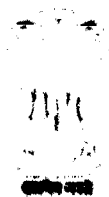


**PUBLIC ACCOUNTS COMMITTEE
(1971-72)**

(FIFTH LOK SABHA)

TWENTY SIXTH REPORT

[Action taken by Government on the recommendations of
Public Accounts Committee contained in their 119th
Report (Fourth Lok Sabha) on Appropriation
Accounts (Defence Services) 1967-68 and
Audit Report (Defence Services) 1969]



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Shri B. B. Tewari—*Deputy Secretary.*

Shri T. R. Krishnamachari—*Under Secretary.*

CHAPTER I

REPORT

1.1. This Report of the Committee deals with action taken by Government on the recommendations contained in their 119th Report (Fourth Lok Sabha) on Appropriation Accounts (Defence Services), 1967-68 and Audit Report (Defence Services), 1969 which was presented to the House on the 29th April, 1970.

1.2. Out of 87 recommendations contained in the Report, action taken notes/statements have been received in respect of all the recommendations.

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

(i) *Recommendations/observations that have been accepted by Government.*

S. Nos. 1—4, 6, 7, 10, 13, 15, 16, 18—20, 21—25(ii), 28, 32, 34, 36, 40—42, 44—49, 51—63, 66—72, 75, 83, and 85—87.

(ii) *Recommendations/observations which the Committee do not desire to pursue in view of the replies of Government.*

S. Nos. 14, 17, 26, 27, 29—31, 33, 38, 39, 43, 50, 73-74 and 82.

(iii) *Recommendations/observations replies to which have not been accepted by the Committee and which require reiteration.*

S. Nos. 5, 8, 9, 11, 12, 76—81 and 84.

(iv) *Recommendations/observations in respect of which Government have furnished interim replies.*

S. Nos. 25(iii) and (iv), 35, 37, 64 and 65.

1.4. The Committee hope that the final replies in respect of those recommendations to which only interim replies have so far been furnished, will be submitted to them expeditiously after getting them vetted by Audit.

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

Slow Progress in manufacture of an improved model of a weapon and related ammunition—Paragraph 1.62 (S. No. 1)

1.6. In paragraphs 1.1 to 1.70 of their 119th Report (Fourth Lok Sabha), the Public Accounts Committee had dealt with delay in establishment of production of a weapon and related ammunition, the project for which was sanctioned by Government in April, 1959. After taking into account the various causes attributed to shortfall in production, by Government, the Committee made the following observation in paragraph 1.62:—

“The Committee are far from happy about the progress achieved in the manufacture of this weapon. The investment in the project, which was sanctioned in 1959, has by stages amounted to

over Rs. 9 crores. 184 weapons were to be produced in three phases, the first phase covering 60 weapons to be completed by April, 1962, later changed to October, 1964. The rate of production was also to be scaled up by degrees to eight units per month starting from November, 1967. None of these expectations have been realised. The 60 weapons to be produced in the first phase were actually completed in August 1967 i.e. after a delay of 3 years. The maximum rate of production achieved so far has been 2.5 units per month less than even what was contemplated in 1964, when it was fixed as 4 per month. The substantial shortfall in production has compelled Government to resort to import of this weapon at a cost of over Rs. 5 crores. It has also led to the accumulation of imported components and sub-assemblies valued at Rs. 1.14 crores, which can be used up only when production is stepped up."

1.7. In their reply dated the 21st November, 1970, the Ministry of Defence stated:

- "1. The observations have been noted.
2. Steps have now been taken to progressively increased the production of the weapon and it is expected that a capacity equivalent to 8 units per month will be reached by 1973-74. An average of 3 guns p.m. has been established since March, 1970.
3. The accumulated imported components and sub-assemblies continue to be utilised progressively with the increased production of the weapon.
4. It may be added that out of the total investment sanctioned so far, Rs. 4.42 crores have been towards capital investment and the balance for revenue expenditure including deferred revenue. The value of the equipment produced upto October 1970 would be over Rs. 6 crores."

1.8. The Committee find that a production target of 8 units of the weapon per month which was originally scheduled to be achieved by November, 1967 is now expected to be reached only by 1973-74. The Committee are unhappy over retarded production of the weapon. They would like Government to take effective steps to accelerate the rate of production.

1.9. The Committee while dealing with the slow progress manufacture of an improved model of a weapon and related ammunition, also took note of the lack of cooperation from the foreign collaborators which was apparently one of the factors responsible for retarding the progress of production. The Public Accounts Committee in this connection made the following observation in paragraph 1.66:—

"Apart from lack of adequate know-how and various other procedural delays, an important factor which apparently retarded the progress of the production would appear to be the fact that cooperation from the foreign collaboration has not been so rapidly forthcoming. It was stated during evidence that at the initial stage "there was difficulty in getting all the drawings etc." from the collaborators and this, in turn, led to delay in

procurement of plant and machinery needed for indigenous production. The Committee would like it to be impressed on the collaborators that the progress in production has not been satisfactory and that they have to share the responsibility for this state of affairs. For the future, Government should examine what safeguards should be built into collaboration agreements of this type, so that the collaborator gets a stake in ensuring that contemplated production schedules are achieved. Ultimately the solution to the problem lies in developing expertise in the country through intensified research and development effort."

1.10. In reply dated the 21st November, 1970 the Ministry of Defence stated:

"As regards the question of assigning responsibility to the licensor for any delay or shortfall in production, this would depend on the extent to which the Government are able to build in provisions to this effect in the agreement with the licensor. While specific cases are brought to their notice and discussions are held at even very high levels, it is not always possible to make an issue out of the delay or other difficulty before we ourselves have mastered the technique as it would make our own position vulnerable because, instead of joint investigation and remedial action, we will be getting entangled with legal and other issues. Such issues can be raised only where we have sufficient evidence that there has been an attitude of non-cooperation or adoption of dilatory tactics in respect of fulfilling any of the obligations in terms of agreement. This has not been so in this case. It is noted that the ultimate solution to the problem lies in developing expertise in the country towards which efforts are constantly being made through various means including intensive training in the collaborator's works."

1.11. The Committee feel that while Government may have reasons for not holding the collaborator responsible for the delay in production in this case, they should have a built-in safeguard in future collaboration agreements against possible delay and shortfall in production attributable to the collaborator. Accordingly they wish to reiterate that Government should examine forthwith what safeguards should be provided for in such agreements so that the collaborator gets a stake in ensuring that contemplated production targets are achieved according to the schedule. The Committee have pointed out the necessity of issuing instructions in this regard to all the Ministries elsewhere in this report.

1.12. The Committee referred to the slow progress made in manufacture of related ammunition in ordnance factories and defective fuzes produced indigenously and made the following observations in paragraphs 1.69 and 1.70:

Sl. No. 8:

"The Committee note that 3057 fuzes for this ammunition produced indigenously at a cost of Rs. 40,000 have turned out to be defective. Due to production not having been satisfactorily established Government have been forced to resort to import of fuzes. 60,000 numbers were imported in 1964, 1,20,000 numbers in 1967 and an identical number in 1968."

Sl. No. 9:

"It is a matter for concern to the Committee that it has not still been possible to identify the cause for failure of the indigenous fuzes. The matter needs to be pursued with the collaborator who should be asked to rectify the fuzes at his cost and reimburse Government for the losses sustained. The Committee would also like to be apprised of the steps taken to stabilise indigenous production at a satisfactory level, so that imports could be avoided. It seems particularly necessary to stop imports, as imported fuzes are stated to be costlier than indigenous fuzes."

1.13. In their reply dated the 22nd November 1970, the Ministry of Defence Stated:

"Even though 3,057 numbers of fuzes were rejected in proof out of about 80,000 numbers produced earlier, incidence of rejection in subsequent productions has been rare and in fact out of about 2 lakh fuzes produced, there was no further rejection. As regards PAC's observation that the Collaborator should be asked to rectify the fuzes at his cost, this matter has been fully examined. It is felt that the loss of 3,057 Nos. of fuzes in a total production of 80,000 fuzes may not be considered abnormal, particularly in the development stage. Further, the firm collaborated with us as and when required in terms of technical assistance for investigations and trials both at Ordnance Factory, Khamaria as well as at their works. There is, therefore, no reasonable ground for penalising the Collaborator on this account.

As regards stabilisation of indigenous production it may be stated that after acceptance of some dimensional tolerances by the Inspector based on the recommendations of the Factory, the position of manufacture has improved. Further following the investigations on empty fuzes/components, the Collaborators have made certain recommendations which are under implementation by the manufacturing factory. The Collaborators have also supplied the details for the mode of inspection. Perceptible improvement in production has since been observed in recent production by adopting the method recommended by the Collaborators. Some more data are yet to come from the Collaborators which are being progressed and it is expected that once all these are adopted in current production, indigenous production will be stabilised. Production is now going on at a steady rate of approximately 8,000 Nos. per month of filled fuze.

As regards further imports of fuzes, recommendations of the PAC are noted. The question whether any further imports of fuzes will be required will be subjected to very careful consideration keeping in view the above recommendation, quantum of indigenous production of the fuzes, the anticipated production target of the ammunition and urgency of the requirements of the Services for the ammunitions."

1.14. The Committee note that the incidence of rejection in subsequent production has been rare. They hope that shortcomings, if any, have been rectified and that there will be no further failure of the fuzes.

Indigenous manufacture of special types of ammunition—paragraphs 1.110—1.112 (S. Nos. 10—12)

1.15. In paragraphs 1.71 to 1.115 the Committee dealt with the indigenous production of a weapon and related ammunition, a project which had been sanctioned in May, 1962 and import of an ammunition consequent on delay in establishment of its production, which was found defective on receipt from abroad. In this connection, the Committee made the following observations in paragraph 1.110 to 1.112:

“1.110: The Committee are concerned to observe that ammunition worth Rs. 3.58 crores imported for the use of the services has turned out to be defective. It has been stated that the firm which supplied the ammunition has agreed to rectify the defects at their cost and that a programme for this purpose is being worked out. The Committee would like the arrangement to be speedily finalised and intimated to them.”

1.111: The orders for the import of this ammunition valued at Rs. 7.22 crores were placed with the firm in September, 1966. The ammunition was “received in several lots on different dates” till, in February, 1968, Government decided after testing the ammunition, that further imports should be stopped (after a little over, 54 per cent of the ‘contracted’ quantity of ammunition had been delivered). The ‘check-proof’ on the ammunition are stated to have been carried out on different dates between June, 1967 and June, 1968, and their results to have become available between February, 1968 and December, 1968. The Committee would like the Government to investigate why the results of the check-proof became available so belatedly, and whether this delay made timely action for stoppage of further import impossible. It should also be investigated whether there was delay in starting the check proof immediately after the first consignment of imported ammunition was received.

1.112: The Committee were also given to understand that the ammunition was tested before import and the inspection tests were carried out by the experts of a foreign country, when observers from our country were also present. It is not clear how the fact that ammunition was defective in the matter of dispersal as well as range escaped notice during this inspection. The Committee would like this aspect of the matter also to be thoroughly investigated.

The Committee would like to be apprised of the findings of the investigation into all the fore-going points.”

1.16. In their reply dated the 23rd November, 1970 the Ministry of Defence stated:

“The firm had agreed to rectify the defects in the ammunition at their cost. A quantity of 5,000 rounds has already been rectified. Rectification of a further quantity of 19,904 rounds by

the firm is in progress. The balance will be rectified as soon as the components become available.

Samples for check proof were selected immediately on receipt of ammunition details from the consignee, C.A.D. Pulgaon. Intimation in respect of the first two consignments was received from the depot in May, 1967 and the check-proof was carried out in June. These dates would indicate that there was no delay in carrying out the check-proof. It may be mentioned here that the object of check-proof is to ensure that the ammunition received in India are (a) in serviceable condition (determined by firing a few samples picked up from different lots/boxes at random), (b) have not suffered any damage or deterioration during handling and transportation (determined by visual inspection) and (c) have the anticipated remaining storage life determined by chemical examination of explosives after breaking down the ammunition). Samples for check-proof are drawn from a few representative lots only and sentence on the entire consignment is given based on the check-proof test results. Range and Accuracy Tests do not come under the purview of normal check-proof. It will be seen that the purpose and scope of check proof is limited and it is not to be treated as acceptance proof which was carried out in this case by the supplier's Inspectors as provided in the contract. During the check-proof carried out in June, 1967, defects like short-ranging and blinds were observed. A re-proof was carried out in August, 1967 when besides short-ranging, rocket failures were also observed. It was then decided to carry out "Double Re-Proof" (i.e. with double the quantity of bombs for normal check-proof). This was completed in December, 67, when the pattern of defects was repeated. Such defects were not indicated either in the final inspection and in the proof reports received from suppliers or in the reports forwarded by our representative who attended the firing tests in as an observer. It was, therefore, decided to carry out comprehensive Range and Accuracy trials (which are normally carried out by the Research and Development Organisation as Evaluation tests before clearing the design). These trials were conducted in January 1968. The defects were confirmed in these trials. It will thus be seen that the results of the trials which formed the basis for taking up the matter with the suppliers became available only by February, 1968.

Merely on the basis of the first check proof results carried out in June 67, it would have been a premature action to attribute the failure to a design or manufacturing defect, more so when the check-proof results on the earlier consignment of 1962-63 had not indicated any defects.

The final inspection and proof as received from the suppliers did not indicate any defects in the Bombs. A representative from our High Commission in London was present at the time of final proof firing carried out by the firm when defects like blinds, rocket failures did not occur. So far as wide dispersion in Range and Accuracy is concerned, it may be mentioned that the Range and Accuracy tests of filled bombs were not

carried out in the presence of our representative from the High Commission in London, being not part of the Final Acceptance test. Range and Accuracy test are comprehensive firing trials which are carried out only at the design evaluation stage. This involves firing of a large quantity of ammunition. The Range and accuracy tests, therefore, do not form a part of final acceptance tests for the normal out-turn lots."

1.17. The Committee note that so far only 5,000 rounds have been rectified by the firm and that rectification of a further quantity of 19,004 rounds is in progress. They hope that rectification of the remaining quantity will be taken up early. The progress made in this regard may be intimated to them.

1.18. The Committee would like Government to examine whether necessary safe guards could be provided for in agreements for large supply of ammunitions so that in case they were found defective on 'check-proof', the supplying firm would be responsible for replacing/rectifying them at their own cost. The Committee would, however, emphasise that the 'check-proof' should be carried out at the earliest opportunity.

1.19. The Committee note that range and accuracy test do not form part of final acceptance tests.

In view of what has happened in this case the Committee would suggest that suitable and adequate tests should be carried out before final acceptance, as procurement of defective ammunitions due to inadequacy of tests or otherwise not only entails financial loss but also endangers the safety of the nation.

Shortfall in production—paragraphs 1.141 and 1.142 (S. No. 18 and 19)

1.20. In paragraphs 1.141 and 1.142, the Committee made the following observation regard shortfall in production of an item (two types) in ordnance factories with foreign collaboration, sanction for which had been accorded in January, 1963:

"1.141. This is another instance where production of an item undertaken with foreign collaboration fell short of anticipated levels necessitating imports to the tune of Rs. 27.40 lakhs. The case illustrates the need for ensuring that, where foreign collaboration is sought. It is on such terms, which will give the collaborator as take in ensuring that the stipulated production schedules are achieved. The Committee have made observations on this point elsewhere in this Report.

1.142. Though shortfall in production was caused by a variety of factors, one major factor was that the collaborator who was to supply technical documentation by December, 1963 did not complete the supply till July, 1966. In the agreement executed with the collaborator there was no penalty clause to bind him to supply the technical documents within the stipulated period. The representative of the Department of Defence Production admitted during evidence that the incorporation of such a clause in agreements of this nature would be desirable. The Committee trust that this point will be kept in view in any agreements made with foreign collaborators in future."

1.21. In their reply dated the 22nd November, 1970, the Ministry of Defence stated:

18. The recommendation of the Committee has been noted and would be kept in mind in future while entering into agreements involving foreign collaboration.

19. The recommendation has been noted for future guidance.

1.22. The Committee desire that Government might also issue general instructions in this regard for future guidance of all the Ministries entering into agreements with foreign collaborations as this problem is likely to be encountered wherever foreign collaboration is sought for by Government.

Extra expenditure in purchase of zinc ingots—paragraph 1.215 (S. No. 32)

1.23. While commenting upon the extra expenditure incurred by the Director General, Ordnance Factories in respect of purchase of zinc ingots for the five ordnance factories in 1967-68 consequent on the failure of the Minerals and Metals Trading Corporation to sell the stores to the Ordnance Factories in paragraphs 1.180 to 1.217, the Committee had made the following observation regarding proper coordination between the consuming Government Departments and the importing Public Sector undertakings for meeting the needs of Defence and other Government priority projects in respect of vital raw materials in paragraph 1.215:

“Government as a policy is now canalising more and more imports of vital raw material through the public sector undertakings like the STC and MMTC. It is necessary that for meeting the vital needs of Defence and other Government priority projects, proper coordination is maintained between the consuming Government departments and the importing public sector undertakings. Government should prescribe how the requirements of defence, public sector undertakings and Government departments are to be met from such imports and the price at which these should be made available to them.”

1.24. In their reply dated 20th March, 1971 the Ministry of Foreign Trade had stated:

“Government accepts the recommendation. Instructions have been issued to STC and MMTC to afford every facility to Defence, Government Departments and Public Sector Undertakings for meeting their requirement of non-ferrous metals.”

As regards the prices at which the raw materials canalised through the STC/MMTC are supplied to the defence, public sector undertakings and Government Departments, it has been decided that the release prices of raw materials will be fixed in accordance with the guidelines provided by Government from time to time as required in the Import Trade Control Policy and the raw materials will be supplied by the aforesaid Corporations to the defence, public sector undertakings and Government Departments at the prices so fixed.

1.25. The Committee from the reply furnished by Government feel that the instructions issued were in general terms. In their opinion Government should lay down well-defined guidelines in detail covering matters

of priority, delivery and pricing in respect of Government requirements, particularly that of Defence to be followed by S.T.C. and M.M.T.C. They would, therefore, urge Government to issue comprehensive instructions on the subject and inform them.

Delay in repair of tractors—paragraphs 2.48—2.52 (S. No. 54—58)

1.26. In paragraphs 2.25 to 2.52 of their 119th Report, the Public Accounts Committee had commented upon the manufacture of certain types of tractors in ordnance factories in collaboration with a foreign firm and performance thereof. In this connection the Committee made the following observations with regard to lack of foresight on the part of the Ministry of Defence and Director General Ordnance Factories in the matter of procurement of spare parts for these tractors most of which were awaiting repairs. *vide* paragraphs 2.48 to 2.52:

"2.48. The Committee note that out of 496 Komatsu Tractors held by the Army, 140 are awaiting repairs. 41 of these tractors have been off-road for more than four years. The Committee were told during evidence that maintenance spares for these tractors were not ordered from Japan in the beginning. Indents were placed from 1961 but supplies started only in 1965, when just 44 per cent of the total item indented for were received. Even by 1966 supplies had materialised to the extent of 55 per cent only. The Committee cannot visualise how any machinery, especially one required for use in forward area and for rugged work could be ordered without the necessary percentage of maintenance spares. The matter may be enquired into and Committee informed. The Committee would also like instructions to be issued for avoidance of such repetition.

2.49. The Committee can only draw one conclusion that there was neither adequate planning nor enough coordination between the Ministry of Defence and Director General Ordnance Factories in the matter of procurement of the spare parts from Japan. Right in the beginning when manufacture of Komatsu tractors was commenced in collaboration with Japanese firm, some spare parts for each type of tractor should have been procured to meet emergent demands. This was necessary, particularly in respect of those critical items which were not planned for manufacture in India.

2.50. The Committee observe that the models of the tractors had been rapidly changing in Japan and that had been giving rise to difficulties in the procurement of spares. To get over this difficulty, efforts should have been made to achieve rapid indigenisation by import substitution to the maximum extent possible. But it would appear that enough efforts have not been made in this direction as even 85 per cent indigenisation is still a target to be achieved.

2.51. The Committee were told that the tractors did not suffer from any manufacturing defect and that the main reasons for the tractors being off-road was that spares were not available. The Committee would like this point to be further investigated as it has been reported to the Committee that

Komatsu tractors supplied to the Dandakarayana Project have some inherent manufacturing defects. A reference in this connection is invited to paragraph 1.71 of their 118th Report (Fourth Lok Sabha).

Moreover, the Committee find that a large number of spares received between 1963 and 1969 have accumulated with the DGOF. The accumulation has reached such proportions, that it became necessary to constitute a Group to segregate and sort out the spares. It is amazing that while tractors remained grounded with the Army for lack of spares in some cases upto five years, the D.G.O.F.'s organisation should have been accumulating these spares without bothering to segregate them and to ascertain to what extent they would meet the Army's requirements. The Committee hope that the segregation will be expeditiously completed and the spares speedily sent to the EME Workshops in need of them.

2.52. The Committee note that in respect of the indents placed on BEML during the years 1966 to 1968 only 78 per cent of the spares were supplied till the end of 1969. Against indents placed on BEML in 1969, only 4 per cent of the items had been supplied upto December, 1969. The Committee would like measures to be taken to improve the supply position of spare parts."

1.27. In their reply dated 26th September, 1970, the Ministry of Defence stated:

"The subject matter of this recommendation is the same as contained in Public Accounts Committee's recommendation at S. No. 25 Appendix II to Fourth Report 1962-63 arising out of para 20 of Audit Report 1962 of which a reply has already been furnished on 11th November, 1964 and reproduced at page 474 of PAC's 40th Report (3rd Lok Sabha). As stated earlier simultaneous orders for spares could not be placed in the absence of manufacturer's recommended list of spares, spare parts catalogue duly priced and EME scales. It is however, agreed that it is desirable to obtain the maintenance spare parts along with the main equipment, and particularly so the items which are not planned for indigenous manufacture. A decision has already been taken in December, 1967 that in future, indents for specific spares would be placed along with the indents for Komatsu Tractors making it clear that deliveries of the tractors without prior or simultaneous delivery of spares indented would not be accepted. Orders have also been issued on 28-8-70 regarding the provisioning of spares of major equipment along with the initial orders for the main equipment.

In so far as DGOF is concerned, the import substitution could not go on at the desired pace because originally the production of tractors in India was undertaken by utilising the surplus capacity then existing in Ordnance Factories a part of which was later diverted to the production of armament items consequent upon declaration of Emergency. Another factor that contributed to the lower indigenous content was the failure

of the firms to supply certain items like forgings. Besides this, the main stress was laid on the assembly of Tractors to meet the large outstanding demands for tractors from the Army and Civil indentors, so much so that a number of tractors had to be imported in ready for-road condition. In so far as BEML is concerned, it may be stated that the Company was set up in 1964 and started functioning only with effect from 1-1-1965. In December, 1965 it was decided to entrust the Company with the manufacture of Crawler Tractors under a collaboration Agreement concluded in 1958 with M/s Komatsu Manufacturing Company, Japan. Until then, the Crawler Tractor Manufacture was being carried out in the Ordnance Factories. It would, therefore, be seen that BEML came into the picture only from 1966 when DGOF cross-mandated some of their indents to BEML after the entrustment of the Crawler Tractor Manufacture to the Company. Although, BEML factory for the manufacture of Crawler Tractor and Heavy Earthmoving Equipment at Kolar Gold Fields is still under construction, nevertheless the Company has made significant progress in the manufacture of Crawler Tractors by way of assembly of imported CKD packs and with increasing indigenous content. The production in the factory on a significant scale commenced only from 1967-68 onwards with increasing indigenous content as will be seen from the table below:

		Production in number with percentage of indigenous content			
		1967-68	1968-69	1969-70	1970-71
(i) D 120 Crawler Tractors	.. .. .	11 (26%)	30 (26%)	16 (26.8%)	60 (57%)
(ii) D 80 Crawler Tractors	.. .. .	73 (32%)	163 (53%)	114 (53.9%)	150 (60%)
(iii) D 50 Crawler Tractors	.. .. .	..	..	110 (35%)	150 (60%)

The percentage of indigenous content in respect of D120 Tractors, D80 and D50 Tractors is expected to be 85 per cent by 1971-72. In the case of these three Crawler Tractor models currently included in the BEML's production line, the engine assembly of two models namely D80-A-12 and D50-A-15 has already been indigenised and the engine assembly of D120-A-18 is also expected to be indigenised in the course of about a year. This will ensure indigenised supply of most of the engine assembly parts for these models. Besides, the chasis and other component/parts of these three models are also being progressively indigenised. Some of the major such items already indigenised are main Frame; under carriage parts, including Track Frame; Track Chain and Truck Rollers; Suspension items, including equalised Bar and Draw Bar Assembly; and attachments such as 'C' Frames and Dozer Blades. BEML has also been able to establish indigenisation sources for the manufacture of Hydraulics, Main Clutch, Steering Clutch; Castings; Forgings; Electrics and Hoses, Oil Seal Filter and Bearing etc.

BEML's own indigenous programme at Kolar Gold Field upto 1971-72 includes items such as Fuel Tank, Hydraulic Tank, Bowl and 'C' Frame, Guard Fenders, Track Shoe Link; Transmission Case, Main Clutch Case and Gears etc. Besides, with the help of the machinery already received and installed by BEML, the Company has established capacity in the following manufacturing/Auxilliary shops:

- (i) Fabrication and Assembly Shops for Crawler Tractors.
- (ii) Manufacturing facilities in the Machine Shop and in Plate Shops.
- (iii) Facilities in the Auxiliary Shops/Department e.g. Tool Room, Inspection, Laboratory and Maintenance.

In order to increase the pace of indigenisation an R&D Cell has also been set up within the Company to undertake design and development of new equipment as well as important model of equipment under production with indigenous assemblies, import substitution parts, assemblies and accessories in the products under production for which full technology, know-how is not available or where available requires considerably engineering efforts.

In the light of the above efforts of the Company towards indigenisation of the products it may be appreciated that the Company has made considerable progress in the direction of indigenisation of their products.

The question whether the Komatsu tractors with the Army became off-road because of any manufacturing defects has been examined and it is considered that there is no adequate material to support this inference. No such general manufacturing defects leading to the premature overhaul or premature failure of the tractors have come to notice.

It is agreed that despite the efforts made by the DGOF to issue out the spares to various indentors immediately on their receipt from Japan, there had been accumulation of boxes of spares for reasons already reported to the Public Accounts Committee namely:

- (a) While placing the supply orders on M/s Komatsu, the DGOF had consolidated the requirements of various indentors and for sustaining his own production programme which on receipt had to be sorted out and segregated.
- (b) Shipments from M/s Komatsu contained certain excess supplies against supply orders of the DGOF and wrong supplies against Komatsu Invoices.
- (c) Cancellation of demands on the DGOF by various indentors due to the delay in receipt of stores.
- (d) Shortage of floor space coupled with the non-availability of adequate technical staff in relation to the workload the factory had to handle.

Nevertheless, the identifiable spares were sorted out from the accumulated stocks as much as possible and issued to the Army. It is being ensured that the segregation of the balance accumulated stocks is expeditiously completed.

BEML has made a detailed review regarding the supply of spare parts against the indents cross-mandated by DGOF to BEML in 1966 and the indents placed by E-in-C directly on BEML from 1966 to 1968. It is found that on an average as on 1-6-1970 BEML have supplied 88.25 per cent spares (including spares of attachments) and in many cases supplies have been affected to the extent of 100 per cent. The delay in the supply of remaining items has been due to non-supply of these items by M/s Komatsu despite the efforts made at ambassadorial level in 1967. Besides some of the items which were shipped by Komatsu, Japan were found either inapplicable or damaged, resulting in their rejection or were short supplied against which claim has been raised on M/s Komatsu for such items and this claim has been accepted by them. A portion of the items yet to be supplied also pertain to the older models which come under the category of all-time buy of spares for which M/s Komatsu have been insisting that BEML should place only one order on them to cover the entire requirement of the country. There has been some delay in processing of order of All-Time-Buy of spares since the customers were not firm in their demands and the list had to be cross-mandated to DGOF and DGBR who had surplus spares.

Although a large quantity of spares had been supplied by BEML to the Army authorities, the tractors could not be repaired for want of balance items of spares. In order that the tractors should be repaired and put on the road quickly special measures are being taken to supply the vital spares for the repair of the tractors. These include air-lifting of non-heavy parts and to obtain other parts by fast boats. BEML is also taking steps to locate needed spares from the Border Roads DGOF and other Organisations who may be having surplus stocks of such spares. Efforts are also being made by the Department of Defence Production to take up the matter of speedy supply of spares by M/s Komatsu through the Indian Ambassador at Tokyo.

In view of the efforts already made by BEML for the supply of spares to the Army authorities and with the special measures that are being taken by the Company, as mentioned above, the supply position of spares parts is expected to improve further."

1.28. The Committee note that "special measures are being taken to supply the vital spares for the repair of the tractors". They wish this had been attended to early. They hope that with these measures the tractors will be repaired and put on the road soon. They would, however, like to be informed of the latest position regarding the supply of spares, repairs done and the number of tractors still off-road.

Defective work in an airfield—paragraphs 3.71—3.76 (S. Nos. 76—81)

1.29. In paragraphs 3.42 to 3.76 of their 119th Report, the Public Accounts Committee had dealt with two contracts concluded by a Chief

Engineer in December 1962 and January 1963 for developing an air base. The Air Force who took over the air base after completion of the works, reported various defects in the airfield. After taking into account the circumstances in which the work was undertaken as explained by the Ministry of Defence, the Committee made the following observations in paragraphs 3.71 to 3.76:

“3.71. The Committee are of the opinion that the Military Engineering Department accepted substandard work done by the contractors in respect of the runway as well as taxi-tracks. The representative of the Ministry of Defence stated that in the view of the Engineers, “it is really a tribute to the tenderer that in four months, he could finish a job of this magnitude”. The engineers of the M.E. Department could not, in the circumstances of the case he expected to express a contrary view. In any case it is difficult to square this view with the findings of the user (the Air Force) who reported within four months of taking over the work that the condition of the air field “has given cause for concern” and raised “the vital question of safety of valuable aircraft and even more valuable pilots.” Listing the defects found in both the taxi-tracks and the runway, the Air Force Wing pointed out they “have cracked at many places” creating “pot holes” “of 1/2” to 6” width which are a real danger to aircraft taxing, taking off or landing”. The Wing reported that the pot holes “revealed that the material can be easily scraped with an ordinary sharp edge” “with some of the holes filled with just plain tar which is washed away in rains or melted with heat”. It was also stated that no proper camber “had been provided on the runway”, which was “water logged at many places” with the further possibility of this condition “getting aggravated with heavy rains”. This, they pointed out “can lead to serious accidents” when aircraft take-off on land.

3.72. It is also significant that laboratory analysis of certain samples of concrete used in the runway and taxi-tracks though carried out rather belatedly—disclosed that the concrete used was “leaner than specified in the contract”. The Ministry of Defence have stated that the technical opinion is that such sample analysis carried out *ex-post-facto* cannot yield reliable results. However, the Committee find that a team of technical experts constituted by the Vigilance Commission to go into this question came to the conclusion that, while “complete reliance may not be placed on the result of chemical analysis” and “errors of 20 per cent—25 per cent on an average are not unlikely”, these data could still provide “useful confirmatory evidence in cases where the strength or other properties of the mortar or concrete are found, on inspection and after carrying out other tests, below that generally expected.” In any case, the fact remains that the Defence authorities have been obliged to carry out further works for improving the condition of the airfield at a cost of Rs. 65 lakhs. This constitutes as much as 43 per cent of the original cost of the work.

- 3.73. The Committee also feel that the designs for the work which were drawn up by the M.E.S. were defective. There was for instance an omission to provide adequate sub-soil drainage. The absence of this and "a proper camber" for the runway led to uneven settlement of the sub-soil, with all attendant consequences, such as water-logging, cracks etc.
- 3.74. In the light of the foregoing position, the Committee feel that the case needs to be re-investigated to ascertain whether under normal circumstances, a work of this kind would have deteriorated to the extent reported, unless it had not been satisfactorily executed. The question whether and to what extent the designs for the work were defective should be also examined in the course of this reinvestigation. The Committee suggest that the reinvestigation be done by an independent body of professional experts. Based on their findings, appropriate action should be taken.
- 3.75. One other aspect of the case call for comment. Government apparently took an inordinately long time to finalise the preliminaries in connection with this work. Sometime in 1961, it was decided that the Services should be kept in a state of readiness, and a list of 11 or 12 airfields was drawn up, to be got ready by April, 1963. However, preliminary examination of the work in connection with this particular airfield was not completed till December, 1962/January, 1963 when the contracts were concluded. As against a period of one or two years that Government took to finalise the preliminaries in connection with the work, the contractors were given a period of 4/5 months for actual execution of the work. It should be examined why this situation arose, particularly in the execution of work that was considered of an emergent nature.
- 3.76. The Committee note that it may not be possible to proceed against the contractor who executed the work on the runway, as an arbitrator to whom the case was referred did not give a decision in favour of Government. The other case relating to the work on taxi-tracks is still stated to be under arbitration. The Committee would like to be apprised of the outcome of the arbitration proceedings."
- 1.30. In their reply dated the 4th November, 1970, the Ministry of Defence has stated:
- "The contracts entailed handling of approximately 30 lakhs cft of earthwork, 33 lakhs cft of stone aggregate, 16 lakhs CFT of sand, 33000 tonnes of cement and thousands of labour in a difficult situation due to the remoteness and lack of resources at site. The airfield after completion continued to be used by Fighter aircraft from February 1964 to March 1966 and continues to be used regularly by Medium transport aircraft and sometime by Heavy transport aircraft also. According to the report of C.R.R.I., the cracks are not structural cracks and its existence works out to 1 crack per 14000 cft of pavement. The rough edges and corner spalling could possibly be due to ideal finish not being obtained during execution and which

was difficult to achieve when the work had to be carried out during night shifts also turning out Rs. 1.25 lakhs worth of work every day.

The concrete mix was required to give a crushing strength of 4,000 lbs per sq. inch after 28 days. The average crushing strength as determined by C.R.R.I. came to 3,650 psi (by the method adopted an error of 25% is possible). This result when corroborated by crushing strength determined by Schmidt's Hammer appear to be on low side as by the latter process the average strength has been found to be 4,350 psi. As regards the chemical tests of concrete which showed use of leaner mix, the Government referred the matter to other agencies namely the Central Public Works Department, Railways and the Central Water and Power Commission. The consensus was that at the present stage of knowledge, the validity of chemical analysis of cores of hardened concrete cannot be relied upon for determining the quality of cement used in particular mix.

As regards the design of the runway, there is no evidence to show that it was defective for the following reasons:—

- (a) The runway was designed to LCN 40. The actual value of LCN determined by C.R.R.I. at various spots on the runway varied from 47 to 60.
- (b) The concrete mix was required to give a crushing strength of 4,000 lb. per sq. inch after 28 days. The crushing average strength as determined by C.R.R.I. came to 3650 psi (by method adopted an error of 25% is possible). This result when corroborated by crushing strength determined by Schmidt's Hammer appear to be on low side as by the latter process the average strength has been found to be 4350 psi.

The sub-soil drainage was not provided because of technical reasons as brought out in the C.R.R.I. investigation report as under:—

- (a) Ground water table was very high and came almost upto sub grade top in some portions during rainy season.
- (b) The sub-grade soil were silty clay of low permeability.
- (c) It was not practicable to provide an efficient sub-soil drainage under an existing pavement.

The engineering appreciation is that unevenness of slabs was not due to non-provision of sub-soil drainage but due to very high water table leading to differential settlement of soil. This even now cannot be ruled out for future.

The entire matter was first investigated by a joint team comprising a representative from Air HQ and E-in-C's Branch. The remedial measures suggested by the team were discussed among the representatives of the Air HQ, Ministry of Defence, E-in-C's Branch, C.P.W.D. and C.R.R.I. when it was decided to obtain a second opinion by sending a team from the C.R.R.I.

The remedial measures suggested by the C.R.R.I. have been provided in the sanction issued by Government in December, 1968. The recommendation made at Serial No. 79 in 119th Report (4th Lok Sabha) has been noted and further action is being taken in this regard.

It is admitted that there has been some inadequacy in the supervision of the work. This was unavoidable on account of sudden influx of new works under the Emergency Works Procedure. Due to a large number of priority works ordered it was not possible to re-adjust the staff from less important stations to urgent works within such a short time as allowed for completion of the airfield in question. Certain steps were taken to meet the sudden shortage of staff by enrolment of officers, promotion of suitable departmental candidates, employment from the Employment Exchanges etc. but this could not be effective within the period of construction of the airfield in question since the time was very short.

As regards delay in the finalisation of the preliminaries, it may be mentioned that sanction was accorded by H.Q. EAC in May 1961 to execute certain works services at the airfield under operational and emergency works procedure. However, taking the deteriorating situation prevailing at that time, Air HQ decided to develop this airfield as a permanent base fit for use by modern Jet aircraft. A Board was ordered which assembled on 14th March, 1962 and subsequent days. As it was decided to make this a permanent base, the technical, administrative and domestic requirements had to be gone into in detail and a master plan had to be prepared so that it did not require revision and consequent infructuous expenditure. The Siting Board proceedings were finalised and the approximate estimates were prepared by the middle of September, 1962. The requirements of such a large magnitude had to be gone into in great detail. Considering the situation and the strategic importance of this airfield, it was decided that the works services for resurfacing, extension of runway etc. should be executed and completed at a very early date i.e. by April, 1963. The proposal was submitted to Government on 18th September, 1962 and the sanction was accorded in October, 1962. It will, therefore, be seen that the preliminaries of the work of this magnitude were completed within a year; the proposal was examined at Government level and sanction issued in 1½ months' time. As such, it is felt that the time spent in finalising the preliminaries was not inordinately long.

The second arbitration case has still not been finalised. On the retirement from service of the original arbitrator, another officer was appointed as arbitrator. The Contractor objected to this appointment and approached the Civil Court. The Court has decided that the appointment of original arbitrator was according to law and he may continue as arbitrator in this case. In consultation with the Ministry of Law, an appeal has been filed with the High Court of Assam and Nagaland and the case is at present pending before the High Court."

1.31. The Committee note that action is being taken by Government on their suggestion contained in paragraph 3.74 of the Hundred and Nineteenth Report (Fourth Lok Sabha). They would like the re-investigation to be conducted expeditiously and appropriate action taken on the findings.

1.32. As admittedly there has been inadequacy of supervision of work in this case, the Committee hope that Government would in future take the elementary precaution of strengthening the supervision of emergent works to obviate the greater risk of substandard work being done on account of haste.

Land requisitioned for a work—paragraphs 3.91 and 3.93 (S. Nos. 84 and 86)

1.33. While commenting upon a project for the construction of a dump which was sanctioned in February, 1964, the Committee made the following observation with regard to the requisitioning of land far in excess of requirements and delay in the execution of the project in paragraphs 3.91 and 3.93:—

“3.91 The Committee have in their past reports repeatedly stressed the need for the Defence Authorities to undertake a periodical review of the position in regard to acquired lands so that those which are not required might be speedily disposed of. A reference in this connection is invited to the Committee's observations in paragraph 5.66 of their Sixty-Ninth Report (Fourth Lok Sabha). The Committee note from the replies furnished to them in this regard (vide page 132 of the Ninety-Ninth Report) that the review is still in progress. The work should be expeditiously completed

3.93 The Committee also note that stores worth Rs. 7 lakhs were collected for this project. But, as the execution of the project was delayed, Rs. 6.97 lakhs worth of stores had to be transferred to other projects and in that process Rs. 1.83 lakhs were spent on freight and other incidental charges. This expenditure of Rs. 1.83 lakhs could have been avoided, if the project had been properly planned and executed. Government should go into the question of delay in execution of the project and find out why a project conceived in February, 1964 could not be executed even by January, 1969.”

1.34. In their reply dated the 24th November 1970, the Ministry of Defence had stated:

“The review of abandoned IAF airfields has been completed. Some of these abandoned airfields are required by Army, Navy and Air Force and they have been instructed to take over the airfields required by them immediately and ensure that there is no encroachment. As regards the remaining abandoned airfields, it has been decided that these should not be disposed of but should be retained for the future requirements of the Defence Services. It has further been decided that DML & C should take charge of all these airfields and arrange a survey to see (a) to what extent these abandoned air-fields have been encroached upon, and (b) to what extent the area at these abandoned airfields is still left unencroached.

As regards the other acquired lands held by the Air Force, the land is acquired on the basis of requirement assessed by a Board keeping in view the role of particular station. These land requirements are reviewed as and when there is a change in the role of any station.

Stores collected for this project have been fully utilised by other projects. Even after adding freight and other incidental charges incurred in the process of transportation of the stores for other projects, the cost of steel so provided to the other projects works out slightly cheaper than what would have been paid, had purchases been made at the time the other projects were executed. Thus, the expenditure of Rs. 1.83 lakhs is not altogether infructuous."

1.35. The Committee are unable to accept Government's view with regard to retention of all surplus land against future requirements indefinitely and would like to stress that lands which are not required in the foreseeable future against specific projects should be disposed of as early as possible. This question should be gone into by a High level Committee."

1.36. The Committee would further like Government to investigate as to why the constructions of the bomb dump conceived in February, 1964 could not be taken up even by January, 1969.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Committee are far from happy about the progress achieved in the manufacture of this weapon. The investment in the *project*, which was sanctioned in 1959, has by stages amounted to cover Rs. 9 crores, 184 weapons were to be produced in three phases, the first phase covering 60 weapons to be completed by April, 1962, later changed to October, 1964. The rate of production was also to be scaled up by degrees to eight units per month starting from November 1967. None of these expectations have been realised. The 60 weapons to be produced in the first phase were actually completed in August 1967 i.e. after a delay of 3 years. The maximum rate of production achieved so far has been 2.5 units per month less than even what was contemplated in 1964, when it was fixed as 4 per month. The substantial shortfall in production has compelled Government to resort to import of this weapon at a cost of over Rs. 5 crores. It has also led to the accumulation of imported components and sub-assemblies valued at Rs. 1.14 crores, which can be used up only when production is stepped up.

[Srl. No. 1 (Para 1.62) of the Appendix to the 119th Report—(4th Lok Sabha).]

Action taken

1. The observations have been noted.
2. Steps have now been taken to progressively increase the production of the weapon and it is expected that a capacity equivalent to 8 units per month will be reached by 1973-74. An average of 3 guns p.m. has been established since March, 1970.
3. The accumulated imported components and sub-assemblies continue to be utilised progressively with the increased production of the weapon.
4. It may be added that out of the total investment sanctioned so far, Rs. 4.42 crores have been towards capital investment and the balance for revenue expenditure including deferred revenue. The value of the equipment produced upto October 1970 would be over Rs. 6 crores.

[Ministry of Defence O.M. No. 5/2/70/D(Projects) dated 5-1-71.]

Recommendation

Apart from shortfall in production, the target set for indigenisation of production of components has also not been achieved. It was expected that 80 per cent of the components would be indigenously made by 1964. The present position however is that 43 per cent of the components still continue to be imported.

[Srl. No. 2 (Para 1.63) of Appendix to the 119th Report—(4th Lok Sabha).]

Action taken

1. As explained before the Committee, there have been production bottlenecks arising from Technological difficulties and non-availability of indigenous components/materials in time. These were being faced as best as possible.

2. The emphasis at the moment is to step up the production of the complete equipment in the shortest possible time, *viz.* steadily to the level of 8 per month by 1973-74, by the use of indigenous components/materials to the extent immediately possible and by the import of the critical items to the extent necessary.

[Ministry of Defence File No. 5/2/70/D(Projects) dated 5-1-1971.]

Recommendation

The Committee are aware that the production of a complicated weapon of this nature will present difficulties in the situation which obtains in the country e.g., lack of adequate industrial base, know-how etc. But it would appear that the Defence authorities consistently over-simplified these difficulties and set financial targets for production at every stage even after having become aware of the difficulties that arose. As late as November, 1965—after the project had worked for over six years Government sanctioned provision of extra facilities for raising the scale of production to 8 units per month, though till then the average production had not exceeded 1 per month

[Srl. No. 3 (Para 164) of Appendix to the 119th Report—(4th Lok Sabha).]

Action taken

The augmentation of capacity sanctioned in 1965 provided for additional machinery which would be utilised for stepping up the capacity from the present level of 3 per month to 8 per month (including spares requirements) in the next three years.

[Ministry of Defence File No. 5/2/70 D(Projects), dated 5-2-71.]

Recommendation

The Committee note that Government are themselves exercised over the slow progress of the project and have set up a Departmental Committee to go into this question. The Committee would like the work to be expeditiously finished, and to be apprised of their findings as also of the measures to correct existing situation.

[Serial No. 4 (Para 165) of Appendix to the 119th Report—(4th Lok Sabha).]

Action taken

The recommendations made by the high-level Departmental Committee are briefly as follows:—

- (a) Appointment of a separate AHSP (Authority Holding Scaled Particulars) for weapons and location of this authority in Jabalpur.

- (b) Constitution of a separate Inspectorate/Inspection Wing specifically for this equipment in each of the three factories.
- (c) Staff and other resources available in the Inspectorates in the three factories should be under the technical control and guidance of the Inspectorate/Inspection Wing for this equipment in each of the factories and coordinated by the Inspectorate at the factory where the complete equipment is finally assembled for issue.
- (d) The AHSP at Jabalpur should also control the criteria of inspection at the other factories in regard to components and assemblies such as gear box, elevating mass etc.
- (e) Adoption of an integrated inspection procedure so that inspection clearances might be available at each stage of manufacture of every component, sub-assembly, main assembly etc., and the scope for disputes in regard to quality of the manufacture of any item going into sub-assembly or main assembly reduced to the minimum. The integrated inspection system should also cover the inspection of jigs and fixtures to ensure production of various items to the required standard and specification.
- (f) Review and rationalisation of acceptance standards on the basis of essential requirements for the correct functioning of the equipment and institution of a system to enable on the spot decision being given along the production line with written references between Inspector and producer reduced to the minimum.
- (g) A part number should be allocated to every article produced in civil trade and this number should be stamped on each such article. Repeat orders should then be placed not by open tender but only on such approved firms whose articles have been duly approved by the Inspectors.
- (h) Introduction of a system of continuous and scientific analysis of the defect pattern and feed back of the results of the analysis to the producer to help him redetermine methods of manufacture and also to provide a basis for mutual discussion between the Inspector and the producer.
- (j) Comparative study of components and sub-assemblies produced by the ordnance factories with the components from the foreign supplier to determine the extent of deviation that has been permitted by the foreign supplier in their own standards of manufacture. On this basis and on the basis of our own experience and analysis of defects and deviations, confidential instructions should be given to the floor level inspectors on acceptance standards so that delay in acceptance is minimised and maximum utilisation of the production is ensured.
- (k) Time taken for inspection should be reduced and efforts should be made to complete all formalities of inspection of components normally within 24 hours.

- (l) Sentencing in jobs and report on the existence of defects should not be given piecemeal but should as far as possible be given completely at the very first inspection.
- (m) As a rule the tighter gauges should be with the factory so that there is always a reasonable quality assurance and acceptance with the Inspector's gauges.
- (n) Since this equipment has not been designed in India it has been observed that during the course of inspection the AHSP/Inspector is somewhat hesitant in giving concession. Arrangement should, therefore, be made for teams from factories and inspectorates to visit the works of the foreign supplier to make a thorough study of their manufacturing and inspection procedures and standards so that similar standards are followed in India in a systematic way.
- (o) Early sanction of additional staff required at all the inspectorates for the adoption of the new inspection system.
- (p) Top level Government action to ensure reliable rate of supply of steel sheets etc., by HSL with uniform acceptable quality standards.
- (q) Building up of a bank of assemblies and sub-assemblies and other components by import to maintain consistent tempo of indigenous production.
- (r) Considering that in spite of best efforts the quality of forgings of other factories have not achieved the desired standards, import of at least 50 per cent of our requirements for production programme of ferrous and non-ferrous forgings and castings to serve as a bank. This would give the necessary lead time to the material manufactured in factories to improve their manufacturing standards.
- (s) Import on a certificate to be given by DGOFF that production bottlenecks have either occurred or likely to occur of parts such as oil seals, washers, nuts, screws etc., which are standard items abroad but for which indigenous manufacture has not been satisfactorily established or for which quantities required are not economical for bulk indigenous manufacture.
- (t) Special import of additional sets of jigs, tools and fixtures to maintain continuity of production.
- (u) Presently only initial supply of spares are manufactured in the various factories. Programme for the production of maintenance spares has not begun and programme for the production of major overall spares are yet to be planned. To the extent required material is not available in the country for production of spares, it should be imported.
- (v) There are material shortages by way of ferrous, non-ferrous castings, steel sheets, standard parts, springs, toolings etc. Wherever there is any inadequacy, attempts should be made to establish indigenous sources in the private sector even on payment of higher cost.

2. The Departmental Committee has also made certain recommendations relating to the details of the working in each of the three factories concerned. The Government have accepted all the recommendations of this committee and action has already been taken on almost all of them and the progress of implementation is being closely watched.

[Ministry of Defence File No. 5/2/70/D(Projects) dated 5-1-71.]

Recommendation

The Committee also note that 16 out of 159 machines for which orders were placed between February 1966 and May 1966 as part of the programme to step up production are still to be received, though they were to have been received between April 1966 and April 1969. Government should take steps to ensure that these machines are delivered without further delay. It is essential that production be stepped up, apart from other reasons, for ensuring that imported components worth Rs. 1.14 crores, now lying unused, are utilised before their shelf-life expires.

[Serial No. 6 (Para 1.67) of Appendix to the 119th Report—(4th Lok Sabha).]

Action taken

The present position regarding the outstanding 16 machines is as follows:—

No. received	...	...	...	...	6
Delivery extended	...	...	...	...	1
Under despatch	...	...	...	...	2
Yet to be contracted	...	...	...	...	3
Order placed on 26-8-70	...	...	...	...	4

2. Steps have been taken to ensure early procurement/supply of the outstanding machines.

3. The accumulated imported components continue to be consumed progressively with the stepping up of production of the equipment.

[Ministry of Defence File No. 5/2/70/D(Projects) dated 5-1-71.]

Recommendation

The Committee observe that this weapon is no longer in use in the country of manufacture, which has switched over to the surface-to-air missiles. The Committee have in paragraph 1.20 of their Ninety-ninth Report (Fourth Lok Sabha) already stressed the need to develop missile technology in the country, in the context of developments elsewhere in the world. In any programme for future production of this weapon, it is necessary that Government should keep in view its plans for development of missiles, so that production is based on a proper appreciation of the role and scope for use of this weapon *vis-a-vis* others proposed to be developed.

[Serial No. 7 (Para 1.68) of the Appendix to the 119th Report—(4th Lok Sabha).]

Action taken

This type of weapon is in current use in West Germany, Holland, Italy, France, Belgium, UK as also in the country of manufacture even though short range surface to Air Missiles are also being introduced into service. The general consensus is that the Surface Air Guided Weapon system will not and cannot replace altogether the existing weapon system; it will be complementary. The main reasons for this are: —

- (a) Cost effectiveness.
- (b) Limitations in the SAGW system i.e. dead zones, electronic counter measures and inadequacy of the radar at low level. These limitations can be covered to a great extent by the existing weapon system.

2. However, Government is aware of the need to develop missile technology, and necessary steps are being taken in order to ensure its speedy development and production.

3. The production programme for the existing weapon would necessarily be dovetailed to the extent required on the basis of development/availability of missiles.

[Ministry of Defence File No 5/2/70/D(Projects) dated 5-1-71.]

Recommendation

The Committee are concerned to observe that ammunition worth Rs. 3.58 crores imported for the use of the services has turned out to be defective. It has been stated that the firm which supplied the ammunition has agreed to rectify the defects at their cost and that a programme for this purpose is being worked out. The Committee would like the arrangement to be speedily finalised and intimated to them.

[Serial No 10 (Para 1.110) of the Appendix to the 119th Report
--(4th Lok Sabha).]

Action taken

The firm had agreed to rectify the defects in the ammunition at their cost. A quantity of 5,000 rounds has already been rectified. Rectification of a further quantity of 19,904 rounds by the firm is in progress. The balance will be rectified as soon as the components become available.

[Ministry of Defence File No. 40(4)/70/D(Projects) dated 3-3-71.]

Recommendation

The Committee observe that indigenous manufacture of this ammunition was undertaken in June 1967 in collaboration with the foreign supplier. As the ammunition produced indigenously was also found to be defective, further production has been suspended. The financial repercussions of the suspension of production was estimated at one stage as Rs. 25.85 lakhs, though it has been stated that the final position in this regard is still to be worked out. Government have informed the Committee that negotiations are in progress with the collaborator for rectifying the defective ammunition. The Committee would like to point out in this connection that the collaboration agreement casts an obligation on the collaborator to supply material of the highest quality for

purpose of production. It should therefore be impressed on the collaborator that any rectification will have to be at his cost, and that he would have to reimburse Government for the losses sustained as a result of stoppage of production, after the losses are finally assessed. The Committee would like these negotiations to be expeditiously finalised and to be appraised of their outcome.

[Serial No. 13 (Para 1.113) of the Appendix to the 119th Report
—(4th Lok Sabha).]

Action taken

The observations of the Committee have been noted.

So far 48,555 rounds of ammunition have been manufactured in the Ordnance Factories and supplied to the services. The firm's representative visited India and carried out repeated rectification trials of the ammunition supplied by them which have ultimately been found successful. It has accordingly been decided to manufacture a further quantity of approximately 21,000 rounds in the Ordnance Factories according to the modified design. In regard to the indigenous production of the modified design, as a result of negotiations conducted with the firm, they have agreed to supply free of cost the necessary modification kits and all technical information along with necessary drawings and specifications required for the said improvements.

As regards recovery of losses from the firm on account of stoppage of production it may be stated that since further production of 21,000 rounds has been planned, financial repercussions which were estimated at one stage as Rs. 25.85 lakhs will undergo a change as this will enable utilisation of components already available. Loss as a result of stoppage of production can be finally assessed only after the negotiations on other related aspects which are in progress with the firm are completed.

[Ministry of Defence File No. 40/4/70/D(Projects) dated 3-3-71.]

Recommendation

The Committee would also like the Government to take note of certain other aspects of the case which emerge out of the information furnished.

- (i) The production of a related ammunition was also taken up in the Ordnance Factories from April 1964. The production of this ammunition which according to the representative of the Department of Defence Production "did not present much difficulty" has consistently been falling short of targets since 1964-65. The indigenous cost of tail fins, one of the components of the related ammunition, has been Rs. 24.68 each as against the imported cost of Rs. 15.48 per unit. Steps should be taken to bring up the production to the desired targets and reduce the cost of manufacture of the tail fins.
- (ii) It took more than two years to complete the civil works for the project which was sanctioned by Government in May, 1962. The Civil Works costing Rs. 1.95 lakhs were originally planned to be completed within 9 months i.e. by February 1963, but were actually completed only in August 1964. The Committee would like Government to take steps to ensure that similar delays do not occur in future.

- (iii) The commencement of production would also appear to have been delayed because certain items of plant and machinery were belatedly ordered. It was stated during evidence that the collaborator did not disclose the manufacturing designs at the time of negotiation and that therefore the need for these items of equipment could not be visualised. The Committee are not very happy that this occurred and would also like Government to take adequate steps to protect their interests in negotiations of this kind with collaborators which they may undertake in future.

[Serial No. 15 (Para. 1.115) of Appendix to the 119th Report—
(4th Lok Sabha).]

Action taken

- (i) Noted for compliance.
- (ii) The works carried out by the MES were originally scheduled to be completed by 30-9-1963, but were actually completed in August 1964. The reasons for the delay are:—
- (a) the work initially suffered due to the monsoons in the year 1963.
 - (b) the contractor's progress on the work was slow due to changes in the management of the contractor's firm. Compensation amounting to Rs. 11,352.00, was recovered from his final bill paid in January, 1966.
- (iii) The recommendation regarding taking adequate steps to protect Government's interest in negotiations with collaborators in future, is noted for compliance and suitable instructions have been issued to all concerned.

[Ministry of Defence F. 40/4/70 D(Projects) dated 3-3-71.]

Recommendation

The Committee observe that Government incurred an extra expenditure of Rs. 6.02 lakhs on the manufacture of 23,000 number of a component of a weapon in a public sector company, when an ordnance factory was producing the same item at lower cost. Further orders for production of 15,000 numbers of the same component had also been placed with the Company. It has been stated that "matching capacity" for production of this item and another component has been set up in the Company which it is necessary to utilise. The Committee would like Government to examine whether the capacity in the company could be put to more economic and alternative uses, so that production of the component could be maximised in the ordnance factory which is manufacturing it at a cheaper cost.

[Serial No. 16 (Para No. 1.125) of Appendix to the 119th Report—
(4th Lok Sabha).]

Action taken

The figure "23,000" mentioned in the above Recommendation should correctly read as "22,000". The question of continued manufacture of the two components at Praga Tools has been considered in the I/J(D) 6188

light of the recent reduced requirements and it was decided at a meeting held under the Chairmanship of Secretary, Department of Defence Production, Ministry of Defence on 13-6-1969 that no further orders for these components would be placed on Praga Tools who could close down the Project for the manufacture of both the Components A and B after the completion of the existing orders on the Company. The capacity available in the Company is proposed to be utilised by suitable diversification of its production lines.

2. D.A.D.S. has seen.

[Ministry of Defence No. F. 12(3)/70/D(PS), dated 13-10-1970.]

Recommendation

This is another instance where production of an item undertaken with foreign collaboration fell short of anticipated levels necessitating imports to the tune of Rs. 27.40 lakhs. The case illustrates the need for ensuring that, where foreign collaboration is sought, it is on such terms, which will give the collaborator a stake in ensuring that the stipulated production schedules are achieved. The Committee have made observations on this point elsewhere in this Report.

Though the shortfall in production was caused by a variety of factors, one major factor was that the collaborator who was to supply technical documentation by December, 1963 did not complete the supply till July, 1966. In the agreement executed with the collaborator there was no penalty clause to bind him to supply the technical documents within the stipulated period. The representative of the Department of Defence Production admitted during evidence that the incorporation of such a clause in agreement of this nature would be desirable. The Committee trust that this point will be kept in view in any agreements made with foreign collaborators in future.

The Committee note that this item is being produced for an aircraft which has been in service for quite some time. The Committee trust that in any future programme for production of this item, Government will keep in view their plans in regard to phasing out of this aircraft so that production does not continue beyond a pre-determined date.

[Serial Nos. 18, 19 & 20 (Para Nos. 1.141, 1.142 & 1.143) of Appendix to the 119th Report—(4th Lok Sabha).]

Action taken

The recommendation of the Committee has been noted and would be kept in mind in future while entering into agreements involving foreign collaboration.

The recommendation has been noted for future guidance.

The recommendation has been noted.

[Ministry of Defence O.M. No. F. 1/14/70/D(Projects) dated 28-11-70.]

Recommendation

The Committee observe that a wagon containing charges required for the manufacture of this item was misplaced for two months after which it was traced out and sent to the consignee. This raised the vital question of security of valuable defence consignments. The Committee trust that in future it will be strictly ensured that any consignment containing ammunition or any vital defence material is sent with proper escort.

[Serial No. 21 (Para No. 1.144) of Appendix to the 119th Report—(4th Lok Sabha).]

Action taken

The observation of the PAC has been noted. Instructions (*copy enclosed*) in regard to this matter have been issued by the D.G.O.F.

2. DADS has seen.

[Ministry of Defence File No. 4/5/70/D(Prod) dated 30-12-70.]

COPY OF DGOF CONFDL MEMO NO. 841/P/A, DATED 26-6-70 ADDRESSED TO THE AIR HQRS., NEW DELHI, COPY TO THE G.M., C.F.A., G.M., A.F., KIRKEE AND G.M., ORD. FY. KHAMARIA.

SUBJECT:—*Para 6 of the Recommendations/conclusions of Public Accounts Committee on their 119th Reports 1969-70—Shortfall in production Cartg. Electric Engine Starter No. (9 & 10).*

An extract from the above Report in connection with Cartg. Electric Engine Starter No. 9 & 10 is reproduced below for your information and early comments thereon:

"The Committee note that this item is being produced for an aircraft which has been in service for quite some time. The Committee trust that in any future programme for production of this item, Government will keep in view their plans in regard to phasing out of this aircraft so that production does not continue beyond a pre-determined date".

Sd/- A. P. BHATTACHARYYA

ADG/Ammn.II

for Director General Ordnance Factories

Copy to:

1. The General Manager,
Cordite Factory, Aruvankadu.
2. The General Manager,
Ammunition Fy., Kirkee.
3. The General Manager,
Ord. Fy., Khamaria.

} An extract from the above note with regard to despatch of consignments containing ammunition/Vital Defence material is reproduced below for your future guidance:

"The Committee observed that a wagon containing charges required for the manufacture of this item was misplaced for two months after which it was traced out and sent to the consignee. This raises the vital question of security of valuable defence consignment. The Committee trust that in future it will be strictly ensured that any consignment containing ammunition or any vital defence material is sent with proper escort".

Recommendations

22. In the Committee's view, this case spotlights the weaknesses in our defence production programme arising out of the gaps in indigenous know-how. This project was started as far back as 1957. It envisaged the indigenous production of a new type of ammunition required by the Army out of which an annual saving in foreign exchange of Rs. 58 lakhs per annum was expected to accrue. After thirteen years the project has still not got off the ground and the imports continue, the last batch of imports valued at Rs. 3.05 crores having been made in 1967.

23. The efforts to produce the ammunition have so far failed, because foreign sources from which help had been expected initially showed "absolute reluctance" to pass on the designs and the drawings. Attempts were thereafter made to produce on our own two out of three vital components of the ammunition i.e. the propellant, the cartridge case and the fuse. Propellants worth Rs. 9.29 lakhs were manufactured in an ammunition factory in 1965 but when they were tried out there were "two serious accidents". The cartridge case presented difficulty because special steel needed for their production was not available to specifications from the steel producers in the country. The machines imported for the production of these cases at a cost of Rs. 8.17 lakhs had frequent break-downs and produced cases which were "not..... completely cylindrical".

24. The Committee have already emphasised in paragraph 1.20 of their Ninety-Ninth Report (Fourth Lok Sabha) the need to step up Research and Development effort in the field of defence production. This case illustrates how urgent this need is. The Committee have been given to understand that the Research and Development Organisation has succeeded in producing a propellant which has given "encouraging results" in trials. The Committee have no doubt that the propellant will after further trials that are proposed to be carried out, be developed expeditiously to facilitate speedy production of the ammunition.

[Serial Nos. 22, 23 and 24, (Para Nos. 1.162, 1.163 and 1.164) of Appendix to the 119th Report—(4th Lok Sabha).]

Action taken

The Recommendations of the PAC regarding the need to step up Research and Development effort in the field of Defence production are noted.

As regards the development of the propellant in question after the results of the trials carried out on the experimental batch of 1,000 kgs. of propellant manufactured in the Ordnance Factories was found satisfactory, a 10 tonne lot was manufactured for further technical trials. These trials have since been carried out and the performance of the propellant appears to be satisfactory. However, the final technical report is still awaited.

[Ministry of Defence O.M. No. 4/4/70/D(Prod.), dated 23-11-70.]

Recommendation

25. The Committee would like to mention certain other points arising out of this case:—

(i) The firm which supplied the equipment for manufacture of cartridge cases should be speedily prevailed upon to rectify the defects noticed in the equipment.

(ii) Civil Works in Defence Production are at present taking an inordinately long time. In the instant case the works were administratively approved in 1962, planned to be completed in 1964, but actually finished only in 1966. Other instances of this type are mentioned elsewhere in this report. In order that this may not become a bottleneck, adequate steps should be taken to ensure expeditious completion of civil works for future projects.

[Serial No. 25(i)(ii) (Para No. 1.165) of Appendix to the 119th Report—(4th Lok Sabha).]

Action taken

(i) The question of rectification of the defects in the Machine (Press) was taken up with the suppliers as a result of which one of their representative was deputed to the Factory, but the Machine could not be set right. DGOF experts have attempted to improve upon the tooling. A report on the performance of the Press with the improved tooling is pending receipt of the Steel sheet from import. Meanwhile, a review has been carried out to ascertain the additional machines that would be required to arrest reduction in the production of Cartridge Cases.

(ii) The Recommendation of the PAC that adequate steps should be taken to ensure expeditious completion of civil works for future projects has been noted.

[Ministry of Defence O.M. No. 4/4/70/D(Prod.), dated 23-11-70.]

Recommendation

The Committee regret to find that two tube drawing machines purchased in August, 1955 at a cost of Rs. 2.83 lakhs were considerably under-utilized due to paucity of orders from the Ordnance Factories, the utilisation being 6% last year and 23% in the current year. Further, raw materials worth Rs. 1.87 lakhs imported between 1953-54 and 1957-58 are still lying unutilised. Evidently, the procurement of these machines was not based on any realistic assessment of requirements. Government should examine whether these could, with suitable modifications, be utilised for other alternative jobs or else whether at least one of the machines should be disposed of.

[Serial No. 28 (Para 1.179) of Appendix to the 119th Report—(4th Lok Sabha).]

Action taken

The recommendations of the Committee have been noted. The possibility of utilising the machines on alternative jobs with suitable modification as recommended by the PAC has been examined and not found feasible. It has been decided to dispose of one of the two "Kopex" tube making machines and action initiated accordingly. The other machine, the prospect of utilisation of which was 23% at the beginning of this year, will be retained.

[Ministry of Defence File No. 4/1/70/D(Prod.) dated 22-11-70.]

Recommendation

Government as a policy is now canalising more and more imports of vital raw material through the public sector undertakings like the STC

and MMTC. It is necessary that for meeting the vital needs of Defence and other Government priority projects, proper coordination is maintained between the consuming Government departments and the importing public sector undertakings. Government should prescribe how the requirements of defence, public sector undertakings and Government departments are to be met from such imports and the price at which these should be made available to them.

[Serial No. 32 (Para 1.215) of Appendix to the 119th Report—
(Fourth Lok Sabha).]

Action taken

Government accepts the recommendation. Instructions have been issued to STC and MMTC to afford every facility to Defence, Government Departments and Public Sector Undertakings for meeting their requirements of non-ferrous metals.

As regards the prices at which the raw materials canalised through the STC/MMTC are supplied to the defence, public sector undertakings and Government Departments, it has been decided that the release prices of raw materials will be fixed in accordance with the guidelines provided by Government from time to time as required in the Import Trade Control Policy and the raw materials will be supplied by the aforesaid Corporations to the defence, public sector undertakings and Government Departments at the prices so fixed.

[Ministry of Foreign Trade O.M. No. 22/4/70-ST, dated 20-3-71.]

Recommendation

The Committee trust that for the future the MMTC as a public corporation, would show a greater sense of accommodation in meeting defence requirements of critical items. It should also be impressed upon the ordnance factories that they should act in a businesslike manner while provisioning for critical items, so that a case of this kind does not recur.

[Serial No. 34 (Para 1.217) of Appendix to the 119th Report
(Fourth Lok Sabha).]

Action taken

MMTC has noted this for future guidance.

[Ministry of Foreign Trade O.M. No. 22/4/70-ST, dated 20-3-71.]

Recommendation

The Committee would also like the loopholes like substitution of goods while under bond in the suppliers godowns or under despatch, drawing of specially selected samples to conceal substandard quality etc. which came to light during the investigation of this case should be plugged by laying down of fool proof procedures.

[Serial No. 36 (Para No. 1.237) of Appendix to the 119th report—
4th Lok Sabha].]

Action taken

The following procedure has been laid down:

- (a) Suppliers whose reputation is not known or the nature of the store is such that can be substituted are asked to deliver the

stores for inspection in the inspection depot, located in the compound of the Inspectorate in which case the accepted stores are despatched by the Inspector.

- (b) Instructions (*copies enclosed*) have been issued to adhere to rigid sampling plan in respect of supplies offered for inspection by firms whose reputation is not known so that the samples drawn for test before acceptance truly represent the entire lot.
- (c) The sampling is done at the level of Gazetted Officer.
- (d) The liners used for packing cases are sealed and an acceptance mark of the Inspecting Officer affixed on the liner so that at the time of despatch, substitution is not possible without damaging the liner with the acceptance mark affixed which would result in rejection at consignee end.

[Ministry of Defence O.M. No. 1(24)/70/D(Prod.), dated 23-11-70.]

ANNEXURE A

Reply to Recommendation Nos. 35—37 of Annexure to their 119th Report
(4th Lok Sabha) 1969-70.

INSPECTION INSTRUCTION No. SL/18

Issued on: 17th March, 1964

SAMPLING INSPECTION PLANS FOR GENERAL CHEMICAL STORES

Introduction

This Inspection Instruction lays down the sampling procedure to be followed for inspection of chemical stores such as paints, oils, varnishes, lubricating oil, greases, soaps, acids, alkalis etc. and their general chemicals, which require laboratory testing. This Inspection Instruction is also applicable to drugs and pharmaceuticals.

Definitions

2. The following definitions are relevant to this Inspection Instruction:

- (a) *Delivery*—A delivery is a quantity of the store, packed in a number of containers, submitted for inspection at a time by the supplier. A delivery may be homogeneous in all visually ascertainable respects, in which case it will constitute a single lot, or it may not be homogeneous.
- (b) *Lot*—A lot is a collection of units of packs submitted by the supplier for inspection, which are homogeneous in all ascertainable ways i.e. in regard to the process and place of manufacture, date or batch of production, pack size and in all visually ascertainable characteristics. A delivery may consist of one or more homogeneous lots.

- (c) *Packing Unit*—is the unit pack containing a stated quantity of the store.
- (d) *Lot Size*—is the number of packing units comprising the lot.
- (e) *Sample*—A sample is an amount of the material drawn from a lot for testing in the laboratory. The sample may be drawn from one or more packing units or in some cases complete packing units may be taken as samples.

Procedure for Drawing Samples

3. Carry out a rapid visual examination of the entire delivery. If it appears homogeneous in every way, i.e., in regard to process and place of manufacture, date or batch or production, type and size of pack and in all other visually ascertainable characteristics, then treat the delivery as one lot. If it is otherwise, then segregate the delivery into distinct lots each of which is homogeneous within itself in every way.

4. For each lot size as shown at column 'a' of the table at Appendix 'A' take at random the number of: packing units, as stated in columns 'b', 'c' or 'd': The columns 'b', 'c' and 'd' of Appendix 'A' are meant respectively for *medium*, *relaxed* and *rigid* level of sampling. The decision as to which of the three levels is applied for any delivery lot, will be made at a level not below that of the G.O./S.O. of the Inspection Depot. In special cases, a senior NGO may be detailed to make this decision. In all cases, the decision will be given in writing. While making this decision, the responsible G.O./S.O. or senior N.G.O., as the case may be, will take into account the following factors:

- (a) Nature of the store and methods of production i.e. whether inherently these are likely to give products of consistent quality or whether inconsistencies are likely to occur.
- (b) Nature of firm, particularly in relation to the efficiency and extent of quality control exercised by the firm themselves during production.
- (c) Past reputation of the firm, including performance in respect of previous supplies against the same order or against orders completed in the recent past.
- (d) The impression gained during the preliminary examination about likelihood, if any, of variability in the delivery.

NOTE—In the ordinary course, the medium level sampling will be employed.

5. The stipulated number of packing units will be drawn from each lot *at random* so as to be truly representative of the lot. Particular care will be taken to ensure that the packing units are taken from different portions of the lot. The stack must be broken down to enable packing units to be drawn from all parts of the delivery/lot.

6. From each packing unit so selected, a portion of the store will be drawn as laboratory sample, in such a way as to be truly representative of the quality in that pack. The following precautions will be particularly observed:

- (a) The contents of the packing unit will be mixed thoroughly, by shaking, rolling or by other means before drawing the laboratory sample. In case of bulk solids, e.g. pigments, DDT powder

etc. a laboratory sample from a selected packing unit should be drawn by using the quartering method. In case of semi-solids i.e. grease, mineral, jelly, etc. a sampling sugars should be used for drawing all-level samples.

- (b) Certain stores have a tendency to settle out or separate into ingredients during storage etc. e.g., paints, DDT emulsion etc. In such cases, particular care should be exercised to homogenize the contents of the pack before drawing a laboratory sample. In cases where shaking is not possible because of the large size of the container, laboratory samples should be drawn with the help of an all level sampler.

7. The following further precautions will be observed:

- (a) Ensure that all sampling instruments and the containers for laboratory samples are thoroughly clean and dry.
- (b) Ensure that there are no chances of contamination of the store during sampling. In case of hygroscopic stores or those liable to decompose or oxidize in contact with air, particular care should be exercised to complete sampling rapidly and to seal the container immediately thereafter.
- (c) Ensure that the container used for packing and sending the laboratory samples is such that these do not affect the stores packed and are not themselves affected by the latter. In case of doubt, obtain instructions of the AHSP.

8. Each container sent to the laboratory must be labelled indicating the particular packing unit and the lot from which each particular sample is drawn. The full linking details will be reproduced in the Forwarding Note. Each packing unit in the lot from which laboratory samples are drawn will be specially marked to enable linking with the respective samples subsequently.

9. This Inspection Instruction supersedes all existing sampling ratios for the sampling of general chemical stores for laboratory tests.

Sd/- J. J. DAGCHI
Deputy Director
for Director

Defence Research Laboratory (Materials), Post Box No. 320, Kanpur

Appendix 'A' to Inspection Instruction No. LS/18

TABLE SHOWING THE NUMBER OF PACKING UNITS TO BE
SELECTED FOR DRAWING SAMPLES

(Refers to para 4)

Lot size (a)	No. of packing units to be taken		
	Medium Plan (b)	Relaxed Plan (c)	Rigid Plan (d)
1 to 10	3	1	4
11 to 20	3	1	4
21 to 30	3	2	5
31 to 40	4	2	6
41 to 50	4	2	6
51 to 75	4	2	7
76 to 100	5	2	10
101 to 200	5	3	12
201 to 300	6	3	14
301 to 400	6	4	16
401 to 500	7	4	19
501 to 750	7	5	22
751 to 1000	7	5	24
1001 to 2000	9	6	27
2001 to 3000	10	6	30
3001 to 4000	11	7	35
4001 to 5000	13	7	40
5001 to 7500	14	8	44
7501 to 10,000	16	8	48

ANNEXURE 'B'

Reply to recommendation Nos. 35—37 of Annexure to their 119th Reports

(4th Lok Sabha), 1969-70.

Copy of Standing Order regarding Venue of Inspection

According to the terms of the contract stores may either be inspected by the inspection staff at the premises of the contractor or be delivered by the contractor to an inspectorate for inspection.

Contracts stipulating inspection at firm's premises are placed on FOR basis. In such cases packaging of the stores after inspection and despatch of accepted stores is the responsibility of the contractor. The authority for despatching accepted stores is the contractor's copy of the inspection note issued by the inspector. Where the contractor intends to tender stores for inspection at more than one premises, which may be located in the geographical jurisdiction of two different Defence Inspectorates or inspection

areas, the contract must lay down the quantities to be delivered at each place. If the Schedule to Acceptance of Tender/Supply Order is not clear on this point, the inspection establishment will ask the Purchase Officer to lay down the quantities which are to be accepted at each place; this precaution is essential to avoid the total quantity accepted exceeding the total quantity on order.

When under the terms of the contract, stores are to be delivered by the contractor for inspection to an inspectorate packaging and despatch of the accepted stores is thereafter carried out by the inspectorate, unless stipulated to the contrary in the terms of the contract.

Purchase Officers are expected to avoid placing contracts with mixed terms of delivery, i.e. inspection at firm's premises and delivery of the stores thereafter to an inspectorate for packaging and/or onward despatch and vice versa. Instances of such mixed deliveries should be brought to the notice of the Purchase Officer, under advice to the HQ Defence Inspection Organisation, for amendment.

Approval of Firms for Inspection of Stores at Their Premises

Purchase Officers are expected to refrain from placing contracts for Defence stores stipulating inspection at firm's premises, with firms who have not been approved for this purpose by the Defence Inspection Organisation. Standing lists of firms, approved for this purpose are furnished by the relevant Directorate at HQ Defence Inspection Organisation to the DGS&D Organisation/other Purchase Officers, with copies to the Inspectorates/Chief Inspectorates concerned. Inspectorates/Chief Inspectorates will keep these lists under review and intimate proposals for any additions/deletions, on the basis of their experiences, to the HQ Defence Inspection Organisation, for amendments to be notified to all concerned. These lists will indicate the division of stores (e.g. General Stores/Clothing, Armament Stores, Vehicles, Electronics) for which the firms are approved for inspection at their premises. Purchase Officers are required to obtain the approval of the HQ Defence Inspection Organisation before placing an Acceptance of Tender/Supply Order stipulating inspection at firm's premises with a firm which is not approved for this purchase on the basis of the above standing lists. Instances of any contraventions to this on the part of Purchase Officers will be brought to the notice of the Purchase Officers, under advice to the HQ Defence Organisation by ASHSP Inspectors, for necessary amendment of the terms of the contract.

Before recommending the approval of a firm, as suitable for inspection of stores at their premises against contracts placed for Defence Supplies, ASHSP/Inspectorates will take into consideration the following points:—

- (a) Availability of suitable accommodation for carrying out inspection and for the working of the inspection staff; this accommodation should be independent of and free from any likelihood of interference from the firm's staff.
- (b) Availability of lock-up accommodation for bonding of stores awaiting test reports and lock-up accommodation for storage of inspection records samples etc.
- (c) Standing and integrity of the firm so that there is no reasonable risk of malpractices, having regard to the nature of the stores.

- (d) Facilities for local checks on supplies.
- (e) Facilities whereby the inspection staff can obtain their requirements, e.g., food, drinking water etc., without unduly mixing with contractor's men or placing themselves under obligation to the firm.
- (f) Availability of communications with the HQ of the inspectorate, including telephone communication.
- (g) Whether the volume and type of stores to be inspected and continuity of inspection is such that it would be a worthwhile advantage to carry out inspection at the firm's premises, assuming that the facilities at the firm's premises are satisfactory.

Recommendation

The Committee would also like Government to devise adequate procedures to eliminate delays in release of foreign exchange required for meeting defence needs.

[Serial No. 40 (Para 1.264) of Appendix to the 119th Report—
(Fourth Lok Sabha)].

Action Taken

The procedure for the release of foreign exchange for Defence indents has since been streamlined. Powers have been delegated to the Ministry of Defence (including the Department of Defence Production) to release foreign exchange upto Rs. 8 lakhs in each case within the annual foreign exchange allocation made to that Ministry without a reference to the Department of Economic Affairs. Ministry of Defence have further delegated powers to their officers to release foreign exchange upto certain specified limits with the approval of the Associated Finance. In the case of contractual payments arising out of contracts concluded with the East European countries, powers have been delegated to Ministry of Defence to authorise release of foreign exchange involved without reference to this Department provided approval of the Department of Economic Affairs had been obtained for conclusion of the contract. Under the procedure in vogue revalidation of foreign exchange cases can be decided by the Ministry of Defence themselves without a reference to the Department of Economic Affairs. The snags in the procedure obtaining prior to 1965-66 have since been rectified. The question of eliminating delays in the release of foreign exchange is kept continuously under review and as and when occasion demands remedial measures are taken.

[Ministry of Finance O.M. No. F. 8(47)-B/70, dated 28-10-70].

Action Taken

As regards the Committee's recommendation that adequate procedure to eliminate delays in release of foreign exchange requirement for meeting Defence needs may be devised, such a procedure has already been framed and is being followed. Under this procedure cases of foreign exchange release upto and including Rs. 5 lakhs in each case are to be approved by the Joint Secretary concerned and upto and including Rs. 8 lakhs by Secretary, Deptt. of Defence Production. Above this limit the

cases are referred to the Economic Affairs, Department of the Ministry of Finance by the Joint Secretary concerned. Further, with a view to expedite release of foreign exchange of small amounts, powers have been also delegated to the DGOF to release free foreign exchange other than the Non-Convertible Rupee, Yen credit payments etc. upto 3 lakhs in each individual case. It may, however, be mentioned that the delay in the release of foreign exchange in the instant case was not due to any inherent defect in the procedure.

DADS has seen.

[Ministry of Defence F. No. 4/2/70/D(Prod), dated 5-10-70].

Recommendations

The Committee observe that the DGOF placed orders on a firm between January and October, 1964 for supply of springs/leaves for Shaktiman trucks. The firm could not adhere to the delivery schedule due to delay in receipt of import license from the Iron and Steel Controller for spring flats and had, therefore, to be granted extension of delivery period upto October, 1966. In the meanwhile, the DGS&D concluded rate contracts with four firms including the one on which orders had been placed by the DGOF for supply of the springs/leaves at cheaper rates. The relevant lists were, however, not received by the DGOF who came to know about these only in June, 1966 by which time the firm had completed 70 per cent of the supplies. Non-cancellation of the outstanding orders thus resulted in an avoidable loss of Rs. 1.50 lakhs in this case.

As it has been stated that cancellation of the contracts would have had financial repercussions, the Committee do not wish to pursue this case further. However, the case clearly indicates that there was lack of coordination between the DGS&D and the DGOF. The DGS&D has since decided to publish lists of the rate contracts concluded by the Organisation every month (instead of half yearly) so that all indenting organisations, which make such purchases, are made aware of the terms of the DGS&D contracts. The Committee trust that this would eliminate recurrence of cases of this type in future.

[S. Nos. 41 & 42 (Para Nos. 1.276 & 1.277) Appendix to 119th Report (4th Lok Sabha)].

Action Taken

Noted.

D.A.D.S. has seen.

[Ministry of Defence File No. 40/3/70/D(Projects), dated 11-10-70].

Action Taken

The Department of Defence Production have since furnished their reply to the above recommendations *vide* their O.M. No. 26(4)/70/D(PA), dated 16-10-70 (*Copy enclosed*).

In addition to the monthly lists referred to in the recommendation, as desired by the DGOF *vide* his letter No. 532/A/PAC, dated 27-5-70 necessary instructions have been issued *vide* DGS&D's U.O. No. CDN-3/10(2)/I/68, dated 31-7-70 as amended by u.o. note of even No. dated

2-9-70 (*copies enclosed*) to the effect that copies of Rate Contracts should be sent to the DGOF by name under Registered Post.

[Ministry of Supply O.M. No. P. III-21(32)/70. datd 8-2-71.]

No. 26(4)/70/D(PA)

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

(DEPTT. OF DEFENCE PRODUCTION),

New Delhi, the 16th Oct. 70.

OFFICE MEMORANDUM

SUBJECT: —*Action taken on the recommendations contained in the 119th Report of the Public Accounts Committee (4th Lok Sabha) relating to the Ministry of Defence.*

The undersigned is directed to refer to the Lok Sabha Secretariat O.M. No. 3/1/20/1/70/PAC, dated 19-1970, on the above subject and to forward herewith 40 copies of each of the notes indicating action taken on the Recommendations Nos. 16, 41 & 42 of the P.A.C's 119th Report—1969-70 (4th Lok Sabha).

Sd/-

SN KAPUR,
Section Officer

To

The Lok Sabha Sectt.,
Parliament House,
NEW DELHI.

DIRECTORATE GENERAL OF SUPPLIES & DISPOSALS

CDN-3 Section, New Delhi

SUBJECT: —*Rate Contracts-Supply of copies to DGOF Organisations.*

In connection with Para 15 of the Audit Report (Defence Services)—1969, a point has been brought out that because copies of the Rate contract placed by the DGS&D were not available with the DGOF Indentors, they were not in a position to avail of the cheaper prices at which fresh rate contracts had been concluded. Existing instructions with regard to sending of copies of Rate Contracts to DGOF Organisation as contained in para 19(ii) of office order No. 12, dated 1-1-70, provide for sending of copies of Rate Contracts to the above organisation under certificate of posting.

In view of the position stated above, the matter has been examined and in order to avoid any complaint regarding non-receipt of copies of R/Cs and consequential financial repercussions, it has been decided that 3 copies of all Rate Contracts and amendments thereto should henceforth be forwarded to Shri J.K. Banerjee, Sr. DADGOF/C. 6, Explanade East, Calcutta-1, under registered post acknowledgement due immediately

after conclusion of the Rate Contracts for use in Ordnance Factories' Headquarters and that one copy each of all Rate Contracts and amendments thereto should also be forwarded to the officers of the Ordnance and Equipment Factories by name as per enclosed list under registered post acknowledgment due, immediately after their conclusion.

It may also be stated in this connection that the DGOF has decided to maintain a register in his office showing the dates on which the rate contracts are received and disturbed to concerned officers/Sections. The signatures of the officers concerned would also be obtained by him after the rate contracts have been handed over to them.

Supply Officers/Sections are requested to take note of the above instructions and ensure that requisite number of copies of rate contracts are sent to Ordnance Officers by name as mentioned above under registered post acknowledgement due. A set of R/C and amendments should also be forwarded to the CLO(D).

Sd/-
(M. M. PAL)
Dy. Director (CS-I)

All Supply Sections at Headquarters,
DS:TEX, Bombay.

DGS&D U.O. No. CDN-3/10(2)/1/68, dated 31-7-1970.

Copy to:—1. CDN-3 Sec. with reference to their note dated 20-7-70 recorded in their file No. CDN-5/AP/3(28)/69.

and to etc. etc. etc.....

NAMES OF THE GENERAL MANAGERS OF ORDNANCE AND EQUIPMENT FACTORIES

West Bengal

Metal & Steel Factory, Ishapore—Shri R.N. Datta, G.M.
Rifle Factory, Ishapore—Shri G. R. Narasimhan, G.M.
Gun & Shell Factory, Cossipore—Shri K. Narayan, G.M.
Ordnance Factory, Dum Dum—Shri S.M. Razdan.

Uttar Pradesh

Ordnance Factory, Kanpur—Shri P. V. Ramachandran, G.M.
Ordnance Equipment Factory, Kanpur—Shri R.C. Verma, G.M.
Ordnance Factory, Shahjahanpur—Shri D.N. Nijhawan, G.M.
Ordnance Factory, Muradnagar—Shri D.K. Chakravorty, G.M.
Ordnance Factory, Dehra Dun—Shri K.D. Kohli, G.M.

Ordnance Parachute Factory, Kanpur—Shri J.S. Rastogi, G.M.
Small Arms Factory, Kanpur—Shri P.K. Hazari, G.M.

Madhya Pradesh

Gun Carriage Factory, Jabalpur—Shri A.M. Jacob, G.M.
Vehicle Factory, Jabalpur—Shri J.B. Saxena, Officer-in-Charge.
Ordnance Factory, Khamaria—Shri V. Krishnan.
Ordnance Factory, Katni—Shri D. Sen, G.M.

Maharashtra

Ordnance Factory, Ambajhari—Shri P. Rajagopalan, G.M.
Ordnance Factory, Bhandara—Shri O.P. Gupta, G.M.
Ordnance Factory Chanda—Shri K.K. Bishnoi, G.M.
Ammunition Factory, Kirkee—Shri O.P. Bahl, G.M.
High Explosives Factory, Kirkee—Shri C.S. Gourishankaran, G.M.
Machine Tool Prototype Factory Ambarnath—Shri I.K. Nayak,
G.M.
Ordnance Factory, Ambarnath—Shri D.Y. Mogue, G.M.
Ordnance Factory, Varangaon—Shri C.M. Mathur, G.M.
Ordnance Factory, Bhusawal—Shri Shiva Prasad, G.M.

Tamil Nadu

Cordite Factory, Aruvankadu—Dr. V.M.I. Nambissan.
Ordnance Factory, Tiruchirapalli—Shri M.P. Vaidya, G.M.
Clothing Factory, Avadi—Shri G.C. Dass, G.M.

Punjab

Ordnance Cable Factory, Chandigarh—Shri R.R. Wanchoo, G.M.

DIRECTORATE GENERAL OF SUPPLIES AND DISPOSALS *CDN-3 Section*

SUBJECT:—Rate Contracts—Supply of copies to D.G.O.F. Organisations

The Assistant Manager, Cordite Factory, Aruvankadu (Nil-giris) has intimated that the name of the General Manager, Cordite Factory, Aruvankadu of Tamilnadu may kindly be changed to read as Sardar Gajendra Singh instead of Dr. V.M.I. Nambissan.

In this connection please refer to this Section U.O. No. CDN-3/10(2)/1/68, dated 31-7-70.

Supply Officers/Sections are requested to amend the name of the General Manager, Cordite Factory, Aruvankadu as mentioned above and

to ensure that 3 copies of all Rate Contracts are sent by Registered Post A.D. by name to Sardar Gajendra Singh, General Manager, Cordite Factory, Aruvankadu (Nil-giris).

Sd/-
S. P. MAITRA
Section Officer

All Supply Sections at Headquarters.

DS (Tex), Bombay.

DGS&D U.O. No. CDN-3/10(2)/1/68, dated 2-9-70.

Copy forwarded for information to:—

1. The Assistant Manager (Provision), Cordite Factory, Aruvankadu (Nil-giris) with reference to his letter No. 4002/2-S/PV, dt. 20-8-70.
2. Section CDN-5 with reference to their file No. CDN-5/AP/3 (28)/69.
3. C.L.Os. (Defence) with reference to Cordite Factory, Aruvankadu, endt. No. 4002/2-S/PV, dt. 20-8-70.
4. Director General, Ordnance Factories, 6, Esplanade East, Calcutta-1 with reference to the Cordite Factory, Aruvankadu, endt. No. 4002/2-S/PV, dt. 20-8-70.

Recommendation

Deficiencies in stock

(b) Canvas deficiency

The Committee observe that after a deficiency of 29,928 metres of canvas valued Rs. 1.88 lakhs came to light in an Ordnance Factory in August, 1966, three enquiries were held in the matter in September, 1966, November, 1966 and April, 1967. The Committee regret that the DGOF has even now not been able to finalise the case after a lapse of three years. The Committee note that the second Board of Inquiry came to the conclusion, after a scrutiny of all relevant documents, that the shortages were due to issue of material without proper documentation. However, further investigation were considered necessary by the DGOF (December, 1968), with a view to ascertaining the individual(s) responsible for the lapses/irregularity, if any, and to suggest remedial measures. The Committee would like to be apprised to the action taken on the findings of the fresh Board of Inquiry. The Committee would also like to impress upon Government the need to ensure that enquiries in cases of this nature are conducted promptly and thoroughly. As time is of essence in such cases, it is imperative that the defaulting officials are brought to book with the least possible delay.

[Sl. No. 44 (Para 1.295) of Appendix to 119th Report—(4th Lok Sabha).]

Action taken

The proceedings of the fresh Board of Enquiry have been under consideration by the DGOF in consultation with C.D.A. (Fys.), D.F.A. (Fys.),

Local Accounts of the Factory and the Factory Management. This examination has since been completed and action has been initiated for taking disciplinary action against the delinquent staff, which is expected to be finalised soon, PAC will be apprised further, when the above disciplinary action is finalised.

The PAC's recommendations regarding the imperative necessity to ensure that enquiries in cases of this nature are conducted promptly and thoroughly, have been noted for guidance.

[Ministry of Defence File No. 4/1/70/D(Prod.), dated 22-11-70.]

Recommendation

The Committee regret to observe that due to cumulative administrative lapses over a period of time deficiencies/surpluses involving several lakhs of rupees were noticed in February, 1966, in a number of items of spares stocked in an Air Force Repair Depot. The Court of Inquiry ordered to go into the case found *inter alia* that 'supervision' command and control over stock holders were inadequate and the storage and accounting of stores in the unit to be unsatisfactory.

Since deficiencies over Rs. 23 lakhs could not have occurred suddenly in the course of one year it could be concluded that the earlier annual stock takings which had brought out deficiencies of a few hundreds only must have been perfunctory. This is also borne out by the findings of the Court of Inquiry. In view of this steps would have to be taken for ensuring proper stock taking in future.

The Committee observe that remedial measures have since been taken in pursuance of the observations/recommendations of the Court of Inquiry. They hope that proper watch would be kept on the working of the Depot in future so that such lapses do not recur.

[Sl. Nos. 45, 46 & 47 (Paras 1.299, 1.300, & 1.301) of Appendix to 119th Report (4th Lok Sabha).]

Action taken

The observations/recommendations of the Committee have been noted. The remedial measures taken in pursuance of the Court of Inquiry are expected to ensure proper stock-taking in future.

2. DADS has seen.

[Ministry of Defence u.o. No. 57(11)/70/D(Air-I), dated 25-9-1970.]

Recommendations

The Committee disapprove of the delay that took place in investigating this case. A complaint about misappropriation was received in October, 1964 and an audit of the accounts (by the Controller of Defence Accounts) was undertaken in December, 1964 which was completed in February, 1965. The case was, thereafter, referred to the Special Police Establishment in July, 1965 and it took over two years (*i.e.* till December, 1967) to complete the investigation. In the meanwhile, one of the two officials involved in the misappropriation died and the other was allowed to retire.

The Committee are surprised that for investigating a relatively petty case, took the Defence authorities and the Special Police Establishment over two years.

The Committee note that Government have proceeded against the retired official for his involvement in this case. They would like the proceedings to be expeditiously finalised.

[Sl. Nos. 48, 49 & 51 (Paras Nos. 1.309, 1.310 & 1.312) of Appendix to 119th Report (4th Lok Sabha).]

Action taken

On receipt of a complaint by Director General of Inspection in October 1964, investigation was carried out regarding the state of Accounts of Chief Inspectorate of General Stores, Kanpur which revealed an unsatisfactory state of accounts. Consequently, audit authorities were requested on 14-11-64 to carry out a detailed audit of Public and Regimental accounts for a period of 3 years beginning from September, 1961. Audit, however, agreed to carry out a cent per cent audit for a period of one year and to extend the scope of audit to 3 years, if required as a result of the audit for one year. The audit revealed a shortage of Rs. 17,500 in the public fund accounts and Rs. 600.65 in the regimental fund for the period February, 1961 to November, 1964. Audit Report on cent per cent audit of accounts for September, 1963 to November, 1964 was received on 15-2-65. The Administrative Officer and the Cashier of the unit who were serving during the period in question jointly volunteered in December, 1964 to recoup the financial deficiency on a month's notice. They were asked to do so by 5th January, 1965 without prejudice to legal or departmental action that might ultimately be decided upon. The individuals asked for extension of time limit and were informed on 7-8-65 to deposit the amount. However, no such amount was deposited by the individuals who on receipt of instructions that they should deposit the money without prejudice to the legal or departmental action, asked for setting aside this clause which was not agreed to.

In accordance with CVC directive every case in which a gazetted officer is involved is required to be submitted to CVC for guidance as to the manner in which it is to be dealt with. Although the audit report was still awaited, Commission's advise was sought in January, 1965. In January, 1965 CVC enquired whether the defalcation was reported to the local police. A report to the police could not be made since lodging of a formal report with the local police in the absence of the Audit Report was considered not in order. Further lodging of the report with the police would have resulted in impounding of all the documents which were necessary in carrying out the cent per cent check in progress to determine the actual loss. Further, question of taking departmental action would also arise only when quantum of loss and responsibility thereof were determined. CVC however, directed in May 1965 that the matter might be handed over to SPE for investigation. Accordingly it was done in June 1965 and RC 25/65 was registered.

In January-March 1966 SPE authorities asked for monthly statement of assets and liabilities to be prepared, to arrive at the exact amount of misappropriation so that the investigation be proceeded with. The rucast account prepared by Administrative authorities were forwarded to CBI/SPE in July, 1967. Since the SPE would not be able to prosecute the delinquent officials in a court of law unless the balance sheet drawn up by the Administrative authorities was verified in Audit, DGI requested for the verification of the balance sheet drawn up by DGI Organisation.

Since the verification of the balance sheet could not be arranged for one reason or other, SPE was advised to proceed with the investigation of case against the delinquent officials in the absence of verification of the deficiencies worked out by the Administration. The report of the SPE was received on 27-12-67.

Of the two delinquent officials involved in this case of embezzlement the Administrative Officer expired on 31-12-67 and the Cashier retired from service *w.e.f* 31-5-66. The cashier was retired from service on attaining the age of 55 years after issue of 3 months' notice under the rules, in consultation with Ministry of Home Affairs (CBI), as it was considered that departmental action under Article 351A of CSR could be taken against him even after his retirement. This was done in the interest of State. The proceedings against the ex-cashier were finalised in July, 1970 with the issue of Govt. Order No. F 13/10/Vig/65 dated 14-7-70 awarding the Penalty of withholding Permanently 50 per cent of his pension and the entire Death-cum-retirement gratuity which would otherwise be admissible to him.

PAC's Recommendations as regards the expeditious finalisation of investigation in cases of this type have been noted for guidance. The delay in finalising in cases was on account of the circumstances detailed above. As regards expeditious investigation of cases of this type, orders are issued by the Ministry of Home Affairs from time to time for quick disposal of complaints and disciplinary cases. It may, however, not be always possible to complete investigation and action in respect of such cases within a prescribed period of six months or so as recommended by the PAC but all efforts will be made to ensure that such cases are finalised with the maximum expedition possible.

[Ministry of Defence File No. 1(20)/70-D(Prod) dated 21-11-70.]

Recommendation

The Committee note that orders were placed by the India Supply Mission between 1965 and 1967 for about 8,660 items of spares for the vehicles, on the basis of indents received from Army Headquarters. However, the Army Headquarters subsequently sought cancellation or variation of as many as 3,000 of the items indented for. Though the India Supply Mission would appear to have been successful in a few cases in cancelling the orders placed, a complete picture is not available as the Ministry of Defence have not been able to indicate how many items of spares were indented for, how many were sought to be deleted from the contracts and how many were actually deleted. Data on these points should be collected and the circumstances which led to such large scale cancellations variations examined, with a view to ascertaining whether the provisioning was excessive and failed to take note of the fact that indigenous production of some of the items had been established. The Committee would also like to be informed about the position of utilisation of spares in respect of which efforts to cancel supplies were not successful.

[Sl. No. 52 (Para 2.18) of Appendix to 119th Report (4th Lok Sabha).]

Action taken

Regarding the number of items, the Army have stated that during the period from 1963 to 1968, indents for a total quantity of 8,349 items of AMX spares were placed on ISM London for procurement. The number is again being cross-checked. In case there is a substantial difference, the position will be reported to the Committee.

2. Cancellation has so far been sought in respect of 3855 items and reduction of 640 items. The ISM, London were able to effect cancellation in respect of 1574 items and reduction of 171 items. The India Supply Mission, London have stated that they could not cancel/reduce the remaining items due to the following reasons:—

- (i) The firm informed them that the stores had already been delivered or packed ready for delivery and it was too late to recall them;
- (ii) The firm intimated that they had placed the orders on the manufacturers and no cancellation/reduction would be possible without financial repercussions; and
- (iii) The firm in certain cases did not agree to cancellation/reduction and did not assign any specific reasons for not doing so.

Notwithstanding the above, it should in all fairness be stated that the firm was able to divert the stores to alternative sources wherever possible, and amendments to contracts were issued by the India Supply Mission, London.

3. The circumstances which led to such large scale cancellations/reductions of the items of AMX spares have been explained by Army HQ as mentioned in the subsequent paragraphs.

4. Four years maintenance requirements of spares were obtained along with the tanks in accordance with suppliers' recommended scales. Thereafter, in 1962, further four years maintenance requirements according to the suppliers' recommended scales were obtained as the wastage data was not considered to have stabilised to serve as a suitable basis. The suppliers' recommended scales were later found to be on the high side and need for reduction consequently arose.

5. The drive for indigenisation of spares was launched in 1965/66 following the ban imposed by foreign Governments for the supply of 'A' vehicles spares to India as a result of the conflict with Pakistan in 1965. As and when indigenous sources were established, cancellation demands were forwarded, to ISM London. In this connection it may be mentioned that the establishment of indigenous sources is a continuous process. Army HQ have confirmed that no demand for AMX spares was placed on ISM London in respect of which reliable indigenous sources of supply had been established.

6. Even where provisioning is done on the basis of EME scales (as was done in the case of the overhaul spares) and also in case where provisioning is done on the basis of past wastages (as was done in the case of majority of items at the time of all-time-buy review of 1965), it is not possible to ensure that the consumption pattern will follow the anticipations or the past trends. Where subsequent experience indicated that there was scope for reduction, action was taken accordingly.

7. In the case of AMX tanks, the Armoured Re-organisation Plan envisages its continued use upto 1974-75. Army HQs have so far provided for the requirements of maintenance/overhaul spares for the AMX

tanks upto 1974-75. There is, however, no replacement programme yet drawn up in respect of AMX tanks. It may be mentioned that except for AMX tanks there are no other tanks in service suitable for reconnaissance purposes. In the circumstances, the continued use of AMX tanks beyond 1974-75 as per the present indications is a distinct likelihood. If the life of the AMX tanks is extended, Army HQrs consider that the bulk of the surplus spares, which could not be cancelled/reduced by ISM, London from the contracts, would be utilised. If any AMX spares remain in stock when the tanks are discarded, the possibility of their utilisation on other 'A' vehicles will be examined before discarding.

8. Ministry of Supply and DADS have seen.

[Ministry of Defence, F. No. 12(5)/70/D(O.I) dated 30-10-70.]

Recommendation

The Committee are at a loss to comprehend how, when a review carried out in April, 1968 disclosed that there would be a surplus of 30,440 pairs of rubber boots, after providing for 33 months' requirements, it has now been stated that there would not be a surplus but a deficit. The fact that the Army Headquarters attempted to cancel, but unsuccessfully, pending orders for boots would also indicate that there had been over-provisioning of this item. The Committee would like the matter to be investigated further. The Committee also hope that the existing stocks of boots will be consumed before their shelf-life is over and fresh orders will be placed for the procurement of rubber boots only after ascertaining the requirements correctly.

[Sl. No. 53 (para 2.24) of Appendix to 119th Report (4th Lok Sabha).]

Action taken

The anomaly pointed out in the first part of the above observations arises from the fact that it was not clear whether the Command Pool of boots rubber knee constituted a 'reserve' or an 'authorization', i.e., stock meant to meet the normal demands. As the position was not clear, the same was reviewed and orders were issued on 3rd September, 1970 (copy enclosed) clarifying that command pool represents the entire authorisation and also indicating the procedure that should be followed in the provisioning of Boots Rubber Knee.

2. The stocks of Boots Rubber Knee of sizes 6 to 10 as on 15-8-70 held by the Ordnance Depots including Command Pools stocks is 27193 pairs. The present stocks were received by the Ordnance after 1st January 1967. The Defence Technical authorities have given their assessment of the residual shelf-life of the stocks in hand as 3 to 4 years as on 31st January 1969. The present stocks of Boots Rubber Knee are, therefore, likely to be consumed within this shelf-life.

DADS has seen.

[Ministry of Defence F. No. 12(3)/70/D(O.I) dated 28-9-70.]

**ARMY HEADQUARTERS
GENERAL STAFF BRANCH
DHQ PO New Delhi-11 3rd Sept. 1970**

TELEPHONE 371383
No. 39799/GS/WE 8

To

Headquarters
Southern Command
Eastern Command
Western Command
Central Command

BOOTS RUBBER KNEE (ICD-6684-93—NEW CAT No. 3430/000033-42)

Reference AI 14/S/65 (Serial 14 of Appendix 'D') and further to this HQ letter No. 39799/WE 8 dated 20th April 1970.

2. Boots Rubber Knee have been declared as a 'census' item. This is necessary to regulate its provisioning, as the item is authorised on 'Command Pool' basis and the normal provisioning system (MMF basis) has not been found to be apt in this case. In future, therefore, its provisioning will be regulated on the basis of on all INDIA holdings which will be collected/compiled by the Army Statistical Organisation (AG Org ASO) every year in the normal manner.

3. As the item has a short 'shelf-life' and is liable to early deterioration in storage, it should be insured that:—

- (a) holdings in command pools are fully utilised, with the exception perhaps of a small reserve, which HQ Commands may retain/segregate for unforeseen contingencies. This should, however be kept down to essential minimum.
- (b) the total holdings in Command pools (including those with fmns/units and Ord Depots/Category 'A' Establishments) do not exceed the approved authorisation.

4. In this connection it is again clarified that the 'Command Pool' represents the entire authorisation and therefore connotes the total holdings of Boots Rubber Knee in the area under command i.e. all serviceable stocks with fmns/units as well with Ord Depots. It will not, therefore, be correct to treat it as a reserve, in addition to Boots actually in use with troops.

5. Please acknowledge.

Sd. BS GAREWAL,

Lt Col

GSO 1, WE 8, 9 & 10

for Deputy Chief of the Army Staff.

Copy to:—

AG/Org/ASO (3)

Ord Dte (OS-I)

Ord Dte (OS-II) (10)—

All concerned may please be informed accordingly. Any further instructions considered necessary may please be issued by you through departmental channel.

Ord Dte (OS-19)

Ministry of Defence (D/GS-IV)—For information.

Ministry of Defence (D/O)—For information.

Recommendations

The Committee note that out of 496 Komatsu Tractors held by the Army, 140 are awaiting repairs. 41 of these tractors have been off-road for more than four years. The Committee were told during evidence that maintenance spares for these tractors were not ordered from Japan in the beginning. Indents were placed from 1961 but supplies started only in 1965, when just 44 per cent of the total item indented for were received. Even by 1966 supplies had materialised to the extent of 55 per cent only. The Committee cannot visualise how any machinery, especially, one required for use in forward area and for rugged work could be ordered without the necessary percentage of maintenance spares. The matter may be enquired into and Committee informed. The Committee would also like instructions to be issued for avoidance of such repetition.

The Committee can only draw one conclusion that there was neither adequate planning nor enough coordination between the Ministry of Defence and Director General Ordnance Factories in the matter of procurement of the spare parts from Japan. Right in the beginning when manufacture of Komatsu tractors was commenced in collaboration with Japanese firm, some spare parts for each type of tractor should have been procured to meet emergent demands. This was necessary, particularly in respect of those critical items which were not planned for manufacture in India.

The subject matter of this recommendation is the same as contained in Public Accounts Committee's recommendation at S. No. 25 Appendix II to Fourth Report 1962-63 arising out of para 20 of Audit Report 1962 for which a reply has already been furnished on 11 November 1964 and reproduced at page 474 of PAC's 40th Report (3rd Lok Sabha). As stated earlier simultaneous orders for spares could not be placed in the absence of manufacturer's recommended list of spares, spare parts catalogue duly priced and EME scales. It is however, agreed that it is desirable to obtain the maintenance spare parts along with the main equipment, and particularly so the items which are not planned for indigenous manufacture. A decision has already been taken in December 1967 that in future, indents for specific spares would be placed along with the indents for Komatsu Tractors making it clear that deliveries of the tractors without prior or simultaneous delivery of spares indented would not be accepted. Orders have also been issued on 28.8.70 regarding the provisioning of spares of major equipment along with the initial orders for the main equipment.

"The Committee observe that the models of the tractors had been rapidly changing in Japan and that had been giving rise to difficulties in the procurement of spares. To get over this difficulty, efforts should have been made to achieve rapid indigenisation by import substitution to the maximum extent possible. But it would appear that enough efforts have not been made in this direction as even 85 per cent indigenisation is still a target to be achieved".

[Sl. Nos. 54, 55 & 56 (Para Nos. 2.48, 2.49 & 2.50) of Appendix to 119th Report (4th Lok Sabha)].

Action Taken

In so far as DGOF is concerned, the import substitution could not go on at the desired pace because originally the production of tractors

in India was undertaken by utilising the surplus capacity then existing in Ordnance Factories a part of which was later diverted to the production of armament items consequent upon declaration of Emergency. Another factor that contributed to the lower indigenous content was the failure of the firms to supply certain items like forgings. Besides this, the main stress was laid on the assembly of Tractors to meet the large outstanding demands for tractors from the Army and civil indertors, so much so that a number of tractors had to be imported in ready fer-road condition.

In so far as BEML is concerned, it may be stated that the Company was set up in 1964 and started functioning only with effect from 1-1-1965. In December 1965 it was decided to entrust the Company with the manufacture of Crawler Tractors under a collaboration agreement concluded in 1958 with M/s Komatsu Manufacturing Company, Japan. Urail then, the Crawler Tractor Manufacture was being carried out in the Ordnance Factories. It would, therefore, be seen that BEML came into the picture only from 1966, when DGOF cross-mandated some of their indents to BEML after the entrustment of the Crawler Tractor manufacture to the Company. Although, BEML factory for the manufacture of Crawler Tractor and Heavy Earthmoving Equipment at Kolar Gold Fields is still under construction, nevertheless the Company has made significant progress in the manufacture of Crawler Tractors by way of assembly of imported CKD packs and with increasing indigenous content. The production in the factory on a significant scale commenced only from 1967-68 onwards with increasing indigenous content as will be seen from the table below:—

				Production in number with percentage of indigenous content			
				1967-68	1968-69	1969-70	1970-71
(i) D 120 Crawler	..	..	..	11	30	16	60
tractors ..	..	..	..	(26%)	(26%)	(26.8%)	(57%)
(ii) D 80 Crawler	..	..	..	73	163	114	150
tractors ..	..	..	..	(32%)	(53%)	(53.9%)	(60%)
(iii) D 50 Crawler	..	..	..	..	..	110	150
Tractors ..	..	..	..	..	..	(35%)	(60%)

The percentage of indigenous content in respect of D120 Tractors, D80 & D50 Tractors is expected to be 85 per cent by 1971-72. In the case of these three Crawler Tractor models currently included in the BEML's production line, the engine assembly of two models namely D80-A-12 and D50-A-15 has already been indigenised and the engine assembly of D120-A-18 is also expected to be indigenised in the course of about a year. This will ensure indigenous supply of most of the engine assembly parts for these models. Besides, the chassis and other component/parts of these three models are also being progressively indigenised. Some of the major such items already indigenised are main. Frame; under carriage parts, including Track Frame; Track Chain and Truck Rollers; Suspension items including equalised Bar and Draw Bar Assembly; and attachments such as 'C' Frames and Dozer Blades. BEML has also been able to establish indigenisation sources for the manufacture of Hydraulics, Main Clutch, Steering Clutch; Castings; Forgings; Electrics and Hoses, Oil Seal Filter and Bearings etc.

BEML's own indigenous programme at Kolar Gold Field upto 1971-72 includes items such as Fuel Tank, Hydraulic Tank, Bowl and 'C' Frame Guard Fenders, Track Shoe Link; Transmission Case, Main Clutch Case and Gears etc. Besides, with the help of the machinery already received and installed by BEML, the Company has established capacity in the following manufacturing/Auxiliary Shops:—

- (i) Fabrication and Assembly Shops for Crawler Tractors.
- (ii) Manufacturing facilities in the Machine Shop and in Plate Shops.
- (iii) Facilities in the Auxiliary Shops/Department e.g. Tool Room Inspection, Laboratory and Maintenance.

In order to increase the pace of indigenisation a R&D Cell has also been set up within the Company to undertake design and development of new equipment as well as important model of equipment under production with indigenous assemblies, import substitution parts, assemblies and accessories in the products under production for which full technology, know-how is not available or where available requires considerable engineering efforts.

In the light of the above efforts of the Company towards indigenisation of the products it may be appreciated that the Company has made considerable progress in the direction of indigenisation of their products.

[Ministry of Defence O.M. No. F. 11(3)/70/D (Budget) dated 5th October 1970.]

Recommendation

The Committee were told that the tractors did not suffer from any manufacturing defect and that the main reasons for the tractors being off-road was that spares were not available. The Committee would like this point to be further investigated as it has been reported to the Committee that Komatsu tractors supplied to the Dandakaranaya Project have some inherent manufacturing defects. A reference in this connection is invited to paragraph 1.71 of their 118th Report (Fourth Lok Sabha). Moreover, the Committee find that a large number of spares received between 1963 and 1969 have accumulated with the DGOF. The accumulation has reached such proportions, that it became necessary to constitute a Group to segregate and sort out the spares. It is amazing that while tractors remained grounded with the Army for lack of spares in some cases upto five years, the D.G.O.F.'s organisation should have been accumulating these spares without bothering to segregate them and to ascertain to that extent they would meet the Army's requirements. The Committee hope that the segregation will be expeditiously completed and the spares speedily sent to the EME Workshops in need of them.

[Sl. No. 57 (Para No. 2.51) of Appendix to 119th Report (4th Lok Sabha).]

Action taken

The question whether the Komatsu tractors with the Army became off-road because of any manufacturing defects has been examined and it is considered that there is no adequate material to support this inference. No such general manufacturing defects leading to the premature overhaul or premature failure of the tractors have come to notice.

It is agreed that despite the efforts made by the DGOF to issue out the spares to various indentors immediately on their receipt from Japan, there had been accumulation of boxes of spares for reasons already reported to the Public Accounts Committee namely:

- (a) While placing the supply orders on M/s KOMATSU, the DGOF had consolidated the requirements of various indentors and for sustaining his own production programme which on receipt had to be sorted out and segregated.
- (b) Shipments from M/s Komatsu contained certain excess supplies against supply orders of the DGOF and wrong supplies against Komatsu Invoices.
- (c) Cancellation of demands on the DGOF by various indentors due to the delay in receipt of stores.
- (d) Shortage of floor space coupled with the non-availability of adequate technical staff in relation to the workload the factory had to handle.

Nevertheless, the identifiable spares were sorted out from the accumulated stocks as much as possible and issued to the Army. It is being ensured that the segregation of the balance accumulated stocks is expeditiously completed.

[Ministry of Defence O.M. No. F.11(3)/70/D (Budget) dated the 5th October, 1970.]

Recommendation

"The Committee note that in respect of the indents placed on BEML during the years 1966 to 1968 only 78 per cent of the spares were supplied till the end of 1969. Against indents placed on BEML in 1969, only 4 per cent of the items had been supplied upto December, 1969. The Committee would like measures to be taken to improve the supply position of spare parts."

[Sl. No. 58 (Para No. 2.52) of Appendix to 119th Report (4th Lok Sabha).]

Action taken

BEML has made a detailed review regarding the supply of spare parts against the indents cross-mandated by DGOF to BEML in 1966 and the indents placed by E-in-C directly of BEML from 1966 to 1968. It is found that on an average as on 1-6-1970 BEML have supplied 88.25 per cent spares (including spares of attachments) and in many cases supplies have been affected to the extent of 100 per cent. The delay in the supply of remaining items has been due to non-supply of these items by M/s Komatsu despite the efforts made at ambassadorial level in 1967. Besides some of the items which were shipped by Komatsu, Japan were found either inapplicable or damaged, resulting in their rejection or were short supplied against which claim has been raised on M/s Komatsu for such items and this claim has been accepted by them. A portion of the items yet to be supplied also pertain to the older models which come under the category of all-time-buy of spares for which M/s Komatsu have been insisting that BEML should place only one order on them to cover

the entire requirement of the country. There has been some delay in processing of order of All-Time-Buy of spares since the customers were not firm in their demands and the list had to be cross-mandated to DGOF and DGBR who had surplus spares.

Although a large quantity of spares had been supplied by BEML to the Army authorities, the tractors could not be repaired for want of balance items of spares. In order that the tractors should be repaired and put on the road quickly special measures are being taken to supply the vital spares for the repair of the tractors. These include air-lifting of non-heavy parts and to obtain other parts by fast boats. BEML is also taking steps to locate needed spares from the Border Roads/DGOF and other Organisations who may be having surplus stocks of such spares. Efforts are also being made by Department of Defence Production to take up the matter of speedy supply of spares by M/s Komatsu through the Indian Ambassador at Tokyo.

In view of the efforts already made by BEML for the supply of spares to the Army authorities and with the special measures that are being taken by the Company, as mentioned above, the supply position of spares parts is expected to improve further.

D.A.D.S. has seen.

[Ministry of Defence O.M. No. F. 11(3)/70 D (Budget) dated the 5th October 1970.]

Recommendation

The Committee note that a large number of Tracked Carriers and Armoured Cars remained in the vehicle depots for more than 16 years although there was no scope for their effective use. Against the total stock of 3,528 Tracked Carriers and 290 Armoured Cars with the Army over a period of seven years, those in actual use by the units were very small. The experience of their actual use during the emergencies that arose in 1962 and 1965 was also not very happy. Some modifications were carried out in 1962 to keep the vehicles going and trials were completed in 1964. But then it was found uneconomical to carry out these modifications on all those vehicles. In view of that position there was no point in having retained those vehicles and action should have been initiated in 1964, if not earlier, for their disposal. It was admitted during evidence that it was only after the matter was raised by Audit that the question of their disposal was taken in hand.

[Sl. No. 59, (Para 2.65) of Appendix to 119th Report (4th Lok Sabha).]

Action taken

The observations of the Committee have been noted. The procedure regarding obsolescence/disposal of unwanted equipment stores has also been streamlined to ensure avoidance of delays in such cases in future. (copy enclosed).

D.A.D.S. has seen.

[Ministry of Defence O.M. No. F. 11(3)/70/D (Budget) dated the 27th August, 1970.]

MINISTRY OF DEFENCE

D(GS—IV)

SUBJECT:—*Change in Status and consequent Disposal of unwanted equipment/Stores*

In order to ensure that an unwanted equipment/store is not held in a Depot for an unnecessarily long period it has been decided that, in future, sanction for disposal of an obsoleted item will be obtained simultaneously with the orders for its obsolescence, and that initiation of disposal action for an obsoleted item should not wait the issue of formal DGI approval for obsolescence. The Format prescribed for the preparation of Statement of Case for change of status of an equipment/store will be revised by DWE as necessary to enable simultaneous orders being obtained for obsolescence and disposal. While the present procedure will be followed for ascertaining the requirements of possible users within the Defence Services by the Branch concerned, a modified procedure will be followed for ascertaining the requirements of para military formations under Ministry of Home Affairs and State Governments. In these cases, DWE will specify the items for which a reference should be made to Ministry of Home Affairs through the Ministry of Defence and MGO Branch/E-in-C's Branch will then take action accordingly. In all other cases, the requirement of civil users will be ascertained by the DGS&D after DGS&D's Form for disposal is floated by the Army authorities.

2. In a number of cases, where the status is changed to "obsolescent", it is likely that there may not be a need to keep the entire *repairable* holdings till the item is obsoleted. Having regard to the repair programme, availability of spares, feasibility of cannibalisation etc. it should be possible to take a view, at the time of changing the status from current to obsolescent, whether it is necessary to retain the entire repairable holdings or a portion thereof can be disposed of straightaway. This aspect should be dealt with, without fail, in the statement of case for change of status from current to obsolescent.

3. The following revised procedure should be adopted, to expedite disposals of an unwanted store, after it has been declared obsolete and approved for disposal:

- (i) As soon as the minutes of General Staff Equipment Policy Committee recommending obsolescence of an item are received, action should be *initiated* by all concerned to implement the recommendation, in anticipation of the formal approval by Government of the recommendation.
- (ii) As soon as the recommendations of the General Staff Equipment Policy Committee are approved by Ministry of Defence or as soon as a final decision is taken on the file to declare an equipment/store as obsolescent/obsolete in respect of cases which are not considered by the General Staff Equipment Policy Committee (this will apply to proposals where the value is below Rs. 5 lakhs, urgent cases which cannot wait consideration by the General Staff Equipment Policy Committee and also cases which have a sizeable financial effect), a *self contained* note should be sent (instead of circulating the file itself)

by DWE to all concerned—MGO Branch/E-in-C's Branch, DGI and the Ministry of Finance (Defence) communicating the decision. Full details of the equipment/store, the quantity decided upon for disposal and the date of the u.o. note under which concurrence of the Ministry of Finance (Defence) is given should be indicated. This note will form the authority for implementation of the decision by all concerned and it should not be necessary to call for the file leading to this decision at the implementation stage by any other authority.

- (iii) In respect of items declared *obsolete*, DWE will also immediately issue a staff letter to lower formations for withdrawal of the obsoleted equipment/store from units etc. and return to depots for disposal.

4. MGO Branch/E-in-C's Branch should take the following action without waiting for the formal DGI approval:—

(A) *Obsolescent Item*

- (i) Within a fortnight of receipt of minutes of GS Equipment Policy Committee (or Note from DWE referred to in para 3(ii) in case where the proposals are considered on files), issue to self-contained letter to all possible users in the Defence Services and a note, through the Ministry of Defence, to the Ministry of Home Affairs in regard to possible requirements of paramilitary formations under them and the State Govts. to indicate their requirements if any, within 30 days, making it clear that, if no reply is received within the specified period it will be assumed that their requirement is nil. The requirement if any indicated will be taken into account before sending the DGSD form. (This step is only a further safeguard to ensure that the requirements of possible users are not ignored though they would have been consulted earlier while putting up the proposal for change of status. This will also take into account their revised views if any).
- (ii) Within a fortnight from the date of receipt of note from DWE referred to in para 3(ii) above, issue a staff letter giving complete disposal instructions to the depot for the quantity approved for disposal under the prescribed procedure and also indicating the requirements of possible users if any, vide (i) above; DGS&D forms should be floated by the depots either directly or through Army HQ as the case may be, within one month from the date of receipt of this letter. Depots should also be instructed to prepare surplus lists for components peculiar to the equipment declared obsolescent, to the extent necessitated by the disposal of the main equipment, as soon as draft Assignment List is received from the AHSP and process it further expeditiously in accordance with the prescribed procedure.
- (iii) No further reference will be made to Ministry of Finance (Defence) while floating the DGS&D form and the u.o. No. quoted in the DWE's note, vide para 3(i) above, will be quoted in the DGS&D form. A copy of the DGS&D form will be sent to Ministry of Finance (Defence) for completion of their records.

- (iv) Orders given for disposal will be valid, even if there is a slight variation between the quantity to be actually disposed of and the quantity approved for disposal at the time of obsolescence. If, however, the quantity to be disposed of is *substantially more* than the quantity approved for disposal, the case should be referred to the Ministry of Defence and Ministry of Finance (Defence) explaining the reasons for the variation in quantity.

(B) *Obsoleted Items*

- (i) Within a fortnight from the date of receipt of minutes of GS Equipment Policy Committee (or note from DWE in cases where proposals are considered on files), issue a self-contained letter to all possible users in the Defence Services and note to Ministry of Home Affairs as in (A) (i) above.
- (ii) Within a fortnight from date of receipt of note from DWE, issue a staff letter giving complete instructions to the Depots for immediate disposal of quantities lying in stock with them under the prescribed procedure and also prepare urgently surplus lists for components peculiar to the equipment obsoleted and process further for expeditious disposal in accordance with the prescribed procedure. (As the Assignment List would have already been prepared at the time of obsolescence, immediate action is possible. Where, however, status of an equipment is changed straightaway from current to obsolete, action may be taken immediately, the draft Assignment List is received from AHSP). The depots should also be instructed to take action to dispose of the quantities to be returned to units for which a staff letter has been issued separately by DWE as a second phase of disposal.

(iii) & (iv) As in para 4(A)(iii) & (iv) above.

5. The following action will be taken by DGI in regard to issue of documents concerning him consequent on the change in status of an item: —

- (a) Within a fortnight from the date of receipt of minutes of GS Equipment Policy Committee or the note from the DWE, the DGI will instruct the AHSP to submit necessary draft DGI approval for change of status of the main equipment/store as well as draft Assignment Lists in respect of components peculiar to the equipment/store, the status of which is being changed, apart from drafts of other necessary DGI documents, i.e. L of C paras, amendments to catalogues and price lists.
- (b) Draft DGI approval for change of status of the main equipment/store will be submitted by AHSP with a copy to the depot concerned and to the DGI, within a period of one month from the date of receipt of DGI's communication. Similarly, the draft Assignment List of components peculiar to the main equipment/store, status of which is being changed will be

submitted to the DGI with a copy to the depot concerned, within a period of 4 months. Assignment Lists prepared at the time of obsolescence will be kept amended from time to time so that there is no necessity for a fresh Assignment List at the time of obsolescence of the main equipment/store.

- (c) Within a fortnight from the date of receipt of draft DGI approval, it will be referred to the Ministry of Finance (Defence) for concurrence on the basis of DWE's note referred to in para 3(ii) above.
- (d) Concurrence of Ministry of Finance (Defence) will be given within a fortnight. (It will not be necessary to call for any other details regarding stock verification, financial implications etc. as that drill has already been gone into before deciding on the change of status and disposal).
- (e) DGI approval will be issued within a fortnight from the date of receipt of financial concurrence.

6. Any subsidiary instructions considered necessary will be issued by Army HQ and DGI.

S. KRISHNASWAMI,
Joint Secretary (P&C)
31-12-1969

JS(Q)

JS(PS)

Addl FA-I

MGO

E-in-C

DOS—10 Copies.

DWE—10 Copies.

DGI—10 Copies.

DESP—5 Copies.

DS(O)—2 Copies.

DS(JIO)—2 Copies.

DFA(O)—16 Copies—His u.o. No. 2150/DFA(O)/69 dt. 30-12-69
refers.

DS(Disposal)—2 Copies.

Min. of Def. u.o. No. F.16(34)/69/D(GS-IV), dated 31-12-69.

Recommendation

The Committee suggest that periodical reviews of all vehicles/equipment should be carried out and those which are beyond economical repair should be declared surplus and disposed of. Continuance of un-serviceable vehicles in stock is also apt to give rise to a false sense of security.

[S. No. 60 (Para 2.66) of Appendix to 119th Report (4th Lok Sabha).]

Action taken

Instructions have been issued for conducting periodical reviews of vehicles/equipment so that surpluses are disposed of without undue delay.

Two such reviews have already been conducted.

D.A.D.S. has seen.

[Ministry of Defence O.M. No. 11(3)/70/D(Budget) dated 27-8-70.]

Recommendation

The Committee note that the production of tanks is being stepped up and that as against the present indigenous content of 55 per cent, its indigenous content is expected to increase to 80 or 85 per cent by 1974. The Committee hope that these targets would be achieved and the country would be self-sufficient in tanks and also other types of armoured vehicles for which the schedule of production is expected to be finalised during the current year.

[S. No. 61 (Para 2.67) of Appendix to 119th Report (4th Lok Sabha).]

Action taken

Production of Vijayanta Tanks is being stepped up steadily. The present indigenous content is 55 to 60 per cent and this is also being increased steadily.

As regards the production of light armoured vehicles the development and manufacture of prototypes are in progress. Plans for establishment of production facilities within/outside the Defence sector are being finalised. The process of attaining self-sufficiency in the production of armoured vehicles is a continuous process dependent on the changing requirements of the Army, which are reviewed from time to time.

D.A.D.S. has seen.

[Ministry of Defence O.M. No. F.11(3)/70/D(Budget) dated 27-8-70.]

Recommendations

The Committee consider it regrettable that the Defence Department did not consult the civil administration before chartering a vessel for loading operations at the island. The Civil administration took over the stevedoring work at the island at about the time the loading operation commenced, but the Defence Department was not even aware of this fact. It is not clear why the civil administration could not complete the loading of the cargo within the time anticipated. The result of this was that the operations got prolonged entailing an extra expenditure of Rs. 1.04 lakhs. The Committee hope that cases of this type will not recur.

The question as to who should bear the charges for the excess time taken (12 days) may be settled expeditiously with the civil administration.

[S. Nos. 62 and 63 (Para Nos. 2.78 & 2.79) of Appendix to 119th Report (4th Lok Sabha).]

Action taken

The observations in para 2 have been noted. It may, however, be mentioned that the Defence Department did not consult the Civil Administration before chartering a vessel for loading operations at the island, as the known position at that time was that the loading would be done by a private party. The Defence Department received no prior intimation that the stevedoring work would be done by the Civil Administration.

The Civil Administration have stated that the stevedoring was done in the month of May which period was the worst for any ship to work in an open anchorage, when the ship is anchored 2 miles away from the shore. According to them, the other factors which contributed to the difficulties of stevedoring in open anchorage were:—

- (i) Loss of rafts and other gears during stevedoring period, which was beyond anybody's control.
- (ii) Changing of anchorage from one place to another due to rough sea resulting in stoppage of stevedoring operations and shifting the entire stevedoring machinery from one loading point to another whereby momentum of work was impeded.
- (iii) Indifferent attitude of the local Nicobari Labour and lack of cooperation from the ship.
- (iv) Bringing of heavy equipment by the Defence to their loading points as a result of changing of anchorage by the ship.
- (v) Disruption of the continuance of stevedoring as a result of the ship sailing to Port Blair for taking water and unanticipated stoppage of stevedoring in compliance with Court Injunction.

The Civil Administration, therefore, consider that under the circumstances the time taken for stevedoring of the vessel was reasonable.

Ministry of Home Affairs have intimated that the Civil Administration at Car Nicobar is now fully equipped to undertake stevedoring to meet the normal requirement averaging 50 tonnes per day. Instructions have also been issued to Embarkation Headquarters, Calcutta that in future the Civil Administration should be informed to make suitable stevedoring arrangements. They should also be consulted in regard to suitable time for chartering the vessel and approximate time involved in loading/unloading operations (copy enclosed).

Although the Civil Administration took 12 days more than what the private party would have taken, it has been decided that the stevedoring charges as claimed by the Civil Administration may be paid to them.

D.A.D.S. has seen.

[Ministry of Defence u.o. No. 26(1)/70/D(Mov), dated the 26th October, 1970].

DELHI TELEPHONE: 374559

OP Immediate/ADS
ARMY HEADQUARTERS
QUARTERMASTER GENERAL'S
BRANCH

DHQ PO NEW DELHI-11.

23 Sep. 70.

No. A/63001/XII/AP/Q Mov Shipping

To

The Commandant
Embarkation Headquarters
Fort William
CALCUTTA-21.

AUDIT PARA 20 (DS) 1969

Reference our signal No. 323790/Q Mov Shipping, dated 21 Jul 70 on the above subject.

2. Ministry of Home Affairs have confirmed that the Civil Administration at CAR NICOBAR is now fully equipped to undertake the stevedoring work to meet the normal requirement averaging 50 tonnes per day.

3. To avoid recurrence of this nature, in future, as and when necessary arises for loading/unloading of chartered vessel at CAR NICOBAR, the Civil Administration should be kept informed sufficiently in advance to make suitable stevedoring arrangements. They should also be consulted on the following:—

- (a) Suitable time of chartering vessels taking weather condition in view.
- (b) Approximate time to be involved in loading/unloading of equipment/plants/machinery/stores to be loaded.

Sd./- M. R. PUSALKAR,

Lt Col

DAQMG Shipping
 for Director of Movements

Recommendations

The Committee are distressed to observe that the party profited at the expense of Government to the tune of Rs. 2.50 lakhs in this transaction. The godown was handed over to the party in January, 1965 at a rent of Rs. 4,430/- p.m. on the understanding that it would be used by him or his business associates. The Department however failed to get a lease deed executed before handing over possession. The result of this was that when the party sub-let the godown to the Maharashtra Government on a rent of Rs. 18,500/- p.m. shortly after taking it over, the Department found its hands tied and was unable to proceed effectively against the party. Action was sought to be taken against the party for violating the lease conditions by sub-letting the godown, when there was

in fact no lease, and it was also evident from the exchange of correspondence with party that he had not bound himself to any condition in the matter of sub-letting the property. It was only thereafter that the Department thought of invoking their absolute right to secure vacation of the property, but by that time they faced a legal impediment arising out of the invalidation by the Supreme Court of the Punjab Premises and Land (Eviction and Rent Recovery) Act, 1959.

The Committee consider that the question of taking steps against the party was not thought of by the Department till it was too late for them to take effective action. In any case, the Department were ill advised to hand over possession without getting a lease deed signed. The Committee would like Government to investigate how this occurred and take appropriate action. It should also be ensured that in future Government property is not handed over to private parties or lessee without getting a proper lease deed executed.

[S. Nos. 66 and 67 (Para Nos. 2.107 and 2.108 of Appendix to 119th Report)—(Fourth Lok Sabha).]

Action taken

There are two recommendations made by the Public Accounts Committee. These are:—

- (a) Government should investigate how the possession of the Godown No. 18 was handed over by the CSD(I) to the party on 8th January, 1965 without the execution of a regular lease deed.
- (b) It should be ensured that in future Government property is not handed over to private parties on lease without getting a proper lease deed executed.

2. Regarding the second point, instructions have already issued on 16th January, 1970 to ensure that in future the possession of land/premises is not handed over until a formal lease deed is executed. A copy thereof is attached herewith as Annexure 'A'. The recommendation of the PAC has thus been accepted and implemented.

3. Regarding the first point, the matter has been investigated as desired by the PAC. The circumstances in which the possession of Godown No. 18 was handed over to the private party are detailed below.

4. Godown No. 18 was vacated by the previous occupant on 6th February 1964. The Board of Administration of the CSD(I) decided to advertise for offers of lease. The advertisement was inserted in the Times of India and the Indian Express on 4th March, 1964. Offers were received but none of them fructified into an agreement. Accordingly, a fresh advertisement was inserted in the Times of India and the Indian Express on 30th June, 1964. Offers were received but again none of these fructified into an agreement. It was accordingly decided that advertisement notice be issued for the third time. This notice appeared in

the newspapers on 11th October, 1964. One of the parties who responded was the one referred to in the audit para. His offer was the highest. Accordingly the then Chairman, Board of Administration, decided that the godown be allotted to that party. The terms and conditions of the allotment were communicated to the party on 10th December, 1964. Clause 8 of the terms and conditions stipulated that the party would not sublet the premises without the prior permission of the CSD(I). The party vide their letter of 18th December, 1964 accepted the terms and conditions except in respect of clause 8. The party invited attention to their earlier letter of 22nd October, 1964 which stated that "we need the place for one of our industries and a part of it we desire to lease to our associate for whom we are working as agent."

5. The matter was accordingly put up to the Chairman of the Board of Administration. On 23rd December, 1964, the Chairman approved the proposal that the party be allowed to occupy the godown, that a lease deed be drawn in his name and that he be asked to give complete details about the Principal or Associate to whom they wish to sublease the portion/portions.

6. By letter dated 24th December, 1964, the party was asked to furnish the complete details about their Principal or Associate to whom they desire to sublease the portion/portions of the godown. The latter further mentioned that arrangements are being made to prepare a lease-deed and have it executed. The possession of the godown was handed over to the party on 8th January 1965. It will be noted that the godown was lying vacant since 6th February, 1964 i.e. for more than 11 months.

7. The draft lease deed was forwarded to the party on 16th February 1965. On 30th July, 1965, the party forwarded a modified draft lease deed duly signed. The party deleted the clause regarding prohibition of sub lease. Due to the developments which took place and which were explained to the PAC at the hearing vide Para 2.99 et seq of their 119th Report (4th Lok Sabha), the lease deed was not executed.

8. It appears that the possession of the godown was handed over by the CSD(I) to the party on 8th January, 1965 with the intention to avoid loss of revenue. The godown had already remained vacant for a considerable period. The Chairman, Board of Administration, accordingly took the view that it would be desirable to hand over the possession immediately pending the execution of the lease deed so that the liability of the rent should commence. The action was taken in good faith and was calculated to be for the benefit of the CSD(I). The Chairman of the Board of Administration who took the decision in question has also retired from service. Remedial instructions as mentioned above have already issued. No further action thus appears necessary.

DADS has seen.

[Ministry of Defence u.o. No. 26(14)/68/II/D(Mov), dated 3rd September, 1970.]

TELEPHONE : 376208 *OP Immediate*
ARMY HEADQUARTERS
QUARTERMASTER GENERAL'S BRANCH
DHQ PO New Delhi-11, 16 Jan. 70

No BOGGS/00470

To

The Chairman
Board of Administration
Canteen Stores Department (India)
Post Box No. 512 BOMBAY 20 BR.

AUDIT REPORT DEFENCE SERVICES—1969—PARA 26—HIRING OF A GODOWN
OWNED BY THE CANTEEN STORES DEPARTMENT (INDIA).

Ministry of Defence have informed that during discussion in the meeting of the Public Accounts Committee on 6 Jan. 70, the Committee directed that instructions be issued that in future the possession of land/premises will not be given until the lease is formally executed.

2. Please ensure that needful will be done in future.
3. Please acknowledge.

Sd./- RAMESHWAR SINGH.
Lt Col
Secy. Board of Control
Canteen Services.

Copy to:

Ministry of Defence/D(Mov)—w.r.t. their u.o. No. 26(14)/68 D (Mov), dated 9 Jan. 70.

Recommendations

The Committee feel that this case does not speak well of the efficiency of provisioning for the Services.

As early as 1961-62 action was initiated on a demand for provisioning of 129 radio vehicles to Air Force units which was considered an "urgent requirement". As in December, 1969, 55 of these vehicles are still to be supplied to the units. On present indication it would appear that supply would be completed only "by early 1971".

This inordinate delay has been caused by lack of coordination at several stages. In the first place, it was decided that 81 of these vehicles should be obtained from the commercial sector and D.G.S.&D. was accordingly asked to take procurement action. But then the chassis required for the manufacture of these vehicles were not released, even though

the Department was aware that it was not being made in the commercial sector. It was only in July 1964 when the Defence Secretary was approached that these chassis were got released from by the Army which was manufacturing them, but by that time, the D.G.S.&D. had returned the indents stating that no supplier was forthcoming. In this manner, the Department lost over three years.

In the second place, after it was decided in 1965 that the manufacture of these 81 vehicles should be taken up in an Air Force Depot, the Department took no action for nearly two years to place order for metal sheets which were required for the production of these vehicles. It was explained that due to the emergency that supervened other items of work had to be taken in hand, but the Committee are unable to understand how this justifies a delay of two years, in processing an urgent requirement of the Services. The result of this delay was that the Depot could not take up manufacture till August, 1969, when the sheets became available.

The Committee have drawn attention to another instance of this kind in paragraph 1.70 of their Ninety-Ninth Report (Fourth Lok Sabha) where a delay of nearly 10 years occurred in supplying certain boats to the Navy. The Committee are perturbed at this lack of coordination and suggest that Government should immediately streamline their procedures to guard against recurrence of cases of this type.

[Serial Nos. 68 to 72 (Para Nos. 3.12 to 3.16) of Appendix to 119th Report—(4th Lok Sabha).]

Action taken

The observations of the P.A.C. have been noted.

In similar projects in future, a project officer will be appointed and made responsible for coordinating all activities relating to the project.

Till 7th July, 1970, 62 vehicles out of Qty. 81 have been produced by No. 8 B.R.D. (Base Repair Depot), A.F. Another 6 vehicles are on the production line. At this rate of production it is estimated that the task is likely to be completed by October, 1970.

D.A.D.S. has seen.

[Ministry of Defence U.O. No. 32(4) 70/D(Air-IV) dated 7-9-1970.]

Recommendation

This inordinate delay has been caused by lack of coordination at several stages. In the first place, it was decided that 81 of these vehicles should be obtained from the commercial sector and DGS&D were accordingly asked to take procurement action. But then the chassis required for the manufacture of these were not released, even though the Department was aware that it was not being made in the commercial sector. It was only in July, 1964 when the Defence Secretary was approached that these chassis were got released from the Army which was manufacturing them, but by that time, the DGS&D had returned the indents stating that no supplier was forthcoming. In this manner, the Department lost over three years.

[Sl. No. 70 (Para 3.14) of Appendix to 119th Report (4th Lok Sabha).]

Action taken

The above observation of the Public Accounts Committee is a statement of facts and has been noted.

[Ministry of Supply File No. 21(32)/70-PIII dated 15th January, 1971.]

Recommendation

The Committee also consider the period of nearly 6 months taken by Director General, India Supply Mission in finalising a contract for supply of equipment urgently needed by Air Headquarters after receipt of indent, as excessive. They feel that Director General, India Supply Mission has to streamline its procedures in order to attend expeditiously to defence requirements.

[S. No. 75 (Para No. 3.41) of Appendix to 119th Report (Fourth Lok Sabha).]

Action taken

Instructions have been issued (copy enclosed) to the India Supply Mission, London to adopt suitable norms for the expeditious disposal of indents.

DADS has seen.

[Ministry of Supply O.M. No. PII-8(5)/69, dated 30th November, 1970.]

To be transmitted through the Ministry of External Affairs (Telex Section).

TELEX STATE/XXF

INDIAMEN

LONDON

KOCHAR FROM DUBE

PII-8(5)/69 REFER DEMI-OFFICIAL PA/DDG/ISM/70/SB FEBRUARY SEVENTEENTH () THIS INDICATES THAT TIME TAKEN IN RESPECT OF THE THREE INDENTS WAS ON THE HIGH SIDE () THEREFORE ESSENTIAL THAT YOU ISSUE INSTRUCTIONS REGARDING EXPEDITIOUS DISPOSAL OF CASES () FOR GUIDELINES ISM WASHINGTON PRESCRIBE FROM TIME TO TIME SCHEDULES FOR DISPOSAL OF INDENTS AND INDENT ITEMS () SIMILAR ACTION MAY BE TAKEN BY YOU (i) *CONFIRM ACTION TAKEN AND ENDORSE COPIES OF INSTRUCTIONS ISSUED IN THIS REGARD () TELEX COMMENTS TODAY AS MATTER COMING UP BEFORE PAC ON TWENTYFIFTH INSTANT

SUPLYDEPTS

NOT TO BE TELEXED:

*Confirmed by ISM, London on 24-11-70.

Sd./- R. DAYAL

Deputy Secretary

19-11-70

Ministry of Supply,
New Delhi.

Recommendations

The Committee consider that it was not appropriate for the Air Force Authorities to have gone in without proper sanction for 72 acres of land for this project against the actual requirement of 45 acres. It has been stated that this was done to avoid subdivision of holdings, but if this were so, it is not clear how proposals for derequisitioning 32 acres have been approved by the Ministry of Defence. It is clear that land was obtained far in excess of requirements: there was also avoidable delay in working out the requirements as this process took about four years.

The Committee also suggest that in this particular case appropriate steps should be taken to make recoveries from the owners of the land who are stated to have occupied part of the land in an unauthorised manner. The matter may also be taken up with the civil authority as to why compensation was paid to them inspite of the fact that the Military Estates Officer had made a request that no payment should be made to the owners pending proper enquiry.

The Committee also note that stores worth Rs. 7 lakhs were collected for this project. But, as the execution of the project was delayed, Rs. 6.97 lakhs worth of stores had to be transferred to other projects and in that process Rs. 1.83 lakhs were spent on freight and other incidental charges. This expenditure of Rs. 1.83 lakhs could have been avoided, if the project had been properly planned and executed. Government should go into the question of delay in execution of the project and find out why a project conceived in February, 1964 could not be executed even by January, 1969."

{Serial Nos. 83, 85 and 86 (Para. Nos. 3.90, 3.92 & 3.93) of appendix to 119th Report (Fourth Lok Sabha).}

Action taken

It is correct that without proper sanction an extent of 72 acres of land as against requirement of a far less acreage was requisitioned. There has been delay in working out actual land requirements. However, working out the requirements for providing permanent bomb dump took time because of the changes in the Key Location Plan and the role of the station, changes in the stock holding plan and also changes in the bomb dump drawings. All this time, land was available for providing field storage facilities for bombs and ammunition in the event of an emergency. In view of the difficulties that had been experienced in acquiring land in the area and not knowing the actual area that would be required, it was not advisable to derequisition any portion of the requisitioned land until the requirement for permanent construction was firmed up.

2. In order to avoid recurrence of such instances in future, instructions were issued in June 1969 that land in excess of sanction should never be requisitioned. The requirements of land for the project have now been firmed up and the excess area of 32.26 acres has been derequisitioned.

3. The contents of the recommendation have been noted and State Govt. have been approached to make recoveries from the individuals concerned. Progress in this regard is being closely watched.

4. Stores collected for this project have been fully utilised by other projects. Even after adding freight and other incidental charges incurred in the process of transportation of the stores for other projects, the cost of steel so provided to the other projects works out slightly cheaper than what would have been paid, had purchases been made at the time the other projects were executed. Thus, the expenditure of Rs. 1.83 lakhs is not altogether infructuous.

5. DADS has seen.

[Ministry of Defence u.o. No. F. 2(14)/68/D(Air-II), dated 28th January 1971.]

Recommendation

This is yet another instance where land in excess of the actual requirement was not de-requisitioned in time with the result that there was unnecessary expenditure of Rs. 1.49 lakhs towards rental of the land. An inquiry held into the case disclosed that disciplinary action could not be taken against anyone as the concerned officer had retired. The Committee would like Government to take necessary steps in order that such cases do not recur in future. Assessment of the requirements of land should be done at the initial stage realistically so that it does not become necessary to de-requisition the land subsequently.

[Serial No. 87 (Para No. 3.98) of Appendix to 119th Report (Fourth Lok Sabha).]

Action taken

Air Headquarters have issued necessary instructions to their Commands to ensure that such cases do not occur in future and that Commands are to emphasise on all concerned that land acquired should be the minimum to avoid de-requisitioning subsequently. A copy of the instructions issued by Air HQ vide their No. Air HQ/36535/105/W (Policy), dated 22nd August, 1970 is enclosed. Government have also laid down guiding principles in 6/69 for requisitioning of land required for Defence purposes. These *inter alia* lay down that the competent administrative authorities empowered to accord sanction for requisition may do so only in connection with operations or other similar emergent needs which cannot be postponed and for which obtaining of Government sanction might delay matters to such an extent as to defeat the object in view. In all such cases a report should be sent to the Government within two months with detailed justification. In other cases where requisitioning of immovable property is desired to be resorted to, prior Government approval should be obtained.

2. D.A.D.S. has seen.

[Ministry of Defence U.O. No. 2(9)/68/D(Air-II), dated 23rd September 1970.]

TELEPHONE: 370231/369.

AIR HEADQUARTERS

New Delhi-11

22nd August, 1970.

Air HQ/37535/105/W(Policy)

Headquarters Western Air Command, IAF
 Headquarters Eastern Air Command, IAF
 Headquarters Central Air Command, IAF
 Headquarters Training Command, IAF
 Headquarters Maintenance Command, IAF

INFRUCTUOUS EXPENDITURE DUE TO DELAY IN RELEASE OF SURPLUS LAND

For construction of certain buildings at an airfield 813 acres of cultivable land were requisitioned at a station in January 1966 at an annual rental of Rs. 590 per acre. In April 1966 a Board of Officers convened to reassess the requirement of land recommended that 252 acres out of 813 acres already requisitioned be released. This Board also resited some of the buildings as a result of which another 121 acres of land had to be requisitioned. While the additional land was requisitioned in September, 1966, release of surplus land was approved by the Air Force Command Headquarters only in May, 1967 and the land was actually derequisitioned in September, 1967. The delay in release of the surplus land resulted in unnecessary expenditure of Rs. 1.49 lakhs (approximately) on payment of rental.

2. In order to ensure that such cases do not occur in future, Commands are to emphasise on all concerned that land acquired should be the minimum to avoid derequisitioning subsequently.

Sd/- M. M. ARORA,

Wg. Cdr.

*Dy. Director of A. F. Works
 Air Officer i/c Administration*

Copy to: —

DDWI

DDW.II

DDW.III

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES OF GOVERNMENT.

Recommendation

One point relating to the indigenous production of the ammunition calls for investigation. The first lot of ammunition is stated to have been produced "in early 1967" and "subjected to proof in April, 1967" when "dispersion in range and accuracy beyond Range Table Limits was observed". It is not clear why in the circumstances the bulk production of the ammunition was commenced in JUNE, 1967. The Committee would like this matter also to be covered in the course of investigations into this case which they have suggested earlier.

[Serial No. 14 (Para 1.114) of Appendix to 119th Report (1969-70).]

Action taken

The first lot of bombs from regular indigenous production was subjected to firing proof in April, 1967 when discrepancy in ranging of bombs was first observed. Since the indigenous bombs were produced by assembly of imported components, a comparative firing test was carried out with the imported Bombs in June, 1967. The performance of the indigenously produced bombs being found comparable with the performance of the imported ones, a clearance for indigenous production was given. That the imported ammunition itself was defective was established only later in January, 1968 after completion of exhaustive range and accuracy trials.

[Ministry of Defence F. 40 4 70 D(Projects), dated 23-11-70.]

Recommendation

The Committee also observe that in respect of the other component of the same weapon, the labour and material costs are higher in the Ordnance Factory than in the Company. The reasons for this should be investigated and steps taken to reduce these elements of costs.

[Serial No. 17 (Para 1.126) of Appendix to the 119th Report (4th Lok Sabha).]

Action taken

The matter has been examined.

The labour and material costs of the Ordnance Factory as quoted in the Audit Para for component 'A' are based on the Ordnance Factory's printed accounts pertaining to the year 1965-66. The Public Sector Company commenced supplies only from the last quarter of 1966. The labour and material costs of this component in the Ordnance Factory at this time (1966-67) was Rs. 6.95 and Rs. 9.65 respectively, as against the cost pertaining to the Public Sector Company quoted in the Audit Para of Rs. 7.43 and Rs. 12.20 respectively. It will be seen from the above that

the contemporaneous labour and material costs for the component 'A' in the Ordnance Factory were not higher than that of the Public Sector Company.

[Ministry of Defence O.M. No. F.1/14/70/D(Prod.), dated 27-11-70.]

Recommendation

The Committee note that the Defence Department continues to import forging for making crankshafts for Nissan vehicles, though facilities for the indigenous manufacture of these crankshafts have been set up. Indigenous manufacture was expected to commence in Ordnance Factories by June 1968, but this expectation has not materialised, due to the inability of Defence Production Department to locate reliable sources of supply for castings.

[Serial No. 26 (Para 1.175) of Appendix to 119th Report (4th Lok Sabha).]

Action taken

It may be clarified, what the DGOF is continuing to import is complete crankshaft as part of the CKD Packs and not the crankshaft forgings. 500 crankshaft forgings only were imported, pending materialisation of supplies from Messrs Bharat Forge, in order to establish the machining technique with the help of the available machines. However, supplies from Messrs. Bharat Forge of the requisite crankshaft forgings have also since started. These are being machined in various stages except for three operations for which machines are awaited from abroad. Complete crankshafts will be produced in Vehicle Factory, Jabalpur on receipt of these machines towards the end of 1970.

2. DADS has seen.

[Ministry of Defence F.40/2, 70/D(Projects), dated 23-9-70.]

Recommendation

The Committee have in paragraph 1.36 of their 104th Report (Fourth Lok Sabha) drawn attention to the existence of large unutilised capacity in the castings and forgings industry in the country. The Defence Department should, therefore, endeavour to tap this capacity, so that imports could be done away with. For this purpose, they should work out a programme of action in consultation with the Director General, Technical Development. Efforts should also be made to bring down the cost of indigenous forgings which are at present much costlier than imported ones.

The Committee observe that as much as 61% of the components of Nissan trucks are still imported. The Committee would, in this connection, like to draw attention to their observations in paragraph 1.39 of their Ninety-Ninth Report (Fourth Lok Sabha). A programme for accelerating the pace of import substitution should be quickly drawn up and implemented.

[Serial No. 27 (Para 1.176) of Appendix to 119th Report (4th Lok Sabha).]

Action taken

1. Messrs Bharat Forge are considered one of the leading producers of intricate forgings in the country. The initial tooling cost of Rs. 2 lakhs has increased the price per piece against the existing order. Further tooling charges would not be payable against future orders on this firm till the die life is exhausted. The cost of further supplies from Messrs. Bharat Forge is, therefore, expected to be less. The cost may also be expected to come down when the production of these forgings in India is fully stabilised on a bigger scale to meet the increased requirements of Vehicle Factory, Jabalpur in the coming years.

2. Sustained efforts are continuing with the help of Department of Defence Supplies for accelerating the pace of the import substitution. In this context, it may be mentioned that an indigenous content of 61 per cent has been achieved in the last batch of Nissan One Ton Vehicles produced during 1969-70 and thereafter.

3. DADS has seen.

[Ministry of Defence F.40/2/70/D(Projects), dated 24-9-70.]

Recommendation

The Committee regret to observe that though the MMTC had substantial stocks of zinc which they later sold to actual users at reduced prices; they did not meet the indents of the Ordnance factories for 1531 tonnes of Zinc. Consequently the Defence authorities were obliged to obtain their requirements through the open market at higher rates which resulted in an extra expenditure of Rs. 12.26 lakhs.

[Sl. No. 29 (Para 1.212) of Appendix to 119th Report (Fourth Lok Sabha).]

Action taken

The position in the matter is that immediately on receipt of instructions from Ministry of Mines & Metals contained in their letter No. 9(11)/MET/66, dated 26th December, 1966, sale notes were issued by the MMTC in favour of 5 ordnance factories for a total quantity of 1531 tonnes of zinc. The sale notes were issued on 3rd January, 1967 and as per the practice followed by MMTC, the sale notes were valid for a period of one month and the ordnance factories were requested to complete all the formalities within the validity period of the sale notes. One of the factories, i.e., Ordnance Factory, Ambernath, informed MMTC in their letter dated the 20th January, 1967 that they did not need 940 tonnes of the metal allocated to them. In order to assist the ordnance factories which wanted to purchase zinc from MMTC, extension in the validity period was given to Ordnance Cable Factory, Chandigarh, up to 28th February, 1967 and Ordnance Factory, Katri, up to 15th February, 1967. No request for extension was received from any other ordnance factories. The ordnance factories failed to complete necessary formalities within the validity/extended validity dates of the sale notes. MMTC could not afford to keep these quantities reserved for ordnance factories in view of its difficult inventory position entailing the blocking of Rs. 9 crores of the Corporation's funds on non-ferrous metals by the end of January, 1967. As a commercial organisation, MMTC had to ensure prompt liquidation

of the stocks to release blocked funds. With this in view, a decision was taken to offer stocks of zinc to all import licence holders against surrender of their import licences. The MMTC met the requirements to Government Departments, Public Sector Undertakings etc. as far as possible and out of the total sales made by MMTC, a quantity of 1892.18 MT was sold to Post & Telegraph Department, Railways and other Public Sector Undertakings.

[Ministry of Foreign Trade File No. 22(4)/70-ST, dated 20-3-71.]

Recommendation

The contention of the MMTC that they could not accommodate the Defence requirements as there had been delays of over a year on the part of the Defence authorities in lifting stocks against previous orders, does not bear close scrutiny. From the information in this regard furnished to them, the Committee observe that the Corporation were as much responsible as the Defence authorities for this situation. In respect of one sale note dated 20th November, 1965 for 6156 tonnes of Zinc, the material was tendered by the Corporation for inspection by the Defence authorities after about a year from the date the order was placed. In respect of another sale transaction concluded on the same day for 200 tonnes of zinc, the Corporation took six months to segregate the material for inspection. In regard to two other sale transactions agreed to in October, 1966 for 1200 tonnes and 589 tonnes, respectively, the stocks could not be lifted pending settlement of the price which took about ten months. After this issue was settled, there was further delay on the part of the Corporation in furnishing particulars required for issue of inspection notes. In fact, supplies were eventually made only against the sale note for 1200 tonnes and no material was tendered for inspection against the other sale note for 589 tonnes.

[Sl. No. 30 (Para 1.213) of Appendix to 119th Report (Fourth Lok Sabha).]

Action Taken

A sale note for 237.6516 M/T of zinc (and not 6516 tonnes of zinc as mentioned in the Report, which appears to be a printing error) was issued in favour of Ordnance Factory, Ambernath on the 20th November, 1965 on their Bombay godown. Another sale note on the same date was issued for 200 M/T of zinc in favour of Metal & Steel Factory, Ishapore on MMTC's Calcutta godown. Both the sale notes were initially valid till 14th January, 1966. However, the terms of the sale notes (which were the usual terms for supply) were not acceptable to the Defence Authorities, in as much as they did not agree to make 100 per cent payment before despatch of material to them. The payment procedure as also compliance of other terms and conditions were under discussion with the Defence Authorities and in the meanwhile, in order to keep the sale notes alive, the validity of the sale notes was extended, firstly upto 6-8-66 and later on upto 22-8-66. It was also indicated therein that no further extension might be possible. It may also be mentioned that the Defence Authorities insisted on pre-inspection of the material, stamping of slabs and drawal of samples which required special arrangements to be made. It was only in September, 1966 that an agreement was reached between the Corporation and the Defence Authorities regarding payment procedure according to which 100 per cent value of the material was to

be made by the allottee within five days from presentation of MMTC's invoice with inspection notes and proof of despatch. It was only after this that arrangement for lot-wise segregation of the material, physical inspection of the material by the inspectors from the Defence Department, drawing of samples etc. could be made.

Against sale note for 1200 MT of zinc issued on 27-10-66 inspection in respect of a quantity of 850 tonnes was made on 3-1-67 and inspection in respect of a quantity of 350 tonnes on 27-2-67. However, the inspection notes were received from the Defence Department only on 22-2-67 and 27-3-67 i.e. 4 to 6 weeks after the date of actual inspection.

Keeping in view the consideration that MMTC was to be out of metals trade and in view of liberal licensing policy of the Government, it could not, as a trading organization, afford to keep its funds blocked for a long period which was inevitable if the material was to be kept reserved for ordnance factories. A decision was, therefore, taken that wherever the inspection of the material had been carried out by the ordnance factories upto the end of February, 1967, the material will be kept reserved for them and the remaining material may be sold to other eligible units.

[Ministry of Foreign Trade File No. 22(4) 70-ST, dated 20-3-71].

Recommendation

Another point is that the MMTC quoted a provisional price of Rs. 3,050 per tonne to the Defence authorities (in the instant case) giving them a month's time to finalise the transaction. Yet when they decided later to sell the stocks at a concessional rate of Rs. 2,700 per tonne, neither the question of reducing the price quoted to the Defence authorities nor that of giving an adequate extension of the delivery period, was considered by the Corporation. The least that the Corporation could have done in the matter was to have contacted the liaison officer of the DGOF stationed in Delhi to settle these issues. This was all the more necessary as at the meeting of the Committee of Economic Secretaries held on 20th February, 1967, which the representative of the MMTC also attended, it had been decided that the date for lifting the accumulated stock with the MMTC should be extended upto 30th April, 1967. In the circumstances the MMTC could have easily accommodated the Defence authorities both in the matter of price as well as extension of dates for finalising the transactions.

[Sl. No. 31 (Para 1.214) of Appendix to 119th Report (Fourth Lok Sabha)].

Action taken

The sale notes issued in favour of five ordnance factories were at a price of Rs. 3,050 per tonne. This price was, however, clearly indicated in the sale notes as 'provisional price'. When it was decided to reduce the price to Rs. 2,700 per M/T with effect from 1st February, 1967 the Corporation issued public notices on 1st and 2nd February, 1967 which were published in the leading newspapers. Though the Corporation did not specifically intimate the reduction in price to the 5 ordnance factories in whose favour the sale notes were issued on 3-1-67, it was the clear intention not to charge more than the current ruling price. This would be evident from the fact that in respect of a sale note issued in favour

of Defence Department by MMTC in October, 1966 at a price of Rs. 3069 per M/T, the Corporation charged only the revised reduced price of Rs. 2700 per M/T from the Defence Department.

A copy of the minutes of the meeting held in the room of Secretary, Economic Affairs, on 20th February, 1967 to consider the outstanding problems arising out of the liberalised import of non-ferrous metals and non-canalization of such imports through MMTC is enclosed. The decision to extend the cut off date for lifting the stocks to 30th April, 1967 was only in respect of a quantity of 9971 M/T of copper which was in stock or expected to be received by MMTC upto 31-3-67. In fact, this position would be further clear from para 5 of the said minutes. The Corporation had represented "that their funds had been locked up in the stocks of copper and they were extremely short of funds. It was difficult for them to wait till the end of April for the disposal of their stocks and realization of their value". It was, therefore, decided in the meeting that the Corporation's financial difficulty could be met by advance to be given by Government Departments to the extent of Rs. 3 crores or so against the proposed allocations to them. A decision to extend the date upto 30th April, 1967 was, therefore, not applicable in the case of zinc, where the Corporation did not anticipate any difficulty in disposal of stocks.

It may also be added that in the same meeting held on 20-2-67, Secretary (Defence Production) stated that the Ministry of Defence had a policy of their own, regarding maintenance of stockpiles of strategic materials and, therefore, he did not consider it necessary for any other organisation like MMTC to maintain a reserve for purposes of Defence. Coming as it did, five days after the last date for lifting the stock by the Ordnance Factories, it was a clear confirmation to MMTC that there was nothing further to be done about non-lifting of the stocks. In the circumstances, it did not seem quite necessary for the MMTC to ask the Liaison Officer of the Ordnance Factory about the non-lifting of the stocks by these factories.

[Ministry of Foreign Trade File No. 22(4)/70-ST, dated 20-3-71].

Minutes of the Meeting held in the Room of Secretary, Economic Affairs, on 20-2-67, to consider the outstanding problems arising out of the Liberalised Import of Non-Ferrous Metals and Non-Canalisation of such Imports through MMTC.

The following were present:—

Ministry of Finance

- Shri S. Jagannathan, Secretary, Economic Affairs.
- Shri T. P. Singh, Secretary, Expenditure.
- Shri P. Govindan Nair, Secretary, Coordination.
- Shri H. N. Ray, Addl. Secretary, Expenditure.
- Shri S. K. Majumdar, Jt. Secretary, (I. & S. Div.).
- Shri C. S. Swaminathan, Jt. Secretary, Eco. Affairs.
- Shri R. K. A. Subrahmanya, Deputy Secretary.

Ministry of Defence

- Shri H. C. Sarin, Secretary, Defence Production.

Ministry of Supply, T.D. & M.P.

Shri K. Ram, Secretary.

Ministry of Mines & Metals

Shri N. C. Srivastava, Secretary.

Shri R. N. Vasudeva, Jt. Secretary.

Shri M. S. Bhatnagar, Under Secretary.

Ministry of Commerce

Shri P. C. Alexander, Jt. Secretary.

Dr. A. S. Sharma, General Manager, MMTC.

Shri P. N. Bhalla, F.A. & C.A.O., MMTC.

Shri K. N. Channa, Director, MMTC.

Ministry of Industry

Shri S. S. Marathe, Economic Adviser.

Department of Communications

Shri C. P. Vasudevan, Jt. Secretary.

Ministry of Railways

Shri D. U. Rao, Addl. Member, Finance.

The following problems were discussed:—

- (i) Whether there is need to maintain an emergency reserve copper and zinc any longer and if so, who should hold it;
- (ii) How should the stocks of copper and zinc built up by the MMTC be disposed of and at what price;
- (iii) Whether pending disposal of the stocks with MMTC further issue of actual user's licence should be suspended;
- (iv) What should be policy with respect to pricing of non-ferrous metals produced indigenously by different units, or imported.

Secretary, Defence Production, stated that the Ministry of Defence had a policy of their own regarding maintenance of stockpiles of strategic materials and, therefore, he did not consider it necessary for any other organisation like MMTC to maintain a reserve for purposes of Defence. The Ministry of Mines & Metals were also of the view that no reserve need be kept with the MMTC. It was accordingly agreed and decided that the reserves of copper and zinc built up by MMTC should be disposed of and further import of these metals by that Corporation for purposes of the emergency reserves should be stopped.

3. It was noted that the D.G.S.&D had an outstanding demand for in disposing of their stocks of zinc but they sought the assistance of Govt. for disposal of their stocks of copper.

2. The representatives of MMTC stated that they had no difficulty copper relating partly to the Ministry of Defence and partly to the Mints. Secretary, Defence Production, stated that he would have no objection to take over the stocks of MMTC to the extent of the pending demand for his Ministry provided there was a decision as to the price payable

therefor. The representative of the Department of Communications stated that the P.&T. Department required about 1000 tonnes of copper and Hindustan Cables possibly required about 3000 tonnes. The Railways too had a demand but it could be met out of a loan which had to be utilised before it lapsed in December, '67. It was recognised that since the stocks of copper with MMTC could not be utilised fully against the known requirements of Government departments and public sector undertakings, it would be necessary to allot a portion of the stocks against pending applications for import licences from the non-priority industries for which I.D.A. assistance was not available. The Economic Adviser to the Ministry of Industry pointed out that it would be difficult to deny import licences to such industries, particularly those in the small scale sector. It was, however, agreed that there should be no objection to meet the demand for such industries partly by allotment from stocks from the MMTC and partly by issue of import licences especially in view of the fact that there had been much delay in the issue of licences against their applications and supplies out of ready stocks should be welcome. It was accordingly decided that a quantity of 4000 tonnes of copper should be allotted to the non-priority and non-IDA aided industries in part satisfaction of their applications for import licences and the balance should be allocated to the various Govt. departments public sector undertakings in need of copper in the following manner:—

Total quantity of copper in stock with or expected to be received by MMTC upto 31-3-67—9971 M.Ts

Quantity earmarked for allotment to non-priority industries—4000 M.Ts.

Quantity to be allocated to Govt. Deptts. against the pending demand with the

D.G.S. & D.	3828 M.Ts.
P. & T.	1000 M.Ts.
Hindustan Cables	1142 M.Ts.

9971 M.Ts.

4. It was felt that as it would take some time for issuing the allotments and more time for the users to lift the stocks it would not be practicable to dispose of the stocks by 28-2-67 as suggested by the Corporation. It was decided that the out-of-date for lifting the stocks should be extended upto 30th April, 1967.

5. The representatives of the Corporation represented that their funds had been locked up in the stocks of copper and as they were extremely short of funds it was difficult for them to wait till the end of April for the disposal of their stocks and realisation of their value. It was agreed that the Corporation's financial difficulty could be met by advances to be given by Govt. Deptts. to the extent of Rs. 3 crores or so against the proposed allocations to them.

6. As regards price, Secy. Expenditure, observed that even the reduced price advertised by the Corporation was somewhat higher than the current world prices. The representatives of the Corporation explained that the purchases were made during the course of the year when there

were wide fluctuations on the L.M.E. Their revised prices represented their bare cost. They would suffer loss if they were to be reduced further. Secretary (E.A.) observed that the customer will have the advantage of ex-stock supplies to offset a somewhat higher price. It was decided that J.S. (I&S) should examine the detailed build up of the prices quoted by the Corporation and suggest fair prices payable therefor.

7. It was also agreed that it would not be practicable to have uniform prices for non-ferrous metals being procured from various sources and that no attempt need be made in that direction.

Recommendation

It would appear that the Defence authorities were on their part also lax in pursuing the matter even though they were experiencing "terrible" shortage of this critical metal at that time. The Committee find that two of the Ordnance Factories (Katni and Chandigarh), to whom some extension of delivery date was granted, failed to lift the supplies by the extended dates. A third factory (Ishapur) delayed the inspection till 15th March, 1967 by which time the stocks had been covered by sale to other eligible units. Another factory (Jabalpur), could not obtain the supplies for reasons which are yet to be explained to the Committee. Yet another factory (Ambarnath) initially declined the allocation made by the MMTC "due to a misapprehension". The Committee would like the Ministry of Defence to examine why the Ordnance Factories failed to take timely action on DGOF's letter dated 7th February, 1967 asking them to place orders immediately on the MMTC for the quantity of zinc ingots covered by their sale note of 3rd January, 1967. The Committee would also like it to be examined how shortages developed in respect of this critical item which is normally stockpiled by the Defence authorities.

[Sl. No. 33 (Para No. 1.216) of Appendix to 119th Report (4th Lok Sabha).]

Action taken

It is not correct that the Ordnance Factories were experiencing terrible shortage of this critical metal at that time. The Ordnance Factories have a well laid down provisioning procedure as per which regular six monthly reviews of the requirements for stores for the succeeding 24 months is conducted and procurement action is taken to cover the deficiencies revealed. The quantity of 1531 M/Ts of Zinc projected on the MMTC was the anticipated deficiency revealed as a result of such review against the production requirements to cover a period upto the end of June 68. Since the provisioning procedure was strictly followed, there was no danger of any serious shortage developing. Further, the Ordnance Factories also did hold an adequate stockpile of this critical item but this stockpile quantity was to be kept in reserve for use in the case of any emergency.

Out of the two factories to whom extension of Delivery Dates was granted, Ordnance Factories, Chandigarh placed their Supply Order on MMTC on 23.2.67, i.e., within the extended validity date of 22.8.67. Ordnance Factory, Katni placed their Supply Order on 15.2.67 which was the extended validity date. Ordnance Factory, Katni also took care to advise MMTC telephonically on 15.2.67 that their Supply Order was under issue. It may, however, be mentioned that MMTC's Telegram dated

10.2.70 granting extension of the validity date of the Sale Order in respect of O.F. Katni upto 15.2.67 was received in Ordnance Factory, Katni only on 13.2.70.

As regards the question of delay in inspection in respect of the third Factory (Metal & Steel Factory, Ishapore) MMTC advised the factory vide their letter No. MMTC/CA/NF12N/2/67 dated 25.2.67 to arrange inspection of the material. This letter was received in the Factory on 27.2.67. The inspection was to be conducted by the representative of the Chief Inspectorate of Metals who is an independent authority. After consulting the Chief Inspectorate of Metals, the Metal and Steel Factory, Ishapore requested MMTC under their letter No. 5397/13/SH/PR dated 10.3.67 to tender the material for inspection to the Chief Inspector of Metals, Ishapore. On 15.3.67, the representatives of the Chief Inspectorate of Metals named on the MMTC when they were told that the stock has been committed for sale to the other parties. As regards action taken by the Ordnance Factory, Ambarnath, to destine the allocation initially, this happened on account of certain mis-apprehension on the part of Factory and since the Factory was not fully aware of the correct position as regards now their requirements were being planned to be met by the DGOF. In fact, DGOF under his Telegram dated 9.2.67 addressed to MMTC advised MMTC not to take notice of the communication from the Ordnance Factory, Ambarnath intimating nil requirements.

As regards action taken by Gun Carriage Factory, Jabalpure on receipt of the instructions from the DGOF dated 7.2.67, the Factory placed their supply order on 22.3.67. This delay in placing the supply order was caused due to pressure of work in the Factory.

[Ministry of Defence u.o. No. F.1/14/70 D(Prod) dated 28-11-70.]

Recommendations

The Committee observe that the DGOF in this case placed an indent with the DGS&D in February, 1965 for supply of 14 tonnes of ferro-tungsten without making any provision for foreign exchange. The DGOF had been advised earlier by the CSIR that three firms in the country had been licensed by them to produce ferro-alloys but that this was with imported raw materials. The DGOF should have therefore obtained prior foreign exchange clearance before raising the indent on the DGS&D. The omission to do this and the time spent later in getting the foreign exchange release resulted in a situation where the original tenders lapsed. When fresh tenders were called and orders placed, Government had to pay Rs. 3 lakhs extra.

The Committee would like the Ministry of Defence to examine why the DGOF did not obtain prior foreign exchange release for this transaction in spite of the information received from the CSIR that the firms licensed by them for production of ferro-tungsten were dependent on supplies of raw material from overseas.

[SI No. 38, 39 (Paras 1.262 and 1.263) of Appendix to 119th Report (4th Lok Sabha).]

Action taken

The PAC has observed that before placing the Indent for 14 tonnes of Ferro-Tungsten on the DGS&D in February, 1965, DGOF should have

obtained prior foreign exchange clearance and the omission to do this on the part of the DGOF and the time spent later in getting the foreign exchange released resulted in a situation where the original tenders lapsed and consequently when fresh tenders were called for and orders were placed, Government had to pay Rs. 3 lakhs extra. The PAC has desired that the Ministry of Defence should examine why the DGOF did not obtain the prior foreign exchange release.

This matter has been examined. The reasons why DGOF did not obtain foreign exchange release in this case before placing indent on the DGS&D are as follows:

CSIR had indicated in their letter No. DCU/MML/63(C) dated 22.1.65 (copy enclosed) certain developments in regard to the indigenous manufacture of Ferro-Tungsten. They had specifically mentioned that of the three parties to whom the process developed by the National Metallurgical laboratory had been licensed, two firms had made sufficient progress for the production of different ferro-alloys and were taking action for procurement of different raw materials. It was also suggested in the above letter that the requirements of the DGOF could be met by any of the firms licensed by them, who were taking action themselves for importing the raw materials including Tungsten Concentrate through the State Trading Corporation. This clearly gave the impression that foreign exchange assistance was not required by the party, howsoever they were depending on supply of raw materials from overseas. Accordingly, DGOF placed the Indent on DGS&D and while doing so forwarded a copy of the CSIR letter referred to above for necessary action and guidance, since bulk procurement of ferro-alloys is not done by the DGOF direct but through the DGS&D.

Further at the time of placement of the Indent the amount of foreign exchange requirement, the purpose for which the foreign exchange would be utilised namely whether for importing raw material (Tungsten Concentrate) or the complete ferro-allows, were not known to the DGOF. In fact, DGS&D's letter No. SCA-1/1079/039-A II, dated 5.5.65 (copy enclosed) mentioned that one offer that was received from firm 'A' referred to in paragraph 1.253 of PAC's Report and who was one of the licensed parties, was for supply without foreign exchange which would show that prior release of foreign exchange was not essentially called for.

In the context of the above position there was no omission on the part of the DGOF in not obtaining prior foreign exchange clearance before raising the Indent on the DGS&D.

[Ministry of Defence F. No. 4/2/70/D(Prod) dated 5-10-70.]

COPY OF LETTER NO. DCU/NML/63(C) DATED JANUARY 22, 1965 FROM SHRI A. K. BOSE, DEFENCE CO-ORDINATION OFFICER, CSIR, NEW DELHI TO DR. V. RANGANATHAN, DEPUTY CHIEF SCIENTIST, R&D ORGANISATION, NEW DELHI.

I would like to invite your kind attention to Dr. JVS R Anjanevulu's D.O. letter No. 23A/0105/242 ESC/SA's Sectt, dated 15th December, 1964 informing us that the DGOF has agreed to place indents for their future requirement of ferro-tungsten on National Metallurgical Laboratory provided the laboratory would arrange for import of ore. In this connection I would like to bring to your kind notice that the process developed by

N.M.L. for production of ferro-alloys including ferro-tungsten by aluminothermic reactions has been licensed recently to three parties viz., (1) Messrs. Electrical Control Gear Manufacturing Co., Ahmedabad-1, (2) Messrs. R. Sen and Co., Calcutta, (3) Messrs. Sain Dass Kishen Chand Mehra, Amritsar. We understand that Messrs. R. Sen and Co., have made sufficient progress for the production of different ferro-alloys and are taking action for the procurement of different raw materials. It is felt that the requirements of DGOF can be met from any of the firms licenced by us who are taking action for importing raw-materials including tungsten concentrate, through the State Trading Corporation. Moreover, we have no foreign exchange to spare, for the import of tungsten concentrate and as such DGOF can be asked to contact these firms directly.

With kind regards.

No. SAC-1/1079/039-A/II
 GOVERNMENT OF INDIA
 DTE. GENL. OF SUPPLIES & DISPOSALS
 Parliament St., New Delhi,
 dated the 5th May, 1965.

To

The Director General,
 Ordnance Factories,
 6, Esplanade East,
 Calcutta.

ATTENTION: SHRI S. D. MALHOTRA

Please refer to your Indent No. OF/G-Z/9211-65/SP/I, dated 22/23rd Feb. 65 for supply of 14 tons of Ferro-Tungsten. An enquiry was issued to 64 firms including the three firms mentioned in the indent as likely source of supply. In response we have received only 5 offers including one from M/s R. Sen & Co., Calcutta who are one of the three firms mentioned in your indent. The other two firms mentioned in your indent have not furnished any quotation. They have again been asked to submit their quotations.

Out of the five offers received, 4 offers are for imported stores requiring foreign exchange. The only offer which does not require foreign exchange is from M/s R. Sen & Co., quoting Rs. 23,200/- per M/Ton FOR Calcutta for supply in 60 days from date of receipt of Wolframite from indigenous or imported sources. This firm has been asked to confirm that the stores offered by them are strictly to tender specification. In the letter enclosed with your office letter No. 9311/65/G-2/SP/I dt. 23rd Feb. 65 it was stated that no foreign exchange is available for the import of Ferro-Tungsten. The only offer received by us not requiring foreign exchange is from M/s R. Sen Co. at Rs. 23200 per M/Ton, as against the indent estimated rate of Rs. 13900/- per M/Ton. The only indigenous offer exceeds the estimated value by more than 66 2/3 per cent and I shall therefore, be glad if you please let me know whether additional funds are available if we decide to place an order on M/s R. Sen & Co.

Sd/- B. N. KHANNA,
 Director (Civil Armaments),
 for Director General of Supplies and Disposal.

Recommendation

The Committee observe that the DGOF in this case placed an indent with the DGS&D in February, 1965 for supply of 14 tonnes of ferro-tungsten without making any provision for foreign exchange. The DGOF had been advised earlier by the C.S.I.R. that three firms in the country had been licensed by them to produce ferro alloys but that this was with imported raw materials. The D.G.O.F. should have, therefore, obtained prior foreign exchange clearance before raising the indent on the D.G.S.&D. The omission to do this and the time spent later in getting the foreign exchange release resulted in a situation where the original tenders lapsed. When fresh tenders were called and orders placed, Government had to pay Rs. 3 lakhs extra.

[Sl. No. 38 (Para 1.262) of Appendix to 119th Report (Fourth Lok Sabha).]

Action taken

These Recommendations are intended for the Department of Defence Production who have since furnished their reply *vide* their O.M. No. 26(4)/70/D (PA) dated the 12th November, 70 (copy enclosed).

[Ministry of Supply O.M. No. P III-21(32)/70 dated 8-2-71.]

No. 26(4)/70/D(PA)

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

(DEPTT. OF DEFENCE PRODUCTION)

New Delhi, the 12th Nov. 1970.

OFFICE MEMORANDUM

SUBJECT:—Action taken on the recommendation contained in the 119th Report of the Public Accounts Committee (4th Lok Sabha) relating to the Ministry of Defence.

The undersigned is directed to refer to the Lok Sabha Secretariat O.M. No. 3/1/20/1/70/PAC, dated 1-9-1970, on the above subject and to forward herewith 40 copies of reply in respect of recommendations Nos. 38, 39 and 40 of the PAC's 119th Report, 1969-70 (4th Lok Sabha).

Sd/- SN KAPUR,
Section Officer.

To:

The Lok Sabha Sectt.,
Parliament House,
NEW DELHI.

Recommendation

Deficiencies in stock

(a) *Semi-finished garments in an Ordnance Factory*

The Committee note that the C.R.I. are investigating into the various lapses that occurred in an Ordnance Clothing Factory where a special stock

taking ordered by the DGOF in September, 1968 revealed a shortage of Rs. 2.62 lakhs worth of clothing material. The Committee trust that speedy action will be taken in the light of the findings of the C.B.I. to fix responsibility for the lapses noticed. The procedures should also be suitably tightened up with a view to ensuring strict control on stocks and periodical stock taking and reporting of the stock position to higher officers.

[Sl. No. 43 (Para No. 1.289) of Appendix to 119th Report (4th Lok Sabha)]

Action taken

The CBI has since completed their investigation. The findings of the CBI in this case were that no case of embezzlement of woollen cloth was revealed and no case could be made out against any of the officials. In the context of the above position, no disciplinary action has been initiated.

Addl. DGOF conducted an enquiry into the reported deficiency in stock. The findings of the enquiry were that the deficiencies had mainly occurred due to faulty procedure in that rejections in manufacture due to material defects, were not set off against "the flag allowance", viz., the extra material supplied free by the mills to cover material defects in supply. This lacuna has since been removed by issue of Government orders under Ministry of Defence letter No. 42/P/C/OEF/9017/67/D(Prod) dated the 13th August 69 (copy enclosed).

The question of regularisation of loss of the deficiencies is still under correspondence with CDA (Fys).

[Ministry of Defence, File No. 4 7 70/D(Prod) dated 22-11-70.]

No. 42/P/C(OEF)9017-69 D(Prod)

GOVERNMENT OF INDIA,

MINISTRY OF DEFENCE,

(DEPARTMENT OF DEFENCE, PRODUCTION),

New Delhi, the 13th August, 1969

To

The Addl. Director General, Ordnance Factories,
(O.E.F. Group),
44, Park Street,
Calcutta-16 (15 copies).

SUBJECT: —*Rejection in Ordnance Clothing and Parachute Factories.*
Sir,

I am directed to refer to M of D letter No. 15(8)/56/4709 D(Prod), dated 14-7-56 on the above subject and to state that considering the conditions peculiar to Ordnance Clothing and Parachute Factories, the President is pleased to decide on the following amendments in its application to these factories:—

- (i) The percentages for unavoidable rejections due to defect in manufacture will be provided in the estimates on the basis of past one year's rejections on this account.

- (ii) For rejections due to bad materials a system of issue of replacement warrants on an "as required basis" will be followed. For this purpose, the comparison will be made at the end of the year, between the total drawals of each type of materials on several replacement warrants for different garments using the same material, with the total drawals of the same material against the several manufacturing warrants in that particular financial year. If total drawals for replacement purposes are within *pro rata* 'flag allowance' available on the basis of total drawals of the material on the manufacturing warrants, then drawals on replacement warrants would need no regularisation.

2. The above instructions will come into force from 1-4-69 and will be reviewed after one year. Replacement of defective materials will be allowed in accordance with the above procedure. Replacement of defective material in respect of warrants outstanding on 31-3-69 will also be permitted in accordance with the above laid-down procedure.

3. Any subsidiary instructions considered necessary may be issued by you in consultation with Audit and Financial Authorities.

4. This issues with the concurrence of Ministry of Finance (Defence) *vide* DFA/Fys. u.o. No. 3322/IV/OF, dated 5-8-69.

Yours faithfully,

Sd/- D. R. IYER,

Under Secretary to the Govt. of India.

Copy forwarded to:—

The Financial Adviser,

Ministry of Finance (Defence) with reference to his u.o. No. 3322/IV/OF, dated 5-8-69 for communication to the Director of Audit, Defence Services and the Controller General of Audit, Defence Services and the Controller of Defence Accounts/Fys., Calcutta, and Assistant Audit Officer, Defence Services, Kanpur.

The DFA/Fys., Calcutta.

The DFA/B., New Delhi.

Recommendation

It is evident that the case was dealt with at all levels in the most routine fashion. The Committee would like Government to evolve a procedure to ensure that investigation in cases of this type are completed within a prescribed period, say six months, or so. Any delay would only make ascertainment of facts and establishment of guilt difficult.

[Sl. No 50 (Para No. 1.311) of Appendix to 119th Report (4th Lok Sabha)].

Action taken

On receipt of a complaint by Director General of Inspection in October, 1964. Investigation was carried out regarding the state of Accounts of Chief Inspectorate of General Stores, Kanpur which revealed an unsatisfactory state of accounts. Consequently, audit authorities were requested on 14-11-64 to carry out a detailed audit of Public and Regimental accounts for a period of 3 years beginning from September, 1961. Audit, however, agreed to carry out a cent per cent audit for a period of one year and to extend the scope of audit to 3 years, if required as a result of the audit for one year. The audit revealed a shortage of Rs. 17,500 in the public fund accounts and Rs. 600.65 in the regimental fund for the period February, 1961 to November, 1964. Audit Report on cent per cent audit of accounts for September, 1963 to November, 1964 was received on 15-2-65. The Administrative Officer and the Cashier of the unit who were serving during the period in question jointly volunteered in December, 1964 to recoup the financial deficiency on a month's notice. They were asked to do so by 5th January, 1965 without prejudice to legal or departmental action that might ultimately be decided upon. The individuals asked for extension of time limit and were informed on 7-8-65 to deposit the amount. However, no such amount was deposited by the individuals who on receipt of instructions that they should deposit the money without prejudice to the legal or departmental action, asked for setting aside this clause which was not agreed to.

In accordance with CVC directive every case in which a gazetted officer is involved is required to be submitted to CVC for guidance as to the manner in which it is to be dealt with. Although the audit report was still awaited, Commission's advice was sought in January, 1965. In January, 1965 CVC enquired whether the defalcation was reported to the local police. A report to the police could not be made since lodging of a formal report with the local police in the absence of the Audit Report was considered not in order. Further lodging of the report with the police would have resulted in impounding of all the documents which were necessary in carrying out the cent per cent check in progress to determine the actual loss. Further, question of taking departmental action, would also arise only when quantum of loss and responsibility there-of were determined. CVC however, directed in May, 1965 that the matter might be handed over to SPE for investigation. Accordingly it was done in June, 1965 and RC 25 65 was registered.

In January--March, 1966 SPE authorities asked for monthly statement of assets and liabilities to be prepared, to arrive at the exact amount of misappropriation so that the investigation be proceeded with. The recast account prepared by Administrative authorities were forwarded to CBI/SPE in July, 1967. Since the SPE would not be able to prosecute the delinquent officials in a court of law unless the balance sheet drawn up by the Administrative authorities was verified in Audit, DGI requested for the verification of the balance sheet drawn up by DGI Organisation. Since the verification of the balance sheet could not be arranged for one reason or other, SPE was advised to proceed with the investigation of case against the delinquent officials in the absence of verification of the deficiencies worked out by the Administration. The report of the SPE was received on 27-12-67.

Of the two delinquent officials involved in this case of embezzlement the Administrative Officer expired on 31-12-67 and the Cashier retired from service w.e.f. 31-5-66. The cashier was retired from service on attaining the age of 55 years after issue of 3 months' notice under the rules, in consultation with Ministry of Home Affairs (CBI), as it was considered that departmental action under Article 351A of CSR could be taken against him even after his retirement. This was done in the interest of State. The proceedings against the ex-cashier were finalised in July, 1970 with the issue of Govt. Order No. F. 13/10/Vig/65, dated 14-7-70 awarding the Penalty of withholding Permanently 50 per cent of his pension and the entire Death-cum-retirement gratuity which would otherwise be admissible to him.

PAC's Recommendations as regards the expeditious finalisation of investigation in cases of this type have been noted for guidance. The delay in finalising this case was on account of the circumstances detailed above. As regards expeditious investigation of cases of this type, orders are issued by the Ministry of Home Affairs from time to time for quick disposal of complaints and disciplinary cases. It may, however, not be always possible to complete investigation and action in respect of such cases within a prescribed period of six months or so as recommended by the PAC but all efforts will be made to ensure that such cases are finalised with the maximum expedition possible.

[Ministry of Defence File No. 1(20)/70-D(Prod), dated 21-11-70].

Recommendations

In the Committee's opinion, these two cases underscore the need for better co-ordination between the DGISM, London, and the Service Advisers to the High Commission in London in the matter of procurement of stores and equipment. In the first case, the Air Adviser was able to obtain cheaper rates from the RAF for stores for which DGISM had in the same month placed orders with the trade in U.K. In the second case, the DGISM was able to procure stores from the trade at rates below that at which they were ordered by the Air Adviser three months later. The overall difference in cost both the cases on the stores procured was Rs. 1.01 lakhs.

The Committee consider it essential that better coordination should be secured between them so that the rates paid by them for the same item do not vary. For this purpose, the Committee would like the following course of action to be adopted:

- (i) The indenting authorities in India should while raising indents on the Service Advisers as well as the ISM, indicate in each of the indents the prices previously paid for these stores procured through both the agencies.
- (ii) Copies of contracts placed by ISM in so far as they pertain to the requirements of the Services, should be endorsed to the Services Advisers and Vice versa so that each of these purchasing agencies would know what prices had been paid for common items of stores procured by them.

[Serial Nos. 73 and 74 (Paras 3.39 and 3.40) of Appendix to 119th Report (4th Lok Sabha).]

Action taken

The existing procedure provides that indents for stores of West European or American origin are to be sent to the Department of Supply who cross-mandate those items which cannot be purchased in India, to the DGISM London or the DGISM Washington. Indents of small value not exceeding Rs. 1,40,000 for aircraft spares and Rs. 35,000 for other stores are to be sent direct to ISM under advice to the Department of Supply. ISM, however, does not accept indents of low value and therefore indents costing less than £ 25 or equivalent are placed on the Air Adviser/Air Attache for procurement by local purchase.

2. At times situations arise when spares and equipment are required immediately to make an aircraft on ground serviceable, or to meet operational requirements; or to replenish stocks upto the approved minimum stock level. Indents for such immediate requirements are placed on the concerned Air Adviser/Air Attache for procurement by local purchase. In the case of urgent items which are not available from Trade sources in U.K. with the required expeditiousness, the Air Adviser in London approaches the Ministry of Defence (Royal Air Force) under an arrangement whereby they have agreed to supply out of their own stocks IAF's emergent requirements of equipment and spares in small quantities and that too only in those instances where the requirements cannot be obtained by the Air Adviser direct from the trade.

As explained by the representative of the Ministry of Defence before the Public Accounts Committee, the aforesaid arrangement is a special one to meet immediate requirements of the IAF in small quantities, and therefore, the Ministry of Defence, U.K. cannot be treated as a substitute source of supply for the trade. Moreover, the prices quoted by the RAF are fixed according to their rules and procedure and are not negotiable. In view of these considerations, it will not be appropriate to compare the prices quoted by the trade and the prices at which supplies are made by the RAF. It will also not be prudent to give an impression that we are trying to put the Ministry of Defence (RAF) in competition with the trade. In fact, the special arrangement with the Ministry of Defence (RAF) is subject to review by the RAF authorities. Therefore, if the U.K. Ministry of Defence get an impression that we are trying to get the items either from the trade or from them depending upon whose price is cheaper, the RAF may review the continuance of the special facility that has been extended to us. The Ministry would, therefore, submit that this aspect of the matter need not be pursued further. However, whenever emergent indents are placed on AA London, details of indents/contracts for the same items pending with ISM, if any, are invariably mentioned in the signal with the request that the AA should resort to local purchase only if the requirements cannot be met by ISM expeditiously from the existing dues in. Likewise the ISM London will be kept informed of any procurement done by AA London in respect of items for which indents are outstanding with ISM, so that the quantity of items to be contracted by ISM can be adjusted to the extent possible. In both cases, the last purchase prices paid for the items previously (if any) by ISM or the Service Adviser would also be made available to the Service Adviser or the ISM as the case may be

3.1. In regard to the Army, there is no special arrangement like the one existing on the Air Force side. The existing indenting procedure for imported stores on the Army side is indicated below:—

(a) *Spare for fire Control Instruments and Other Stores*

All indents costing upto Rs. 1,40,000 in respect of FCIs spares and upto Rs. 35,000 in respect of other stores will be placed by Army HQ Store Sections directly on the ISMs London/Washington for trade supply items and on the MA in UK for stores to be procured from UK Government.

(b) *MT Spares*

All indents valuing upto Rs. 1,40,000 in respect of AFV Spares and Rs. 35,000 in respect of other MT Spares required urgently for 'OPERATIONAL PURPOSES' i.e. required within a period of 3 months from the date of raising the indents, will be placed directly on ISMs LONDON/WASHINGTON for trade supply items and on MA in the UK for stores to be procured from UK Government.

(c) The MA in UK is empowered to made local purchase of stores against emergent demands upto the value of Rs. 10,000. All such emergent indents are placed directly on the MA.

(d) Indents other than those mentioned in sub paras (a), (b) and (c) above are placed on the Central Indent Section of DGS&D Organisation for cross-mandating them to ISMs LONDON/WASHINGTON for trade supply items and to MAs in UK/USA for items to be procured on Government to Government level.

(e) Last source of supply and the price are indicated on the indent form.

3.2. Existing instructions on the indents falling under the category (d) above provide that DGS&D should, while cross-mandating Ordnance indents, bear in mind that indents, procurement against which is to be arranged from UK Government, are addressed to MA in UK and those intended for trade supply items are sent to ISMs LONDON/WASHINGTON as the case may be. This is being done to avoid transfer of indents between ISMs and the MAs and thus avoid the resultant delays in procurement.

3.3. It will, therefore, be seen from the above that copies of indents intended for MA in UK are not being endorsed to ISM and vice-versa.

4. On the Navy side, the common user items which can be obtained ex-stock from the Ministry of Defence (Navy) U.K. are procured from them through the Naval Adviser, and the items which are not available with the Ministry of Defence (Navy) U.K., but otherwise available ex-trade are procured through the DG, ISM, London. On occasions when the items required urgently are not readily available with the Ministry of Defence (Navy) U.K., the procurement is arranged by local purchase through the Naval Adviser. In the case of procurement of such items ex-trade, care is taken to ensure that the same items are not already on order with the DG, ISM and, if on order with DG, ISM, the DG, ISM is

requested to expedite the supply of items, by air freighting them in view of the urgency of the requirements. The procurement activities of the Naval Adviser and the DG, ISM do not therefore overlap.

[Ministry of Defence u.o. No. 57(10)/70/D(Air-I), dated 28-11-1970.]

Recommendation

The Committee find that in both the cases mentioned in the Audit Paragraph the construction of residential accommodation at a cost of Rs. 18.01 lakhs preceded the construction of technical accommodation to be provided to the two units which were to have been positioned at these stations. The accommodation, has, however, not been utilised, as the units have not so far been stationed at these places. While delay in the positioning of units due to unforeseen circumstances is understandable, the construction of residential quarters before any provision has been made for technical accommodation for the units shows a deficiency in planning. The Committee would like to be informed when the decision not to set up the units was taken and whether at that time the feasibility of stopping further construction of accommodation was examined. The accommodation should also be transferred forthwith to other needy organisations, if there is no prospect of their use by the services.

[Serial No. 82 (Paras No. 3.82) of Appendix to 119th Report (Fourth Lok Sabha).]

Action taken

In the Government sanctions issued on 21st March 1964 and 20th May, 1964 for the provision of operational, technical and domestic accommodation at the stations, certain portion of the technical accommodation was marked "Provisional". This was done as the specifications in respect of the technical accommodation were to have been made available by the selected Contractor after final survey of the proposed sites had been completed. The date by which the specifications for the technical buildings would have been made available to Air HQ was therefore dependent on the selection of the Contractor and the finalisation of the survey of the proposed sites. This period prior to the commencement of the installation was expected to take about a year and hence the equipment required to be installed in the technical buildings was scheduled to commence in April, 1966. The design/approval for technical buildings and foundation by a foreign Government was to be finalised by March, 1965 but on account of certain slippage it was postponed to August, 1965. However, as a result of Indo-Pak episode in Kutch in April, 1965 and subsequent conflict in September, 1965, the position altogether changed and the foreign Government concerned suspended all military aid in September, 1965. Thus the supply of drawings/specifications/equipment for the technical accommodation in question were withheld along with other military supplies by the foreign Government. In view of this the units required for the purpose were not raised.

2. In pursuance of the sanctions mentioned above, the Engineers took in hand the construction of the accommodation for which no drawings/specifications were required to be furnished by the foreign Government concerned. By constructing the married accommodation

within the time available with them pending the receipt of drawings/specifications for the technical accommodation, the Engineers planned to make available residential accommodation, to the personnel who would have been required to be posted for installation etc. by the middle of 1966. The contract for 41 quarters was accepted on 21st December, 1964 and the work commenced on 16th January, 1965 while for 58 quarters tenders were accepted on 5th December, 1964 and the work commenced in the last week of December, 1964. Thus the Engineers had no inkling that such circumstances would develop only a few months later which would upset the entire programme.

3. In September, 1965, when the foreign Government concerned suspended the Military aid, the construction of residential accommodation had advanced to such a stage that the stopping of any further construction would have resulted in large scale infructuous expenditure. The obligations arising out of the contract would have had to be fulfilled in the eventuality of stoppage of construction which would have resulted in considerable loss to Government. Physical progress of the married accommodation in question in September, 1965 was as under: -

(i) 41 Quarters

Officers' quarters	...	...	...	...	74%
MWOs/WOs and Flt. Sgts quarters	...	...	...	...	20%
Sgts. quarters	...	...	...	...	35%
Cpls, AC's quarters	...	...	...	...	60%

(ii) 58 Quarters

Officers' quarters	...	...	...	...	31%
MWOs/WOs and Flt. Sgts quarters	...	...	...	...	31%
Sgts. quarters	...	...	...	...	51%
Cpls/ACs/servants' quarters	...	...	...	...	31%

All the 41 quarters at the first site mentioned above are in use of the Air Force. Out of 58 quarters at the second site, 45 are being utilised by IAF and possibilities are being explored to utilise the remaining ones.

4. The residential accommodation would be fully utilised for the purpose for which these were constructed. However, in the meantime, none of the quarters can be given to organisations not associated with the Defence Services as it would involve security risks.

5. D.A.D.S. has seen.

[Ministry of Defence U.O. No. F. 2(5)/68/D(Air-II) dated 5-1-1971.]

CHAPTER IV

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

Recommendation

Apart from lack of adequate know-how and various other procedural delays, an important factor which apparently retarded the progress of the production would appear to be the fact that cooperation from the foreign collaboration has not been so rapidly forthcoming. It was stated during evidence that at the initial stage "there was difficulty in getting all the drawings etc." from the collaborators and this, in turn, led to delay in procurement of plant and machinery needed for indigenous production. The Committee would like it to be impressed on the collaborators that the progress in production has not been satisfactory and that they have to share the responsibility for this state of affairs. For the future, Government should examine what safeguards should be built into collaboration agreements of this type, so that the collaborator gets a stake in ensuring that contemplated production schedules are achieved. Ultimately the solution to the problem lies in developing expertise in the country through intensified research and development effort.

[Serial No. 5 (Para 1.66) of Appendix to 119th Report (1969-70).]

Action taken

As regards the question of assigning responsibility to the licensor for any delay or shortfall in production, this would depend on the extent to which the Government are able to build in provisions to this effect in the agreement with the licensor. While specific cases are brought to their notice and discussions are held at even very high levels, it is not always possible to make an issue out of the delay or other difficulty before we ourselves have mastered the technique as it would make our own position vulnerable because, instead of joint investigation and remedial action, we will be getting entangled with legal and other issues. Such issues can be raised only where we have sufficient evidence that there has been an attitude of non-cooperation or adoption of dilatory tactics in respect of fulfilling any of the obligations in terms of the agreement. This has not been so in this case. It is noted that the ultimate solution to the problem lies in developing expertise in the country towards which efforts are constantly being made through various means including intensive training in the collaborator's works.

[Ministry of Defence File No. 5/2/70/D(Proj) dated 21-11-70.]

Recommendations

The Committee note that 3057 fuzes for this ammunition produced indigenously at a cost of Rs. 40,000 have turned out to be defective. Due to production not having been satisfactorily established Government have been forced to resort to import of fuzes. 60,000 numbers were

imported in 1964, 1,20,000 numbers in 1967 and an identical number in 1968.

It is a matter for concern to the Committee that it has not still been possible to identify the cause for failure of the indigenous fuzes. The matter needs to be pursued with the collaborator who should be asked to rectify the fuzes at his cost and reimburse Government for the losses sustained. The Committee would also like to be apprised of the steps taken to stabilise indigenous production at a satisfactory level, so that imports could be avoided. It seems particularly necessary to stop imports, as imported fuzes are stated to be costlier than indigenous fuzes.

[Serial Nos. 8 and 9 (Paras 1.69 and 1.70) of Appendix to 119th Report (4th Lok Sabha).]

Action taken

Even though 3,057 numbers of fuzes were rejected in proof out of about 80,000 numbers produced earlier, incidence of rejection in subsequent production has been rare and in fact out of about 2 lakh fuzes produced, there was no further rejection. As regards PAC's observation that the Collaborator should be asked to rectify the fuzes at his cost, this matter has been fully examined. It is felt that the loss of 3,057 numbers of fuzes in a total production of 80,000 fuzes may not be considered abnormal, particularly in the development stage. Further, the firm collaborated with us as and when required in terms of technical assistance for investigations and trials both at Ordnance Factory, Khamaria as well as at their works. There is, therefore, no reasonable ground for penalising the Collaborator on this account.

As regards stabilisation of indigenous production it may be stated that after acceptance of some dimensional tolerances by the Inspector based on the recommendations of the Factory, the position of manufacture has improved. Further following the investigations on empty fuzes' components, the Collaborators have made certain recommendations which are under implementation by the manufacturing factory. The Collaborators have also supplied the details for the mode of inspection. Perceptible improvement in production has since been observed in recent production by adopting the method recommended by the Collaborators. Some more data are yet to come from the Collaborators which are being progressed and it is expected that once all these are adopted in current production, indigenous production will be stabilised. Production is now going on at a steady rate of approximately 8,000 numbers per month of filled fuze.

As regards further imports of fuzes, recommendations of the PAC are noted. The question whether any further imports of fuzes will be required will be subjected to very careful consideration keeping in view the above recommendation, quantum of indigenous production of the fuzes, the anticipated production target of the ammunition and urgency of the requirements of the Services for the ammunition.

[Ministry of Defence F. No. 4/6/70/D(Prod) dated 22-11-70.]

Recommendation

The orders for the import of this ammunition valued at Rs. 7.22 crores were placed with the firm in September, 1966. The ammunition was "received in several lots on different dates" till, in February 1968, Government decided after testing the ammunition, that further imports should be stopped (after a little over, 54 per cent of the 'contracted' quantity of ammunition, had been delivered). The 'check-proof' on the ammunition are stated to have been carried out on different dates between June 1967 and June 1968, and their results to have become available between February 1968 and December 1968. The Committee would like the Government to investigate why the results of the check-proof became available so belatedly, and whether this delay made timely action for stoppage of further import impossible. It should also be investigated whether there was delay in starting the check proof immediately after the first consignment of imported ammunition was received.

[Serial No. 11 (Para 1.111) of Appendix to 119th Report (1969-70).]

Action taken

Samples for check proof were selected immediately on receipt of ammunition details from the consignee, C.A.D. Pulgaon. Intimation in respect of the first two consignments was received from the depot in May 1967 and the check-proof was carried out in June 1967. These dates would indicate that there was no delay in carrying out the check-proof. It may be mentioned here that the object of check-proof is to ensure that the ammunition received in India are (a) in serviceable condition (determined by firing a few samples picked up from different lots/boxes at random), (b) have not suffered any damage or deterioration during handling and transportation (determined by visual inspection), and (c) have the anticipated remaining storage life (determined by chemical examination of explosives after breaking down the ammunition). Samples for check-proof are drawn from a few representative lots only and sentence on the entire consignment is given based on the check-proof test results. Range and Accuracy Tests do not come under the purview of normal check-proof. It will be seen that the purpose and scope of check-proof is limited and it is not to be treated as acceptance proof which was carried out in this case by the supplier's Inspectors as provided in the contract.

During the check-proof carried out in June 1967, defects like short-ranging and blinds were observed. A re-proof was carried out in August 1967 when besides short-ranging rocket failures were also observed. It was then decided to carry out "Double Re-Proof" (i.e. with double the quantity of bombs for normal check-proof). This was completed in Dec. 67, when the pattern of defects was repeated. Such defects were not indicated either in the final inspection and in the proof reports received from suppliers or in the reports forwarded by our representative who attended the firing tests in as an observer. It was, therefore, decided to carry out comprehensive Range and Accuracy trials (which are normally carried out by the Research and Development Organisation as Evaluation tests before clearing the design). These trials were conducted in January 1968. The defects were confirmed in these trials. It will thus be seen that the results of the trials which formed the basis for taking up the matter with the suppliers became available only by February, 1968.

Merely on the basis of the first check-proof results carried out in June, 67, it would have been a premature action to attribute the failure to a design or manufacturing defect, more so when the check-proof results on the earlier consignment of 1962-63 had not indicated any defects.

[Ministry of Defence File No. 40 (4)/70/D(Projects), dated 23rd November, 1970.]

Recommendation

The Committee were also given to understand that the ammunition was tested before import and the inspection tests were carried out by the experts of a foreign country, when observers from our country were also present. It is not clear how the fact that ammunition was defective in the matter of dispersal as well as range escaped notice during this inspection. The Committee would like this aspect of the matter also to be thoroughly investigated.

The Committee would like to be apprised of the findings of the investigation into all the foregoing points.

[Serial No. 12 (Para 1.112) of Appendix to 119th Report (1969-70).]

Action taken

The final inspection and proof as received from the suppliers did not indicate any defects in the Bombs. A representative from our High Commission in London was present at the time of final proof firings carried out by the firm when defects like blinds, rocket failures did not occur. So far as wide dispersion in Range and Accuracy is concerned, it may be mentioned that the Range and Accuracy test of filled bombs were not carried out in the presence of our representative from the High Commission in London, being not part of the Final Acceptance test. Range and Accuracy test are comprehensive firing trials which are carried out only at the design evaluation stage. This involves firing of a large quantity of ammunition. The Range and accuracy tests, therefore, do not form a part of final acceptance tests for the normal out-turn lots.

[Ministry of Defence File No. 40/4/70/D(Projects), dated 23-11-70.]

Recommendation

The Committee are of the opinion that the Military Engineering Department accepted substandard work done by the contractors in respect of the runway as well as taxi-tracks. The representative of the Ministry of Defence stated that in the view of the Engineers, "it is really a tribute to the tenderer that in four months, he could finish a job of this magnitude". The engineers of the M.E. Department could not, in the circumstances of the case of expected to express a contrary view. In any case it is difficult to square this view with the findings of the user (the Air Force) who reported within four months of taking over the work that the condition of the air field "has given cause for concern" and raised "the vital question of safety of valuable aircraft and even more valuable pilots." Listing the defects found in both the taxi-tracks and the runway, the Air Force Wing pointed out they "have cracked at many places" creating "pot holes", "of $\frac{1}{2}$ " to 6" width which are a real danger to aircraft taxing, taking off or landing". The Wing reported that the pot holes "revealed that

the material can be easily scrapped with an ordinary sharp edge" "with some of the holes filled with just plain tar which is washed away in rains or melted with heat". It was also stated that no proper camber "had been provided on the runway", which was "water logged at many places" with the further possibility of this condition "aggravated with heavy rains". This, they pointed out "can lead to serious accidents" when aircraft takes-off on land.

It is also significant that laboratory analysis of certain samples of concrete used in the run way and taxi-tracks though carried out rather belatedly—disclosed that the concrete used was "leaner than specified in the contract". The Ministry of Defence have stated that the technical opinion is that such sample analysis carried out ex-post-facto cannot yield reliable results. However, the Committee find that a team of technical experts constituted by the Vigilance Commission to go into this question came to the conclusion that, while "complete reliance may not be placed on the result of chemical analysis" and "errors of 20 per cent—25 per cent on an average are not unlikely", these data could still provide "useful confirmatory evidence in cases where the strength or other properties of the mortar or concrete are found, on inspection and after carrying out other tests, below that generally expected". In any case, the fact remains that the Defence authorities have been obliged to carry out further works for improving the condition of the airfield at a cost of Rs. 65 lakhs. This constitutes as much as 43 per cent of the original cost of the work.

The Committee also feel that the designs for the work which were drawn up by the M.E.S. were defective. There was for instance an omission to provide adequate sub-soil drainage. The absence of this and "a proper camber" for the runway led to uneven settlement of the sub-soil, with all attendant consequences, such as water-logging, cracks etc.

In the light of the foregoing position, the Committee feel that the case needs to be re-investigated to ascertain whether under normal circumstances, a work of this kind would have deteriorated to the extent reported, unless it had not been satisfactorily executed. The question whether and to what extent the designs for the work were defective should be also examined in the course of this re-investigation. The Committee suggest that the re-investigation be done by an independent body of professional experts. Based on their findings, appropriate action should be taken.

One other aspect of the case calls for comment. Government apparently took an inordinately long time to finalise the preliminaries in connection with this work. Sometime in 1961, it was decided that the Services should be kept in a state of readiness and a list of 11 or 12 air-fields was drawn up, to be got ready by April, 1963. However, preliminary examination of the work in connection with this particular airfield was not completed till December, 1962/January, 1963 when the contracts were concluded. As against a period of one or two years that Government took to finalise the preliminaries in connection with the work, the contractors were given a period of 4/5 months for actual execution of the work. It should be examined why this situation arose, particularly in the execution of work that was considered of an emergent nature.

The Committee note that it may not be possible to proceed against the contractor who executed the work on the runway, as an arbitrator to whom the case was referred did not give a decision in favour of Government. The other case relating to the work on taxi-tracks is still stated

to be under arbitration. The Committee would like to be apprised of the outcome of the arbitration proceedings.

[Serial No. 76 to 81 (Paras 3.71 to 3.76) of Appendix to 119th Report (Fourth Lok Sabha).]

Action taken

The contracts entailed handling of approximately 30 lakhs cft of earthwork, 33 lakhs of cft. of stone aggregate, 16 lakhs cft. of sand, 33,000 tonnes of cement and thousands of labour in a difficult situation due to the remoteness and lack of resources at site. The airfield after completion continued to be used by Fighter aircraft from February, 1964 to March, 1966 and continues to be used regularly by Medium transport aircraft and sometimes by Heavy transport aircraft also.

According to the report of C.R.R.I., the cracks are not structural cracks and its existence works out to 1 crack per 14,000 sq. ft. of pavement. The rough edges and corner spalling could possibly be due to ideal finish not being obtained during execution and which was difficult to achieve when the work had to be carried out during night shifts also turning out Rs. 1.25 lakhs worth of work every day.

2. The concrete mix was required to give a crushing strength of 4,000 lbs. per sq. inch after 28 days. The average crushing strength as determined by C.R.R.I. came to 3,650 psi. (by the method adopted an error of 25% is possible). This result when corroborated by crushing strength determined by Schmidt's Hammer appear to be on low side as by the latter process the average strength has been found to be 4,350 psi. As regards the chemical tests of concrete which showed use of leaner mix, the Government referred the matter to other agencies namely the Central Public Works Department, Railways and the Central Water and Power Commission. The consensus was that at the present stage of knowledge, the validity of chemical analysis of cores of hardened concrete cannot be relied upon for determining the quality of cement used in particular mix.

3. As regards the design of the runway, there is no evidence to show that it was defective for the following reasons:—

- (a) The runway was designed to LCN 40. The actual value of LCN determined by C.R.R.I. at various spots on the runway varied from 47 to 60.
- (b) The concrete mix was required to give a crushing strength of 4,000 lbs. per sq. inch after 28 days. The crushing average strength as determined by C.R.R.I. came to 3,650 psi. (by the method adopted an error of 25% is possible). This result, when corroborated by crushing strength determined by Schmidt's Hammer appear to be on low side as by the latter process the average strength has been found to be 4,350 psi.

4. The sub-soil drainage was not provided because of technical reasons as brought out in the C.R.R.I. investigation report as under:—

- (a) Ground water table was very high and came almost upto sub-grade top in some portions during rainy season.
- (b) The sub-grade soil were silty clay of low permeability.

- (c) It was not practicable to provide an efficient sub-soil drainage under an existing pavement.

The engineering appreciation is that unevenness of slabs was not due to non-provision of sub-soil drainage but due to very high water table leading to differential settlement of soil. This even now cannot be ruled out for future.

5. The entire matter was first investigated by a joint team comprising a representative from Air HQ and E-in-C's Branch. The remedial measures suggested by the team were discussed among the representatives of the Air HQ, Ministry of Defence, E-in-C's Branch, C.P.W.D. and C.R.R.I. when it was decided to obtain a second opinion by sending a team from the C.R.R.I. The remedial measures suggested by the C.R.R.I. have been provided in the sanction issued by Government in December, 1968. The recommendation made at Serial No. 79 in 119th Report (4th Lok Sabha) has been noted and further action is being taken in this regard.

6. It is admitted that there has been some inadequacy in the supervision of the work. This was unavoidable as on account of sudden influx of new works under the Emergency Works Procedure. Due to a large number of priority works ordered it was not possible to re-adjust the staff from less important stations to urgent works within such a short time as allowed for completion of the airfield in question. Certain steps were taken to meet the sudden shortage of staff by enrolment of officers, promotion of suitable departmental candidates, employment from the Employment Exchanges etc. but this could not be effective within the period of construction of the airfield in question since the time was very short.

7. As regards delay in the finalisation of the preliminaries, it may be mentioned that sanction was accorded by HQ EAC in May, 1961 to execute certain works services at the airfield under operational and emergency works procedure. However, taking the deteriorating situation prevailing at that time, Air HQ decided to develop this airfield as a permanent base fit for use by modern jet aircraft. A Board was ordered which assembled on 14th March, 1962 and subsequent days. As it was decided to make this a permanent base, the technical, administrative and domestic requirements had to be gone into in detail and a master plan had to be prepared so that it did not require any revision and consequent infructuous expenditure. The Siting Board proceedings were finalised and the approximate estimates were prepared by the middle of September, 1962. The requirements of such a large magnitude had to be gone into in great detail. Considering the situation and the strategic importance of this airfield, it was decided that the works services for resurfacing, extension of runway etc. should be executed and completed at a very early date i.e. by April, 1963. The proposal was submitted to Government on 18th September, 1962 and the sanction was accorded in October, 1962. It will, therefore, be seen that the preliminaries of the work of this magnitude were completed within a year; the proposal was examined at Government level and sanction issued in 1½ months' time. As such, it is felt that the time spent in finalising the preliminaries was not inordinately long.

8. The second arbitration case has still not been finalised. On the retirement from service of the original arbitrator, another officer was appointed as arbitrator. The Contractor objected to this appointment and approached the Civil Court. The Court has decided that the appointment

of original arbitrator was according to law and he may continue as arbitrator in this case. In consultation with the Ministry of Law, an appeal has been filed with the High Court of Assam and Nagaland and the case is at present pending before the High Court.

9. D.A.D.S. has seen.

[Ministry of Defence u.o. No. Air HQ/36519/40/W.II/D(Air-II), dated 21-4-1971.]

Recommendation

The Committee have in their past reports repeatedly stressed the need for the Defence Authorities to undertake a periodical review of the position in regard to acquired lands so that those which are not required might be speedily disposed of. A reference in this connection is invited to the Committee's observations in paragraph 5.66 of their Sixty-Ninth Report (Fourth Lok Sabha). The Committee note from the replies furnished to them in this regard (*vide* page 132 of the Ninety-Ninth Report) that the review is still in progress. The work should be expeditiously completed.

[Serial No. 84 (Para 3.91) of Appendix to 119th Report (Fourth Lok Sabha).]

The review of the abandoned IAF airfields has been completed. Some of these abandoned airfields are required by Army, Navy and Air Force and they have been instructed to take over the airfields required by them immediately and ensure that there is no encroachment. As regards the remaining abandoned airfields, it has been decided that these should not be disposed of but should be retained for the future requirements of the Defence Services. It has further been decided that DML&C should take charge of all these airfields and arrange a survey to see (a) to what extent these abandoned airfields have been encroached upon and (b) to what extent the area at these abandoned airfields is still left unencroached.

2. As regards the other acquired lands held by the Air Force, the land is acquired on the basis of requirement assessed by a Board keeping in view the role of particular station. These land requirements are reviewed as and when there is a change in the role of any station.

[Ministry of Defence u.o. No. F.2(14)/68/D(Air-II), dated 24-11-1970.]

CHAPTER V

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

Recommendation

(iii) The factory produced the propellants in this case unnecessarily on a large scale (Rs. 9.29 lakhs). This was wasteful, considering that the propellant had not been proved by then. It should be ensured that, in future, items which are to be proved in technical trials are not produced in quantities in excess of these reasonably required for trial purposes.

(iv) The country is still dependant on imports for its critical requirements of special steels. The scope for establishing indigenous production of acceptable quality should be examined as a matter of priority by the Ministry of Defence in consultation with the DGTD. Any research support required for this purpose should be obtained from the C.S.I.R. or the Defence Research Laboratories.

[Sl. No. 25 (iii) and (iv) (Para 1.165) of Appendix to 119th Report (4th Lok Sabha).]

Action Taken

(iii) This Recommendation is still under examination in consultation with the technical authorities concerned.

(iv) Our technical experts have carried out detailed discussions with M/s HSL Rourkela who have indicated possibility of manufacture of the special type of steel required for the ammunition in question by M/s HSL Rourkela which would by and large, meet the specifications required. The matter is under examination in consultation with M/s HSL Rourkela and further progress in the matter will be intimated to the PAC.

[Ministry of Defence O.M. No. 4/4/70. D(Production) dt. 23-11-70.]

Recommendation

The Committee observe that a firm, on which orders were placed for soap-bars costing Rs. 13.18 lakhs, supplied material which was found on tests to be "significantly below standard". Investigations into the case by the Special Police Establishment revealed that "the firm had deliberately cheated Government by supplying sub-standard stores whose value was not even 50 per cent of the contract value" and that the officials who inspected the stores "accepted sub-standard stores from the firm". Disciplinary proceedings against the officials are stated to have been initiated and final action against the firm is awaiting the finalisation of the case in arbitration. The Committee would like to be apprised of further developments in this regard.

[Sl. No. 35 (Para 1.236) of Appendix to 119th Report (4th Lok Sabha).]

Action Taken

(i) Disciplinary proceedings are in progress. The delinquent officials have submitted their statements to the charges framed against each. Since they denied the charges, an enquiry has been ordered as per rules. The same is in progress.

(ii) The arbitration case is in progress. Public Accounts Committee would be kept informed of the progress.

[Ministry of Defence O.M. No. 1(24)/70/D(Prod.) dt. 23-11-70.]

Recommendation

The Committee observe that the firm which supplied sub-standard soap bars also supplied soft soap costing Rs. 1.01 lakhs which was found sub-standard. The sub-standard soap was accepted with a price reduction of 5 per cent, but after further storage, it was found that part of the supply had deteriorated, further investigations thereafter conducted by the special Police Establishment revealed that the officer, who inspected the stores before supply failed to draw samples properly or label the containers from which the samples were drawn. The committee have been informed that action has been initiated against the inspecting officer and that notice has been served against the firm for recovery of the sum of Rs. 19,257, for which a suit will be filed. The committee would like to be informed of further developments.

[Serial No. 37 (Para 1.249) of Appendix to 119th Report (4th Lok Sabha).]

Action Taken

The delinquent officer has since submitted his statement to the charges framed. Since he has denied the charges, an enquiry has been ordered which is in the process of finalisation.

2. Regarding recovery of the amount, action is being processed actively for filing a suit against the firm for recovery of damage. Public Accounts Committee will be kept informed of the developments.

3. D.A.D.S. has seen.

[Ministry of Defence F. No. 1(24)/70/D(Prod) dated 22-11-1970.]

Recommendations

The Committee note that a sum of Rs. 76,988 is recoverable from the contractors in these cases as a result of awards made in arbitration. The Committee would like to be apprised of the progress of recovery.

These sums have become recoverable due to the contractors having been overpaid for the work. Disciplinary action against the officers and staff is stated to have been initiated. The Committee would like them to be expeditiously finalised and results intimated.

[Sl. No. 64 and 65 (Paras 2.90 & 2.91) of Appendix to 119th Report (4th Lok Sabha)]

Action Taken

The above Recommendations deal with two cases of over-payment to the contractors due to over-assessment of value of works (a) contract for constructing buildings and (b) contract for provision of fencing. The position of recovery of the dues from the contractors in terms of the arbitration awards and of the disciplinary action against those considered responsible is indicated in the succeeding paras.

2. In so far as the recovery of dues amounting to Rs. 76,988/- from the contractors is concerned, the same is still outstanding as the Courts in which the awards were filed, have not so far passed decrees in terms of the awards.

3. As regards disciplinary aspect, the following officers have been held responsible in the case of the contract for constructing buildings:—

- (i) the then Garrison Engineer (Retired),
- (ii) the then Assistant Garrison Engineer.
- (iii) One Supdt. B/R Gde I (the then Offg. AGE).

As intimated earlier to the PAC, no departmental action could be taken against the Garrison Engineer as he retired from service on 19th July, 1969 before the Board proceedings finalised on 26-5-1969 were received in the Ministry on 15-12-1969 and the default occurred more than 4 years ago (vide Regulations 351-A of the Civil Service Regulations). However, the question whether his pension may be reduced on the ground that his service has not been thoroughly satisfactory is under consideration. As regards the Assistant Garrison Engineer, his defence statement to the show-cause notice issued by the Ministry, has been received and the matter is under examination. About Supdt. B/R Gde I, the disciplinary action against him has since been finalised by the Chief Engineer, and he has been awarded the penalty of 'Censure'.

4. In the case of contract for provision of fencing, the latest position of the disciplinary action against the officers and subordinates involved is as under:

<i>Officer/subordinate</i>	<i>Nature of disciplinary action taken or being taken</i>
(i) the then GE } (ii) the then AGE }	.. .. . The defence statements to the show cause notices issued to them have been received with the recommendation of the Army HQ and the matter is under examination by the Ministry.
(iii) One Surveyor Asstt. Gde. I	Recordable warning issued.
(iv) One Surveyor Asstt. Gdo. I	With-holding of increments for three years with non-cumulative effect.
(v) One Supdt. B/R Gde. II	With-holding of increments for three years with non-cumulative effect.

5. A further note will be sent to the PAC on the recovery of the dues from the contractors as well as on the disciplinary cases in due course.

6. DADS has seen.

[Ministry of Defence u.o. No. 2(5) 68 D(Works-II) dated 19-9-1970.]

Further Information

In continuation of this Ministry's u.o. No. 2(5)/68 D(W-II), dated 19-9-1970, forwarded to the Lok Sabha Secretariat under O.M. No. F.11(3)/70/D(Budget), dated 25-9-1970.

2. In so far as the recovery of dues amounting to Rs. 76,988/- from the contractors is concerned, the cases are still pending in the Courts.

3. As regards the disciplinary action in the case of contract for constructing buildings—

- (i) in respect of the then Garrison Engineer (Retd.), it has been decided after an assessment of his record of service and in consultation with the Central Vigilance Commission, to treat his entire service as satisfactory;
- (ii) in respect of the then Asstt. Garrison Engineer the disciplinary action is still under consideration.

4. As regard the disciplinary action in the case of contract for provision of fencing, in respect of the then Garrison Engineer and the then Asstt. Garrison Engineer, it has been decided to impose the penalty of reduction of their present pay by two stages in the time scale of pay for a period of two years with cumulative effect. Government orders to that effect have been issued on 21-11-1970.

5. A further note will be sent to the P.A.C. in due course in regard to (i) cases pending in the Courts, and (ii) the disciplinary action against the Asstt. Garrison Engineer, referred to in para 3(ii) above.

6. D.A.D.S. has seen.

[Ministry of Defence u.o. No. 2(5)/68/D(Works-II) dated 13th April, 1971.]

ERA SEZHIYAN,

Chairman,

Public Accounts Committee.

NEW DELHI:

August 31, 1971

Bhadra 9, 1893 (S)

APPENDIX

Summary of main Conclusions/Recommendations

Serial No	Part No. of Report	Ministry/Department concerned	Conclusions/Recommendations
1	2	3	4
1	1-4	Ministry of Defence	The committee hope that the final replies in respect of those recommendations to which only interim replies have so far been furnished, will be submitted to them expeditiously after getting them vetted by Audit.
2	1-8	Ministry of Defence	The Committee find that a production target of 8 units of the weapon per month which was originally scheduled to be achieved by November, 1967 is now expected to be reached only by 1973-74. The Committee are unhappy over retarded production of the weapon. They would like Government to take effective steps to accelerate the rate of production.
3	1-11	Ministry of Defence	The Committee feel that while Government may have reasons for not holding the collaborator responsible for the delay in production in this case, they should have a built-in safeguard in future collaboration agreements against possible delay and shortfall in production attributable to the collaborator. Accordingly they wish to reiterate that Government should examine forthwith what safeguards should be provided for in such agreements so that the collaborator gets a stake in ensuring that contemplated production targets are achieved according to the schedule. The Committee have pointed out the necessity of issuing instructions in this regard to all the ministries elsewhere in this report.

APPENDIX—*contd.*

1	2	3	4
4	1-14	Ministry of Defence	The Committee note that the incidence of rejection in subsequent production has been rare. They hope that shortcomings, if any, have been rectified and that there will be no further failure of the fuzes.
5	1-17	Ministry of Defence	The Committee note that so far only 5000 rounds have been rectified by the firm and that rectification of a further quantity of 19,904 rounds is in progress. They hope that rectification of the remaining quantity will be taken up early. The progress made in this regard may be intimated to them.
6	1-18	Ministry of Defence	The Committee would like Government to examine whether necessary safeguards could be provided for in agreements for large supply of ammunitions so that in case they were found defective on 'check-proof', the supplying firm would be responsible for replacing/rectifying them at their own cost. The Committee would, however, emphasize that the 'check-proof' should be carried out at the earliest opportunity.
7	1-19	Ministry of Defence	The Committee note that range and accuracy test do not form part of final acceptance tests. In view what has happened in this case the committee would suggest that suitable and adequate tests should be carried out before final acceptance, as procurement of defective ammunitions due to inadequacy of tests or otherwise not only entails financial loss but also endangers the safety of the nation.

- 8 1-22 Ministry of Defence The Committee desire that Government might also issue general instructions in this regard for future guidance of all the Ministries entering into agreements with foreign collaborators as this problem is likely to be encountered wherever foreign collaboration is sought for by Government.
- 9 1-25 Ministry of Foreign Trade/
 Ministry of Defence The Committee from the reply furnished by Government feel that the instructions issued were in general terms. In their opinion Government should lay down well-defined guidelines in detail covering matters of priority, delivery and pricing in respect of Government requirements, particularly that of Defence, to be followed by S.T.C. and M.M.T.C. They would, therefore, urge Government to issue comprehensive instructions on the subject and inform them.
- 10 1-28 Ministry of Defence The Committee note that "Special measures are being taken to supply the vital spares for the repair of the tractors". They wish this had been attended to early. They hope that with these measures the tractors will be repaired and put on the road soon. They would, however, like to be informed of the latest position regarding the supply of spares, repairs done and the number of tractors still off-road.
- 11 1-31 Ministry of Defence The Committee note that action is being taken by Government on their suggestion contained in paragraph 3-7 of the Hundred and Nineteenth Report (Fourth Lok Sabha). They would like the re-investigation to be conducted expeditiously and appropriate action taken on the findings.
- 12 1-32 Ministry of Defence As admittedly there has been inadequacy of supervision of work in this case, the committee hope that Government would in future take the elementary precaution of strengthening the supervision of emergent works to obviate the greater risk of substandard work being done on account of haste.
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APPENDIX—concl'd.

1	2	3	4
13	1-35 Ministry of Defence		The Committee are unable to accept Government's view with regard to retention of all surplus land against future requirements indefinitely and would like to stress that lands which are not required in the foreseeable future against specific projects should be disposed of as early as possible. This question should be gone into by a high level Committee.
14	1-36 Ministry of Defence		The Committee would further like Government to investigate as to why the construction of the bomb dump conceived in February, 1964 could not be taken up even by January, 1969.
