of the various provisions made in the revised estimates of the various projects of the Damodar Valley Corporation and particularly of the provisions for 'buildings' in the Maithon estimates and to make suggestions for effecting any possible economy.
- (ii) To examine and report on the revised financial analysis of the Damodar Valley Corporation and to make recommendations with a view to improving the productivity of the projects.

2 The Report of the Committee was discussed at the Conference of the Participating Governments held in April, 1956. The revised estimates were approved subject to the various observations made by the Committee. The attention of the D.V.C. was specially invited to the following:

- (a) The Corporation should check up the quantities on the basis of which estimates have been worked out and ensure that no excesses have been allowed to creep in.
- (b) The requirements for spares should be re-examined, in particular, steps should be taken to reduce the purchase of spares in future to the minimum requirement. Also the necessity of providing residual spares to the extent of 25 per cent of the total requirement for spares should be examined.

- (c) The resale value of plant and equipment as well as of surplus should be properly assessed, and should not be put at any unduly low figure.
- (d) The accurate unit cost of concreting at Maithon should be assessed.
- (e) It was agreed that the extra expenditure that the Corporation will have to incur for keeping on their pay roll the surplus personnel should not be booked directly to the estimates.

3. The economics of the Damodar Valley Projects on the basis of these estimates have been discussed by the Committee at pages 16 to 20 of the Report.

4. The position has, however, since changed consequent on a further major revision of the Damodar Valley Projects Estimates early in 1958. A note furnished by the D.V.C. on the economics of the Damodar Valley Projects on the basis of the latest revised estimates is enclosed (Annexure I). The revised estimates and financial analysis are at present under the consideration of Government.

Audit has, however, offered the following comments on the note furnished by the D.V.C. on the economics of the Damodar Valley Projects:—

Audit's comments:

"In view of the concluding sentence, added in manuscript, (last sentence in para 4 above) no detailed comment is made on the note furnished by the D.V.C. on the economics of the Damodar Valley Project but the following are brought to notice:

(i) Regarding para 3 of the D.V.C. note, Hon'ble Shri Gadgil stated that D.V.C. scheme might pay its own way. The following is an extract of his speech—"Now, Sir, the aspect of flood control apparently does not go to show that there will be any return in terms of money. But as I said it has an insurance value of its own. But when we take into consideration the other aspect, I will be able to show, Sir, that even from the point of view of financial consideration, this scheme is going to pay its own way"—In the same speech in respect of Irrigation he stated as follows—"I have no doubt that the Balance Sheet, as far as this particular aspect is concerned, will show that this is a very sound investment."

(2) Regarding para 6 of the D.V.C. notes, an extract from the proceedings of the Participating Governments Conference held on the 27th December, 1950 is reproduced below:

“Hon’ble Shri C. D. Deshmukh stated that in view of the present financial difficulties of the Central Government, it was important to ensure economy and avoid waste at every stage. The Government of India should have a clear idea of its commitments for the next four or five years. As a Corporation, D.V.C. was conceded certain amount of autonomy by legislation, but even in respect of State Governments, in case of loans advanced by the Centre, utmost precautions were taken to regulate expenditure on proper lines. The Central Government had assumed the responsibility of finding funds for the D.V.C. in the face of increasing difficulties and innumerable other claims alleged to be equally essential. He, as Finance Minister, could not agree to finance the D.V.C. unless the profitability aspect of each component scheme had been thoroughly investigated by the Corporation and accepted by the Governments”.

ANNEXURE I

FINANCIAL JUSTIFICATION FOR THE DAMODAR VALLEY PROJECT

(January, 1958)

A. Introductory

1. Any useful study of the economics of the Damodar Valley Project must, in the first instance, recognise the basic fact that, unlike other projects in India, the Damodar Valley Project is not merely an engineering enterprise and its activities are not restricted to the construction and maintenance of dams, power houses and irrigation structures and the collection of power revenue and irrigation rates. The object of the Scheme was ably summarised by Mr. W. L. Voorduin in his Preliminary Memorandum in which he states "The primary consideration for a plan of development of the Damodar Valley should be the control of floods. It is further deemed *desirable* that in so far as possible the system of dams should be capable of providing the *largest amount of power* which could be made available and that the *maximum use* be made of the regulated flow for irrigation purposes". The Damodar Valley Corporation Act has likewise provided for the establishment and regulation of a Corporation for the *development* of the Damodar Valley in the Provinces of Bihar and West Bengal. The concept of regional planning and development envisaged in the Act includes various classes of social welfare and other activities, such as, the promotion of afforestation, soil conservation and of public health and agricultural, industrial, economic and general well being of the people in the Valley and its area of operation. As such, a correct evaluation of the benefits of the Project must take into account the *direct* and *indirect* benefits and not merely the cash revenue that will be earned by the Damodar Valley Corporation from electricity, water, etc.

2. The Secretary, Works, Mines and Power, in summarising the broad outline of the Damodar Valley Scheme stated before the Inter-Provincial Conference held on 4th October, 1946 that from the point of view of Governments concerned it *seemed unlikely that the Scheme would pay its own way* and expressed the view that while the Tilaiya and the Konar Projects would be 50 per cent and 75 per cent unproductive, *the scheme as a whole would be 25 per cent unproductive but the extra food likely to be produced was alone sufficient to justify the expenditure on the scheme from the point of view of*

the common man and that from the point of view of the country as a whole the scheme would be productive after taking into consideration both direct and indirect benefits.

3. The Honourable Shri N. V. Gadgil, Minister for Works, Power and Mines in moving the resolution to refer the D.V.C. bill to the Select Committee stated on 12th December, 1947 that the most important aspect of this multi-purpose Scheme is the flood control aspect and that a scheme which visualises complete control of the waters and their regulation deserves to be financed *irrespective of any consideration of return, because it has an insurance value of its own. He further stated that even if it does not pay its own way, the return in terms of invisible dividends is so great that any government charged with the duty of bettering the lot of its people will not shirk from undertaking it.*

4. The Honourable Shri B. Das in congratulating the Honourable Minister said that this is the first measure in which a bill thinks in terms of the people of the country and where public health and well being of the people have been considered.

5. It is clear that even before the Corporation was established in 1948 it was appreciated that the Scheme taken as a whole, might not pay its way and that the sponsors of the Scheme were fully aware of the fact that the expenditure incurred on the Scheme as a whole would be 25 per cent unproductive. But even with this knowledge, it was decided by the Participating Governments to proceed with the Scheme, mainly because of its indirect benefits though not strictly in terms of direct revenue return. In Section 37 of the Act, the fact has been recognised that there may be deficits—not only in respect of flood control capital but in respect of other two objects also and in sub-section (2) of Section 37, it is laid down that such deficits, if any, shall be made good entirely by the Governments concerned.

6. Human memory is short. The recollection of the havoc caused by the 1943 flood and those that preceded it has, by the passage of time, become somewhat dim; the stress on the welfare aspect of the Scheme appears to have been lost sight of; the various extraordinary financial provisions of the Act have not been properly appreciated; and lastly the enthusiasm of 1947-48 has subsided to a large extent and there is a persistent demand from all quarters in the country for a financial justification of the Scheme forgetting altogether that this is essentially a welfare measure although the annual charges on public funds should be reduced to the minimum by utilising the waters for generating electricity and supplying water for agricultural, industrial, domestic and other purposes. The Corporation, of

course, fully realises that financial considerations should not be lost sight of altogether and that it is necessary at intervals to assess the financial prospects of the Project. But financial assessment is one thing and financial justification is quite a different thing. If by "financial justification" we mean that the Project must yield a net cash return after paying for all the liabilities (including interest on capitalised interest charges and other welfare measures and subsidiary activities *e.g.*, flood control, Soil Conservation etc. which has no direct return) imposed under the Act it is not consistent with the intention of the Act. If, however, "financial justification" means a periodical stock-taking to determine whether the Project is likely to have any surplus or to assess the quantum of the annual premium that will have to be paid by the tax payer as an insurance against flood and famine which was the primary consideration for initiating the Project, then there could be no objection to it. But it is quite obvious that financial justification does not mean a periodical assessment of financial results and prospects. It should, therefore, be clearly understood that any financial analysis or forecast, *strictly on the basis of the financial provisions of the D.V.C. Act*, may not provide a basis for comparison with other Projects in the country.

B. Financial Analysis

7. The following statements are enclosed to this note:
 1. Statement "A"—Revised estimate of capital expenditure.
 2. Statement "B"—Summary of estimated financial results.

8. The provision of Rs. 7.63 crores for Overhead, Audit, etc. in Statement 'B' includes Rs. 4 crores for General Administration and Audit charges based on the expenditure already incurred and likely to be incurred upto the end of 1962-63. It includes Rs. 3.60 crores on account of miscellaneous expenditure under Sections 12(e), (f) and 21 of the Act, such as, afforestation, soil conservation and other development activities, which would be available from the D.V.C. Plan, State Plans and other Ministries. The balance of Rs. 3 lakhs represents the cost of providing a Holiday Home for workers.

9. The allocation of the cost of dams between the three objects is based on the existing tentative ratio of allocation of common expenditure. This has evoked considerable controversy and a Committee consisting of the representatives of the Participating Governments and the Corporation is examining the whole question. The object-wise allocation of the capital expenditure and the surplus/deficit is therefore subject to change in the light of the final conclusions relating to the allocation of the cost of dams.

10. The receipts from Power have been calculated @ .66 anna per KWH upto 31st March 1959 and @ .7 anna from 1st April 1959 and have been based on 60 per cent load-factor.

11. Water rates have been calculated at Rs. 10 per acre for Kharif and Rs. 15 per acre for Rabi irrigation. The question of fixation of bulk rate under Section 14 of the Act is still under examination.

12. While the receipts from sale of power, as now anticipated, may be said to be fairly firm, the receipts from water taxes depend mainly on the bulk rates or rates that may ultimately be fixed and the quantity of water that may be utilised by State Government for agricultural purposes.

13. In view of the Attorney General's opinion that the D.V.C. is entitled to charge only for water withdrawn from the canals and the distributaries, the quantum of receipt from the industrial and domestic use of water has become rather uncertain. The receipts do not therefore include any revenue on this account.

14. The financial results shown in Statement 'B' have been worked out strictly in accordance with the financial provisions of the Act although there is considerable room for controversy as to whether it will present a realistic picture. No account has also been taken, for the present, of the betterment levy referred to in Section 41 of the Act. The objectwise and the overall results are summarised below:

15. *Power.*—The net receipt from Power with effect from 1963/64 (i.e. the 1st year after the Revenue account is opened) after allowing for depreciation and annual interest charges is Rs. 1.61 crores.

16. *Irrigation.*—The Irrigation account shows a deficit of Rs. 103 lakhs in 1963/64 which is reduced to Rs. 61 lakhs on full development in 1971/72. Receipts from sale of water for domestic and industrial use have become rather uncertain. It has therefore been omitted for the present. There is a proposal to charge Power for the supply of cooling water to the Thermal Power Stations. Although this may affect Power receipts to a certain extent, the improvement under Irrigation will be considerable. The question of imposing betterment levy and the feasibility of its utilisation towards the reduction of capital has also to be examined further. The ultimate prospect of Irrigation standing on its own depends on this important issue which calls for serious consideration.

17. *Flood Control.*—The flood control account is a permanent deficit and the deficit from 1963/64 will be in the neighbourhood of Rs. 1.28 crores annually.

C. Overall Position

18. The overall position is that in 1963-64 there will be a deficit of Rs. 70 lakhs which is likely to be reduced to Rs. 28 lakhs on full development in 1971/72. Depreciation charges in respect of the period ending 1962/63 would amount to about Rs. 7.16 crores comprising Rs. 7 crores for Power, Rs. 10 lakhs for Irrigation and Rs. 6 lakhs for Flood Control. This has not been capitalised as no such fund has been created or is likely to be created out of borrowed capital during the fifteen years ending 1962/63. The accumulated depreciation charges in respect of Power, viz. Rs. 7 crores, will be wiped out in 5 years from 1963/64 while the deficit on Irrigation and Flood Control will be slightly increased for five years from 1963/64, if the accumulated depreciation charges of earlier years are spread over the same period. The position in 1971/72 disclosed by the account will, therefore, remain unchanged. In fact, this position will be attained with effect from 1968-69.

The working expenses calculated for 1963/64 and 1971/72, include "Overhead and Audit charges" at 2½ per cent on gross expenditure on Operation and Maintenance. It does not, however, make any provision for the maintenance of Development works to be undertaken during the period ending 1962/63.

19. Mr. Voorduin's report of August 1945 suggested that the annual expenditure on Flood Control amounting to Rs. 54 lakhs (based on interest at 3 per cent) could be considered as a form of insurance against all future damages from floods. He further suggested that Government might be justified to carry a part of the annual expenditure on Irrigation in lieu of the recurring expenditure now sustained during famines. The anticipated annual deficit of Rs. 70 lakhs in 1963/64 and of Rs. 28 lakhs on full development from 1971/72 based on a higher rate of interest may therefore be considered to be a moderate premium for insurance against flood and famine, particularly when we take account of the following facts:

(i) The expenditure on flood control will be technically a permanent deficit. The capital expenditure on flood control based on the present ratio of allocation of cost of dams comes to about Rs. 20.48 crores (excluding interest) as at the close of the 15th year from the date of commencement of the Corporation which means a recurring annual payment of Rs. 91 lakhs as interest.

(ii) Under Section 38 of the Act, the Corporation is required to pay in cash interest on capital provided by the Participating Governments. As the interest on capital has also to be provided by the Participating Governments, it becomes in turn capital and again

bears interest, with the result, that we have to pay compound interest half-yearly. This leads to over-capitalisation so much so that by the time the capital account is closed at the end of the 15th year, the interest charges would work out to about Rs. 50 crores or practically 1/3rd of the entire capital. Interest on this sum of Rs. 50 crores (i.e. Rs. 2.25 crores) will be an annual charge on the revenue of the Corporation.

(iii) Under Section 12(e) and (f) of the Act, the Corporation is competent to incur expenditure on certain specific welfare activities having little to do with the construction of dams or power houses or irrigation structures. The present estimate of expenditure on this account at the close of the 15th year is Rs. 3.60 crores which will have to be treated as capital under the Act for the purpose of determining the annual return. The annual interest on this account (Rs. 16 lakhs) will be an annual charge on the revenue.

(iv) The Corporation has to pay compensation to the displaced persons in the form of "land for land" and "house for house". This involves the Corporation in much larger expenditure than would have been the case had the Corporation been allowed to follow the orthodox policy and pay monetary compensation payable under the Land Acquisition Act.

(v) The construction of the underground power station at Konar has been held in abeyance although the construction of the Project was given priority in view of its hydel and other potential. The share of the cost of the Konar dam allocated to Power under the present tentative ratio is Rs. 5.86 crores which is for the present a dead capital. The inclusion of this sum in the capital account means an annual interest charge of about Rs. 24 lakhs.

20. If Flood Control which was never expected to be a paying proposition and was in fact a protective measure is excluded from calculations, we earn a net revenue of Rs. 58 lakhs in 1963/64 which is increased to Rs. 1.00 crore in 1971/72.

21. If betterment levy is passed on to the Corporation to be taken in reduction of Irrigation Capital, the position will be still better.

22. The financial forecast, as summarised by the WMP Ministry in course of discussions at the Inter-Provincial Conference in October 1946, recognised that the scheme as a whole would be 25 per cent unproductive. If 25 per cent of the capital at charge as at the end of 1962/63 is written down, we earn a net revenue of about Rs. 74 lakhs in 1963/64 and about Rs. 1.16 crores in 1971/72 based on interest at 4½ per cent of the entire capital. This exhibits a better picture than was anticipated at the time the Project was initiated.

DAMODAR VALLEY CORPORATION

STATEMENT A

Revised estimate of Capital expenditure (January 1958)

(Figures in crores of Rs.)

I	Total Es- timated cost (Latest position)	Objectwise allocation of total es- timated cost		
		Power	Irriga- tion	Flood Control
	2	3	4	5
I. Carry-over Projects :				
Bokaro Thermal Power Sta- tion (3 Units)	14.92	14.92	..	..
Transmission & Distribution System :				
First Stage	8.11	8.11	..	..
Extension to Calcutta & Gaya-Patna-Dalmla- nagar	6.29	6.29	..	..
Durgapur Barrage and Canals Tilaiya :	22.91	..	22.91	..
Dam	3.18	1.91	1.27	..
Hydro	0.53	0.53	..	..
Konar :				
Dam	9.76	5.86	3.90	..
Maithon :				
Dam	13.31	2.22	2.22	8.87
Hydro	4.66	4.66	..	..
Panchet Hill :				
Dam	15.32	2.55	2.55	10.22
Hydro	3.93	3.93	..	..
TOTAL CARRY-OVER PRO- JECTS	102.92	50.98	32.85	19.09
II. New Projects :				
Bokaro 4th Set	4.46	4.46	..	..
Durgapur Thermal Power Station	13.06	13.06	..	..
Extensions for Power supply to Eastern Railways	0.59	0.59	..	..
Conversion of 132 KV Single Circuit line to Double Cir- cuit between Konar-Gaya - Dalmlanagar & Patna	0.91	0.91	..	..

1	2	3	4	5
Misc. Extensions to the existing Grid Sub-stations, etc.	0.93	0.93	..	..
132 KV Transmission link to Jamshedpur & 132 KV Transmission Loop between Durgapur Power Plant & the Grid	1.24	1.24	..	..
Konar Hydro	0.25	0.25	..	..
Tilaiya Irrigation	0.36	..	0.36	..
TOTAL NEW PROJECTS	21.80	21.44	0.36	..
GRAND TOTAL :	124.72	72.42	33.21	19.09

DAMODAR VALLEY CORPORATION

STATEMENT B

Summary of Estimated financial Results (January 1958)

(Figures in crores of Rs.)

1	Sanctioned projects with schemes approved for inclusion in the Second Five Year Plan			
	2	3	4	5
I	Total	Power	Irrigation	Flood control
Project Expenditure as per Statement "A"	124.72	72.42	33.21	19.09
Overhead and Audit (4 crores) and other Miscellaneous expenditure incurred under Section 12(e), (f) and 21 of the Act (3.60 crores) to end of 1962-63 and provision for Holiday-home for workers (3 lakhs)	7.63	4.79	1.82	1.02
TOTAL :	132.35	77.21	35.03	20.11

	1	2	3	4	5
Working Expenses upto 1962-63 (i.e. 1st 15 years in accordance with Section 39 of the Act)		20.25	18.56	1.32	0.37
Receipts upto 31/3/63		-51.15	-46.90	-4.25	..
TOTAL		101.45	48.87	32.10	20.48
Add : interest upto 1962-63		49.85	31.29	11.87	6.69
TOTAL—CAPITAL TO END OF 1962-63		151.30	80.16	43.97	27.17
Net revenue during 1963-64 after allowing for depreciation		5.85	5.08	0.88	-0.11
Interest for 1963-64		6.55	3.47	1.91	1.17
Deficit (—) in 1963-64		-0.70	-1.61	-1.03	-1.28
Surplus (+)					
Net revenue during 1971-72 (on full development)		6.27	5.08	1.30	-0.11
Interest for 1971-72		6.55	3.47	1.91	1.17
Deficit (—) in 1971-72 (on full development)		-0.28	1.61	-0.61	-1.28
Surplus (+)					

APPENDIX IV

A note stating the details of the various Committees set up by the Government of India or the Damodar Valley Corporation to review the work of the Damodar Valley Project in its various spheres viz., technical, administrative and financial operations etc. ever since the Damodar Valley Corporation was set up and the total expenditure incurred in respect of each one of these.

An Inter-Departmental Committee was set up by the Corporation in February, 1953, for going into the question of allocation of cost of Dams. It was later decided at the participating Governments conference held in April, 1956, that a Committee consisting of representatives of the participating Governments and DVC should be set up to deal with the question. The Committee for allocation of the cost of Dams, is awaiting allocation of the storage capacity of each of the Dams between the three main objects. For this purpose, the Corporation appointed an Advisory Committee in November, 1957, to examine the water potential of Dams and to suggest a suitable plan for operation for each of the available resources. The Water Management Committee have since finalised their Report on 28th August, 1958. The Inter-Departmental Committee set up by the Corporation to consider the question of allocation of the cost of dams will be finalising their recommendations shortly. The expenditure incurred on these committees is being collected and will be intimated at a very early date.

The Government of India set up the following committees to review the work of the D.V.C.

- (i) The Damodar Valley Corporation Enquiry Committee.
- (ii) The Committee to investigate whether full value for the money spent on Bokaro Thermal Power Station has been obtained.
- (iii) The Committee to examine the Report on the Revised Estimates and financial analysis of the Damodar Valley Projects (including excess in the Maithon Estimates).

Details relating to these Committees are furnished seriatim below:—

- (i) *The Damodar Valley Corporation Enquiry Committee*

In accordance with one of the recommendations made in the Fifth Report (1951-52) of the Estimates Committee of Parliament

Government of India in the Ministry of Irrigation and Power set up a Committee on the 20th September, 1952, to examine and report upon certain matters relating to the execution of Damodar Valley Projects with a view to achieving the most economical and expeditious development of the Damodar Valley. The terms of reference of the Committee were as below:—

- (i) Land reclamation and rehabilitation works undertaken by the Damodar Valley Corporation.
- (ii) The changes in the design and construction features of the Konar and Tilaiya Dams; the award of contracts and the rates for various items of works.
- (iii) The planning and purchase of stores and equipment for works on Damodar Valley Corporation and the procedure therefor.
- (iv) The appointment of a Chief Engineer for the Damodar Valley Corporation.
- (v) The adequacy of the Damodar Valley Corporation Act, 1948, and the organisational set up of the Corporation.

The Committee met for the first time on the 15th October, 1952. The report was received in June, 1953. It was a long Report and comments of Bengal and Bihar Governments and the D.V.C. were invited thereon. Thereafter it was discussed at the conference of the participating Governments held in October, 1953.

The recommendations made by the D.V.C. Enquiry Committee are contained in Appendix I to Volume II of the Report. Except in the case of recommendations 68 and 69, the decisions of the Government of India are also indicated therein. A statement in this connection was laid on the Table of the Lok Sabha on 25th September, 1954. With regard to decisions on recommendations 68 and 69 a statement was laid on the Table of the Lok Sabha in August, 1957.

Special mention may be made of recommendation No. 35 relating to the alleged excess payment made by the Corporation to Messrs. Hind Patel in regard to the contract for the construction of the Konar Dam. The Government's decision on this recommendation was given on the 25th September, 1954 as follows:—

“The arbitration proposal having been dropped, the Government will consider what further action is possible in the matter.”

The matter was further considered by the Government in consultation with the Participating State Governments and it was decided that nothing further could be done in the matter. The question was, however, reopened at the instance of the P.A.C. After

some correspondence and discussions, the contractors finally agreed to refer the matter to arbitration. The arbitrator was appointed on 22nd April, 1957, and his findings are still awaited.

The total expenditure incurred in respect of pay and allowances etc. of the members and other establishment sanctioned for the setting-up of the D.V.C. Enquiry Committee was about Rs. 77,500 only (Rs. seventy-seven thousand and five hundred only).

(ii) *The Committee to investigate whether full value for the money spent on Bokaro Thermal Power Station has been obtained.*

The Committee was constituted on 17th May, 1956 as a result of a recommendation by the Estimates Committee in their Fifth Report that a body of experts should investigate whether full value of the money spent on the Bokaro Thermal Power Station has been obtained.

In July, 1956, a member of the Central Water and Power Commission, was appointed as Chairman of the Committee. The preliminary investigation was to be carried out by the three Members and the Chairman was to be associated with the final assessment of the case.

The Committee held its first meeting on the 6th June, 1956. It sought clarification about the scope of the terms of reference. In reply to this the Committee were asked to examine :

- (i) whether the costs incurred on the various components of the Power Station have been reasonable, and
- (ii) whether the financial returns from the operation of the Power Station are commensurate with the Capital expenditure.

On the 7th June, 1956, the Committee called for the original project Report and other material from the D.V.C. The information was received towards the end of October, 1956. The work of the Committee was interrupted for some time due to the reversion of the Member-convener to the Madhya Pradesh Electricity Board after completion of his term of deputation. The Board was requested to allow him to continue at least as a Member. The reply was received only in February, 1957, stating that he had unfortunately passed away. The appointment of a substitute in his place posed a problem as it was not possible for the State Governments etc. to lend the services of an officer of the requisite calibre, even part-time, in view of the development programme of State Governments. It was with difficulty that the Bombay Electricity Board gave their consent to the appointment of their Superintending Engineer. The Committee was accordingly reconstituted on 8th May, 1957.

The Members of the Committee were furnished on 31st May, 1957 with the information received from the DVC and a comparative statement explaining the difference between the 1951 and the 1954 estimates. The Members of the Committee felt after examination of the Corporation's statement that before the Committee met at Bokaro it would be desirable for someone to study in detail the various factors making up the cost of components, the rates and costs of important items of work, the selection of agencies for the execution of works, terms and conditions of contracts etc. The technical Officer (Finance) in the Ministry of Finance was deputed for this job. An Assistant Director of the Central Water & Power Commission was also sent to the D.V.C. on 23rd November, 1957, to examine the Civil Engineering aspects of the Power House and appurtenant works. Later, the Superintending Engineer, Bombay Electricity Board, visited the DVC to collect material in respect of the electrical side of the Project and submitted his report in February, 1958. After a close examination of the data collected it was found necessary to obtain certain clarifications from the DVC and a questionnaire was issued to the Corporation in May, 1958. The Corporation furnished the required clarification on the 19th September, 1958, except on two points for which they have again been addressed on 23rd October, 1958 and 5th November, 1958 by the Committee. The Committee however hope to finalise their report shortly.

The total expenditure on the Committee to date has been approximately Rs. 1,000.

(iii) *The Committee to examine the Report on the Revised Estimates and financial analysis of the Damodar Valley Project (including excess in the Maithon Estimates).*

A reference is invited, in this connection, to the note furnished under item No. 12 (Appendix III). As regards expenditure on this Committee, the Chairman and Members were appointed on a part-time basis and they drew their pay and allowances including T.A. for the journey performed in this connection from their own offices.

The total expenditure incurred by the Central Water and Power Commission, Damodar Valley Corporation and Ministry of Finance who were represented on the Committee was as follows:

1. Central Water & Power Commission	..	Rs. 4,093·50
2. Damodar Valley Corporation	..	Rs. 5,405·00
3. Ministry of Finance	..	Rs. 900·00
		Rs. 10,398·50

Information in respect of expenditure incurred by representatives of the State Governments of West Bengal and Bihar on this account is still awaited. It will be furnished to the P.A.C. on receipt.

Sd. (R. R. BAHL),
Joint Secretary to the Govt. of India.

APPENDIX V

Summary of the main Conclusions/Recommendations of the Fourteenth Report of the Public Accounts Committee (Second Lok Sabha) on Audit Report on the Accounts of the Damodar Valley Corporation for the year 1956-57.

Sl. No.	Para No.	Ministry concerned	Conclusions/Recommendations
1	2	3	4
1	7 (Introduction) (See para 55 also)	Finance/I&P/D.V.C.	The Committee are distressed to see the poor rate of utilisation of the water for irrigation purposes. The Committee are of opinion that if the new technique of overall inter-related planning and efficient and economical working of the Corporation as envisaged in the Damodar Valley Corporation Act is to prove its worth, the participating Governments who are the financiers of the Corporation should appreciate their dual roles in the matter and so frame their policies as not to affect adversely the avowed objects of the setting up of the Corporation.
2	7	I&P/D.V.C.	The Committee appreciate that one of the objects of the Damodar Valley scheme is flood control which does not lend itself to evaluation in terms of money, but it has an insurance value of its own. Nevertheless, they consider that both on the Irrigation and Power sides, the Project was expected to be an economical proposition. They, therefore, expect that the working results of these two wings are constantly kept under review by the Corporation to improve the overall productivity of the Project.

1	2	3	4
3	10	I&P/D.V.C.	The Committee would once again emphasise an early settlement of the long-outstanding question of allocation of expenditure under Section 32 of the D.V.C. Act.
4	11	Do.	The Committee feel that the afforestation and soil conservation schemes are not being given the attention they require. The plea of paucity of funds put forth does not appear to be valid, as against the actual allotment of a sum of Rs. 38.54 lakhs for this purpose in 1957-58, the Corporation spent only Rs. 14.39 lakhs. The Committee desire that the D.V.C. should plan out a phased programme for soil conservation work including afforestation in the Valley as an integral part of the Project and implement it more vigorously.
5	15	Do.	The Committee trust that it should now be possible for the Corporation to finalise the allocation of expenditure between the various objects as envisaged under Section 33 of the D.V.C. Act. Expeditious settlement of this long-outstanding question is imperative, specially when the Project has already entered upon the final phase of its execution, and the Revenue Accounts of the Project would be opened from 1963-64 for evaluating the financial working of the Project.
6	19	D. V. C.	The Committee feel that the Corporation were not justified in changing the design of the Harza Gates so soon after the decision taken to manufacture the gates in their own workshop and to import them after having spent considerable amounts on the manufacture of one prototype and on other preliminaries. Had the Corporation adhered to their design of Harza Gates, the cost of the Gates would have been less; there would have been saving of foreign exchange and the technique of production would have also been established.

D.V.C.

The Committee observe that although the manufacturing operation of bricks at Panchet was completed in June, 1953, the losses were reported to the Corporation in October, 1956 i.e., after a lapse of more than 3 years. The Committee learnt that the Brick Supply Officer involved in the present case was the same person who was earlier alleged to have committed certain grave irregularities for not having maintained the initial Account records etc., properly and whose conduct had already been commented upon by the Committee in paras 19-22 of their 18th Report (First Lok Sabha). It is obvious that there had been grave neglect of duties on the part of the Engineering Officers concerned in not exercising proper and effective supervision both on the brick manufacturing operations and on the conduct of the Brick Supply Officer. The Committee desire that a stern view of these grave lapses should be taken and the officers concerned dealt with expeditiously on release of the records by the Civil Court.

Do.

- (i) The Committee are of opinion that there was little justification for expending money on air-freight of two Euclid Loader Belts. The Committee, therefore, desire that the matter should be investigated and responsibility fixed.
- (ii) There had been procedural delays both in placing the supply order and in procuring the import licence for these belts.
- (iii) The Committee are unable to understand why the advertisement could not be sent to the D.G., C.I. & S. for publication in the 'Indian Trade Journal' on 3rd May, 1956--the date on which the quotations called for belts were received. They also see no reason why the Corporation took 40 days to obtain written declarations both from the Goodyear and Dunlop Companies to the effect that the belts could not be manufactured in India and further 4 months to get the Import Licence though the offices of licensing authority, D.V.C. and the two manufacturing firms *viz.*, Dunlop and Goodyear were all stationed at Calcutta.

(iv) The Committee are distressed to observe that such procedural delays should have overtaken autonomous Corporations like the D.V.C., to avoid which the device of creating autonomous bodies had been resorted to.

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30

D. V. C.

(i) The Committee regret to observe that the explanations given for placing a new purchase order for bushings etc. required for Tillaiya Project are unconvincing. It is evident that both the supplying firm in India and the Insurance Company in their attempt to gain their ends by outwitting each other had succeeded in doing so at the expense of the Corporation. They are concerned at the vacillation displayed by the Corporation in this matter, which was taken advantage of by the other two parties. In the Committee's opinion, a direct reference to the manufacturers in Japan by the Corporation was the obvious course and the Committee regret to state that they could not get a convincing answer explaining this omission. The result was that the Corporation was over-burdened with spares worth Rs. 72,000.

31

Do.

(ii) The Committee are surprised at the scant regard paid by the Corporation to the remark of the Financial Adviser in this case. The Committee feel that this matter merits more serious attention.

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34

I&P/D.V.C.

The Committee are surprised at the manner in which the Corporation had chosen to deal with the Executive Engineer concerned in the case of departmental construction of cable trenches. Not only had they failed in their duty in not punishing the Officer, but they had recommended the services of an officer who was found lacking in his capacity, to another undertaking owned by Government. This, the Committee

feel, should not have been done by the Corporation. They are glad that the Hindustan Steel Ltd., have since been informed of these facts of this case. The Committee trust that the Corporation will see that such cases do not recur.

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|----|----|------------|--|
| 11 | 36 | I&P/D.V.C. | The Committee would like the report of the Committee, set up by the Government of India to investigate whether full value of the money spent on the Bokaro Thermal Power Station had been achieved to be expedited. It is their considered opinion that in such cases, it might be profitable to appoint a small committee with full-time Members to ensure quicker and more positive results. |
| 12 | 39 | Do. | The Committee endorse the view of the Comptroller and Auditor-General that while considering the financial working of the Power System, the following factors should also have been taken into account: <ul style="list-style-type: none">(a) interest on the accumulated amount of interest;(b) the charges for the supply of water from Konar Dam to the Bokaro Thermal Power Station for cooling purposes;(c) the actual audit and general overhead charges (a debit of only 2½% of the expenditure was being made now on an <i>ad hoc</i> basis); and(d) a sum of nearly Rs. 26 lakhs payable to the Sindri Fertilizers Factory. |
| 13 | 43 | Do. | (i) The Committee regret to observe that the D.V.C. had grievously erred in the case of power purchased from Sindri. According to the financial forecast by the Corporation, a net revenue of Rs. 25·55 lakhs was anticipated upto 30th June, 1953. Actually, however, the Corporation incurred a net loss of Rs. 49·71 lakhs from 1st January, 1952 to 30th June, 1953, the date of termination of the Sindri Contract. The bulk of the loss (Rs. 47·09 lakhs) was reported to have been incurred between March, |

1953 and June, 1955. Even assuming that the Corporation entered into this contract with the best of intentions (they were under no obligation to supply power to the Collieries before they started commissioning production of power), it is surprising why they should have continued the supply of the purchased power at a heavy loss to themselves. It appears no steps were taken to review the rates either. It is apparent that this initial mistake had led to the continuance of the subsidised rates even after the Corporation had started purchasing power in July, 1952. This resulted in a loss of Rs. 1.95 crores on the Power System. The Committee understand that even in August, 1956, the Corporation were warned by the World Bank about the uneconomic power rates charged by the Corporation but the Corporation revised its tariff only in January, 1959 i.e., after 2½ years. It is regrettable that the Corporation did not take timely notice of the advice of the World Bank. The Committee, therefore, feel that this matter deserves the serious consideration of Government.

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- (ii) The Committee understand that the payment of standing and other charges by the D.V.C. from November, 1953 to the date of termination of the contract is still under dispute with the Sindri Fertilizers and the Corporation have put forth the claim for refund of the capital charges which they had paid to the Sindri Fertilizers. The Committee desire that the matter should be settled expeditiously.

The need for quick disposal of the remaining bamboos (60,000) purchased for construction of houses for displaced persons from submergence area of Tilaiya reservoir is obvious as further delay is fraught with the risk of pilferage and deterioration.

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|----|-----------------------------------|------------|--|
| 15 | 48 | A&P/D.V.C. | The Committee regret to note that despite the observations made by them in para 95 of their 3rd Report (1957-58), the question of the acceptance of vacant houses and land by the Government of Bihar and the compensation payable therefor, has not yet been settled. They desire that this matter which has been pending for the last 5-6 years should be settled without any further delay by convening a Conference of the participating Governments. In the meantime, the possibility of handing over the vacant houses to the Bihar Government pending the settlement of compensation might be explored. |
| 16 | 55
(See also para 7 of Intro.) | Do. | The Committee regret to note the poor rate of utilisation of D.V.C. water for irrigation purposes. It is hardly necessary for the Committee to point out that the participating authorities as the financiers of the Corporation have a responsibility to ensure that the objects for which the Corporation were set up are achieved. The Committee trust that their dual roles will be appreciated by the participating authorities as a concomitant of the setting up of the Corporation. |
| 17 | 59 | D.V.C. | The Committee are unhappy over the manner in which the working of the Bermo Colliery taken on lease by D.V.C. had been handled. In their opinion, the technical execution of the mine by the D.V.C. expert was perfunctory. Even in the matter of operating this mine through contractors, the Corporation did not act in a business like manner. The Corporation did not invoke the provisions of the penalty clause in the contract against the contractor for his failure to fulfil the contract. The Committee could not get any satisfactory explanation for this favoured treatment to the contractor. They suggest that the Corporation should conduct an early enquiry into this matter. |
| 18 | 61 | D.V.C. | The Committee cannot help observing that with little more forethought by the Corporation, the extra expenditure in the case of mining the Bermo Colliery could have been avoided. |

1	2	3	4
19	63	D.V.C.	(i) In the opinion of the Committee, the Corporation have erred not only in sending more staff and equipment than was necessary for the land available for reclamation at Maithon but also in allowing the staff to remain idle without being utilised on other work.
	65	Do.	(ii) The Committee were surprised to hear that the decision taken by the Corporation to ignore the expenditure on the above staff in working out the unit rate per acre was not brought to the notice of the Financial Adviser, D.V.C. Under the D.V.C. Act, the Financial Adviser was responsible for the preparation of the Budget of the Corporation, the compilation of the annual and other financial statements and for supervision of the manner in which the accounts of the Corporation are maintained and made available for Audit. It was, therefore, his duty to have ensured that all connected expenditure was accounted for under the relevant head of account so that the unit cost, rate, etc. were worked out taking into account all the expenditure. It is, therefore, evident that he had failed in his duty.
20	68	I&P/D.V.C.	(i) The Committee consider that the implementation of the Fishery Scheme at Tilaiya Reservoir is not as it should be. While they appreciate the cautious approach of the Corporation in this matter, they feel over-caution might result in the expenditure becoming nugatory. If the ultimate aim is to make the scheme a commercial proposition, the Corporation should phase the scheme in a manner which will facilitate its fruition. They would be well-advised to plan accordingly in consultation with the experts on Fisheries.

	69	I&P/D.V.C.	(ii) The Committee understand that the Corporation had sanctioned on the 17th March, 1958, an expenditure not exceeding Rs. 14.25 lakhs for fishery works during the Second Five Plan Year in all reservoirs. The Committee expect that the extension of the scheme to the other reservoirs will be based on sound technical advice, especially when the experiment at Tilaiya according to the Corporation, is still in the investigation stage.
21	72	Do.	(i) The Committee consider it unfortunate that the Chairman, DVC should have acted in the manner disregarding the advice of the Financial Adviser in the case of purchase of boats. He displayed undue haste in putting through this deal which lacked justification. The Committee would like to know whether the Financial Adviser communicated this case to the Government of India for decision, as required under the existing convention and whether any action was taken by the Government thereon.
	74	Do.	(ii) The question of assessing the absolutely essential requirement of boats should be finalised without any further delay and the surplus boats disposed of to the best advantage of the Corporation.
22	77	Do.	The move to Ranchi in all the 3 years <i>vis.</i> , 1955, 1956 & 1957 lacked justification and the expenditure incurred thereon was completely wasteful.
23	80	Do	The Committee would recommend that now that the Project is nearing completion, the Corporation should settle the location of their Headquarters Office in the valley which has been pending decision for the last 8 years or so, without any further delay.
24	84	D.V.C.	The Committee are not satisfied with the explanations furnished by the Corporation in the case of air-conditioning of some rooms on the second floor of Anderson House. In their opinion, the procedure followed in

this case was very objectionable. Since the space to be air-conditioned was increased & two of the firms offering the highest and second highest tenders were consulted about the adequacy of their plant for the increased area, the decision not to consult the firm offering the lowest tender lacked justification. In the context of the fact that this firm had offered a plant of practically the same capacity as that offered by the higher tenderer, it is apparent that the Corporation had already decided to place the contract with the second highest tenderer for reasons of their own.

D.V.C.

(ii) The Committee are also not convinced of the plea of urgency for not calling for open tenders from all the 21 approved suppliers of air-conditioning equipment. As all the firms were in Calcutta, an enquiry could have been made simultaneously from all of them.

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All Ministries/I&P/
D.V.C.

(iii) The Committee have come across a number of cases where plea of urgency was often put forth whenever the administration failed to observe the prescribed rules and procedure. On scrutiny, however, in most cases the urgency could not be established. The Committee would urge that strict instructions be issued by Government to all Executive Officers that no deviation should be made from the prescribed procedure, unless there was compelling necessity.

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88

D.V.C.

(i) The Committee regret to observe that the case of purchase of Concrete Mixers is a typical case of scant regard for public funds. It has been stated by the Corporation that as the Officers concerned had left the service of the Corporation before the case came to notice, no further action could be taken in the matter. But the Committee find from the

evidence before them that the Corporation could have instituted investigation into the purchase much earlier.

89 D.V.C.

(ii) The Committee would like the irregularities committed by the Engineer-in-Charge in this case to be communicated to the Government of West Bengal (where he is working at present) for such action as may be considered necessary. They would also urge that action should now be taken to fix the responsibility on the Inspector of the Corporation, who certified that the machines were in good working condition at the time of their purchase.

26 93 I&P/D.V.C.

(i) The Committee see no justification for the waiving of penalty by an autonomous and commercial Corporation like the D.V.C. for delay in payment of dues by the consumers including private consumers for the supply of power continuously for six years from 1951-52 to 1957-58. The plea put forth by the Corporation that some period was necessary to enable the consumers to get accustomed to the procedure of billing, scrutiny of meter readings and procedure of payment during the initial stages of supply is hardly convincing, as normally the consumers of power are expected to pay the charges billed for and to point out errors in the bills separately.

(ii) The proposal of introducing a Rebate System for payment by a specified date on the lines similar to that in force in the Calcutta Electric Supply Corporation instead of the present system of penalty, which is stated to be under consideration of the Corporation, should be finalised quickly. They would like to watch the results of the working of the new procedure through the subsequent Audit Reports.

27 96 D.V.C.

The Committee regret to note that despite the observations made by them in para 13 of their 18th Report (1955-56) in the matter of reconciliation of balances of Stores with Financial Accounts, an efficient standard of store-accounting which is necessary for avoidance of pilferage and loss of stores by fraudulent means, has not so far been achieved by the Corporation.

1	2	3	4
28	97	D.V.C.	The Committee would like to know the actual results of the working of the Cold Storage Plant at Burdwan during 1958-59.
29	98	Finance/I&P/ D.V.C.	(i) According to the D.V.C. the anticipated financial return from Tilaiya High Level Irrigation Scheme indicates that the scheme cannot be productive. In the light of this anticipation, the Committee would like to caution the Government of India and the D.V.C. against incurring any further expenditure towards the implementation of this scheme.
	101	Do.	(ii) The Committee would emphasise the necessity of having a proper unified development of the entire lower valley as a whole instead of resorting to the solution of individual problems for local and short term benefits.
30	106	All Ministries/I&P/ D.V.C.	The Committee can do no more than to reiterate their recommendation made in para 32 of their 3rd Report (Second Lok Sabha) that delays in the execution of works resulting from non-stocking of essential spare parts could be curtailed with proper planning and foresight.
31	107	D.V.C.	(i) The Committee see no reason why no penalty could be imposed on both the suppliers for non-delivery of the timber by the stipulated date. They would like to be apprised of the final outcome of the action when taken against them and also of the fulfilment of the contract by TEX-MACO.
	108	I&P/D.V.C.	(ii) The Committee view with great concern the repeated changes in the scheduled dates for the completion of the Panchet Hill and Maithon Dam projects, as they add to the cost of the projects considerably and affect

their productivity. It should now be possible for the Corporation to adhere to the revised Schedule for their completion.

32 109 D.V.C. The Committee would like to be informed of the final disposal of the remaining wagon drills and the total loss sustained by the Corporation in this case.

33 114 I&P/D.V.C. In the case of excess payment to Messrs Hind Patel & Co. for certain item of work done on Konar Dam, although 97 sittings had taken place and the expenditure incurred so far on arbitration amounted to nearly Rs. 2 lakhs, the matter has not yet reached a settlement. The Committee are amazed at the manner in which things are allowed to take their own course.
