

**HUNDRED AND EIGHTY-NINTH
REPORT
PUBLIC ACCOUNTS COMMITTEE
(1983-84)**

(SEVENTH LOK SABHA)

**PROCUREMENT AND UTILISATION OF
10-TON CHASSIS AND VEHICLES
BUILT THEREON**

(MINISTRY OF DEFENCE)

[Action Taken on 139th Report (Seventh Lok Sabha)]



Presented to Lok Sabha on

Laid in Rajya Sabha on

**LOK SABHA SECRETARIAT
NEW DELHI**

March, 1984/ Chaitra, 1906 (Saka)

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PUBLIC ACCOUNTS COMMITTEE

(1983-84)

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INTRODUCTION

2. the Chairman of Public Accounts Committee as authorised by the Committee, do present in their behalf this 189th Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 139th Report (7th Lok Sabha) regarding Procurement and utilisation of 10-ton Chassis and Vehicles built thereon.

2. In their 139th Report, the Committee had viewed with concern the delay in the conclusion of contract for 200 chassis which had resulted in an infructuous expenditure of Rs. 235.32 lakhs in the procurement of these vehicles in so far as the chassis with existing specifications were procured at the rate of Rs. 2.45 lakhs (for 102 chassis) and Rs. 2.79 lakhs (for 98 chassis) per chassis against the rate of Rs. 1.44 lakhs prevailing at the time of placing the indent in July 1972. In their action taken note, the Ministry of Defence have stated that price of Rs. 1.44 lakhs indicated in the Ord Dte indent of July 1972 was the estimated price of GS Vehicle based on earlier procurement. As per price escalation clause the price of the GS Vehicle was revised four times. According to the Ministry of Defence as per the Ord Dte indent the order would have been placed by DGS&D by October, 1972 and the prevailing price at that time would be Rs. 1.72 lakhs. The Committee have observed that had the order been placed by October 1972 even at the then prevailing price of Rs. 1.72 lakhs, there would still have been a huge saving of about Rs. 74.46 lakhs in respect of 102 chassis with existing specifications and similar savings would also have resulted in the procurement of 98 other chassis. The Committee have recommended that suitable remedial steps should be taken to streamline the procedure for placement of such orders so that infructuous expenditure of this nature may be avoided in future.

3. In their earlier Report, the Committee had expressed concern that although the firm had failed to complete the fabrication work on the chassis of 10-ton vehicles and despite the shocking Report by the inspector about the work, the authorities did not cancel the contract immediately and the chassis were taken over from the firm after a lapse of another nine months. Even the security deposit was not taken from the firm. The Committee have now been informed that based on the findings

of the Team of Officers, the provision for security deposit has since been amended. The Committee have also been informed that delay in the recovery of the chassis from the firm took place because of the procedural formalities involved. The Committee have, in this Report, expressed surprise that even now Government have not taken necessary steps to streamline the procedure with a view to ensuring that the material could immediately be taken over from the firm on cancellation of orders and have recommended that the matter might be further examined with a view to streamlining the existing procedure and cutting down purposeless procedural formalities. The Committee have also expressed the hope that provisions/amendments relating to Security Deposit made as a result of findings of the Team of Officers would be followed meticulously both in letter and spirit.

4. The Committee considered and adopted the Report at their sitting held on 20 March, 1984.

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

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

NEW DELHI ;
March 22, 1984
Chaitra 2, 1906 (S)

SUNIL MAITRA,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

1.1 This Report of the Committee deals with the action taken by Government on the Committee's recommendations and observations contained in their 139th Report (Seventh Lok Sabha) on Paragraph 6 of the Report of Comptroller & Auditor General of India for the year 1980-81, Union Government (Defence Services) on Procurement and Utilisation of 10-Ton Chassis and Vehicles built thereon.

1.2 The 139th Report, which was presented to Lok Sabha on 22 April, 1983, contained 19 recommendations/observations. Action Taken Notes have been received in respect of all the recommendations/observations and have been categorised as follows :

(i) Recommendations and observations which have been accepted by Government :

Sl. Nos. 1, 2, 3, 7, 8, 9, 10, 11, 13, 14, 16, 17 and 18.

(ii) Recommendations and observations which the Committee do not desire to pursue in the light of the replies received from Government :

Sl. Nos. 4, 5, 6 and 12.

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

Sl. Nos. 15 and 19.

(iv) Recommendations and observations in respect of which Government have furnished interim replies :

—Nil—

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

Lapses in execution of an order for the fabrication of cabs and bodies on the chassis urgently required by the Army Headquarters.

(Sl. Nos. 7 to 11, Paragraphs 1.99 to 1.103.)

1.4 In paragraph 1.99 of their 139th Report, the Committee had observed :

“Consequent on the failure of M/s. Globe Motors Workshop, Faridabad to execute the contract, another contract was placed as late as in February 1975 on Free India Industries, Jullundur (Firm ‘D’) at a per unit rate of Rs. 10,250 which was much higher than the rates allowed to firms ‘B’ and ‘C’. According to the Ministry of Defence, the work was awarded to the firm, as their offer was the lowest at that time, and the firm had earlier successfully completed fabrication work on one-tonners. The Committee regret to note that in spite of a specific provision for security deposit at the rate of 2½ % of the contract value, the authorities chose not to obtain the same from the firm despite the fact that they had a bad experience with Globe Motors. The Committee would like to know whether there was any provision in the contract with the firm for getting the work done at the risk and cost of the firm in case of its failure to effect the supplies as per the terms of the contract and if so, why it was not enforced.”

1.5 In their action taken note dated 24 December, 1983 the Ministry of Defence have stated as follows :

“The position in respect of the provision relating to security deposit is explained in the Action Taken Note in respect of Sl. No. 11 Para 1.103. As regards the provision for cancellation of the contract at the risk and cost of the firm, it is seen that the contract was cancelled at the risk and cost of the firm in June, 78. However, no risk purchase action was resorted to apparently because the Army HQR’s, further requirement of these GS bodies”.

1.6. In paragraphs 1.100 and 1.101 of their 139th Report, the Committee had observed as follows :

“According to the contract, the firm was required to start bulk supply at the rate of 15 numbers per month commencing after 45 days of the grant of bulk production clearance. The prototype submitted by the firm in August, 1975 was approved by the Director General of Inspection in October, 1975 and consequently 30 chassis were issued in January 1976 to firm ‘D’ for

fabrication work. The Committee find that the firm miserably failed in the execution of the contract and not even a single built vehicle was delivered despite repeated extensions of time upto July 1976. Even as late as 20 November, 1976, it was noticed that cabs and bodies had been almost completed in case of only 3 vehicles, with certain modifications, partial work had been completed by the firm on 4 more vehicles and no work had been done on balance 23 chassis. The Committee are surprised to find that despite the shocking report by the Inspector about the work, the authorities did not cancel the contract immediately and take over all the 30 vehicles to get the work completed at the risk and expense of the firm as agreed to at the meeting held with the representative of the firm on 12 July, 1976. The contract with firm 'D' was finally cancelled as late as January 1977. Thereafter, the authorities did not take over the chassis immediately. This was done after another 9 months. The Committee are not satisfied with the argument advanced by the Ministry for their failure to recover the chassis in January 1977 that "Board was to be formed to go and see the conditions of the vehicles and then to take over. That process took some time". It is unfortunate that it took more than 8 months to set up a Board of Officers for re-assessing the condition of the chassis and that these were finally taken over in September, 1977. Certain deficiencies and damages costing Rs. 5,528 were assessed in respect of these chassis. No recovery could be effected. The firm even tampered with the pilot chassis kept with it, and the authorities took no action against the firm for this grave violation of the terms of contract.

1.101 Strangely enough, despite the reported sad experience with the firm in the execution of the contract the authorities partially reinstated the order in September 1977 to enable the firm to complete work on the remaining 10 partly built chassis. As the firm failed to complete the reinstated order also, the Department was left with no other alternative but to cancel the order in June 1978. Again, the authorities failed to recover the 10 partially built chassis from the firm immediately after the reinstated order was cancelled and allowed the chassis to deteriorate at the premises of the firm. Another Board of Officers convened to take over these chassis, reported in October 1979, that "all these chassis were lying in the open

with a large number of fitment items missing". The chassis were finally taken over in February 1980 with the help of civil police and municipal authorities. The Committee view with grave concern the irresponsible behaviour of the authorities in this case. The Committee also regret to note that the authorities have not so far been able to recover from the firm Rs. 0.48 lakhs on account of the cost of damages/deficiencies to these 10 chassis, as assessed in June, 1980".

1.7 In their action taken notes dated 24 December, 1983 the Ministry of Defence have stated as follows :

"The position is explained in Action Taken Note against Serial No. 11—Para 1.103".

1.7A In Paragraph 1.102 of their 139th Report, the Committee had recommended as follows :

"The Committee desire that a thorough enquiry should be instituted to go into the various acts of omission and commission particularly with regard to the following points :

- (i) whether proper procedures were followed in the selection of firms for fabrication of cabs and bodies ;
- (ii) why the specific provision for security deposit at the rate of 2-1/2% of the contract value was not enforced in case of firm 'D'.
- (iii) why the order with firm 'D' was reinstated partially in Sept. 1977 despite the failure of the firm to execute the order as per terms of the contract ; and
- (iv) why the chassis were not recovered from firm 'D' immediately after cancelling the order in January 1977 and why the 10 partly-built chassis were again not recovered from the firm in June 1978 when the partially reinstated order was also cancelled".

1.8 Action taken note dated, 24 December, 1983, submitted by the Ministry of Defence in respect of the above recommendation reads as follows :

“A Team of Officers was constituted to enquire into the various aspects as recommended by the PAC. The result of the enquiry is given in the Action Taken Note on para 1.103”.

1.9 In Paragraph 1.103 of their 139th Report, the Committee had recommended as follows :

“The Committee would like the matter to be gone into by a team of senior officers and their findings together with the action taken in pursuance thereof, reported to the Committee within six months. The Committee would also like to be apprised of the steps taken to recover the cost of damages/ deficiencies from the partners of the firm ‘L’, as the firm itself is reportedly not in existence now”.

1.10 In their action taken note dated 24 December, 1983, the Ministry of Defence have stated :

“As indicated, the matter has been gone into by a Team of Officers. Based on the Team Report, the views of the Ministry are as follows :

- (1) *Selection of firms.* The Ministry feels that due care was taken in the selection of firms in accordance with the procedure in force at that time. As indicated by the Team of Officers, there were no laid-down procedures in this regard. The matter has since been streamlined.**
- (2) *Security Deposit.* There was a provision for taking security deposit in the contract. This could not be enforced because the firm was not able to make bulk supply and submit the bills to the paying authority. The provision for security deposit in the contract. This could not be enforced because the firm was not able to make bulk supply and submit the bills to the paying authority. The provision for security deposit has since been amended and as per the new provision, the Government has the discretion to take the following action if the supplier fails to furnish the security deposit within the specified period :**

(a) to recover from the contractor the amount of such

security deposit by deducting the amount from any pending bills of the contractor ;

- (b) to cancel the contract or any part thereof and to authorise the purchase of stores at the risk and cost of the contractor.

(3) Why the order was partially reinstated in September 1977 ?

The position has been explained in the Report of the Team of Officers. The main reason for the reinstatement of the order was that the firm had already done some amount of fabrication on these chassis and had procured the necessary material for completing the fabrication work. Besides, a number of difficulties were anticipated in the removal of the chassis on which the part fabrication had been done. It was also felt that better co-operation will be forthcoming from the firm in removal of the remaining chassis if they were allowed to complete the work on the partially fabricated chassis.

(4) Why there was delay in the recovery of chassis from the firm ?

The delay took place because of the procedural formalities involved and the necessity of constituting a Team of Officers for this purpose.

(5) Steps taken to recover the cost of damages/deficiencies from the partners of the firm :

Efforts are continuing to locate the whereabouts of partners of the firm. In the meantime, it is proposed to seek legal advice as suggested in the Report".

1.11 In their earlier Report, the Committee had observed that consequent on the failure of M/s. Globe Motors Workshop, Faridabad to execute the contract for fabrication of bodies on 130 chassis despite the fact that the Army Headquarters had emphasized that "the requirement was of an operational nature and fabrication of bodies on at least 130 chassis had to be completed by September 1971.....", another contract was placed as late as in February 1975 on Free India Industries, Jullunder (Firm 'D') at a per unit value of Rs. 10,250 which was much higher than the rates allowed to firms 'B' and 'C' viz. at the per unit value of Rs. 9,530 and Rs. 8,050 respectively.

On approval of the prototype submitted by firm 'D' by the Director General of Inspection in October 1975, 30 chassis were issued to the firm in January, 1976 for fabrication work. Even as late as 20 November, 1976, it was noticed that cabs and bodies had been almost completed in case of only 3 vehicles, with certain modifications, partial work had been completed by the firm on 4 more vehicles and on work had been done on balance 23 chassis. The Committee were surprised to find that despite the shocking report by the Inspector about the work, the authorities did not cancel the contract immediately and the contract with the firm was finally cancelled as late as January 1977. The authorities took over the chassis from the firm after a lapse of another 9 months in September 1977. Certain deficiencies and damages costing Rs. 5,528 were assessed in respect of these chassis for which no recovery could be effected.

1.12 What was still more surprising was that despite the sad experience with the firm 'D' in the execution of the contract the authorities partially reinstated the order in September 1977 to enable the firm to complete the work on the remaining 10 partly built chassis. As the firm again failed to complete the reinstated order, this order had also to be cancelled in June 1978. Again the authorities failed to recover the partially built chassis till February 1980 and allowed them to deteriorate at the premises of the firm. The authorities had also failed to recover from the firm Rs. 0.48 lakh on account of the cost of damages/deficiencies to those 10 chassis. The Committee had recommended a thorough enquiry by a team of senior officers to go into the various acts of omission and commission in this case.

1.13 The Committee are concerned to note from the Report of the Team of Officers that there were no laid down procedures with regard to the selection of firms at the time the contract was awarded. According to the Ministry, the procedure has now been streamlined. The Ministry had also failed to obtain security deposit from the firm. The reason why the Ministry could not enforce this provision was that the firm was not able to make bulk supply and submit the bills to the paying authority. The Committee have been informed that based on the finding of the Team of Officers, the provision for

security deposit has since been amended and as per the new provision, Government would have the discretion to take following action if the supplier fails to furnish the security deposit within the specified period :

- (a) to recover from the contractor the amount of such security deposit by deducting the amount from any pending bills of the contractor ;
- (b) to cancel the contract or any part thereof and to authorise the purchase of stores at the risk and cost of the contractor.

The Committee hope that provisions/amendments made as a result of findings of the Team of Officers would be followed meticulously both in letter and spirit so that costly omissions as in the present case do not recur.

1.14 The Committee are not satisfied with the explanation of the Ministry that delay in the recovery of chassis from the firm took place because of the procedural formalities involved. As the Committee observe, strangely enough even now Government have not taken necessary steps to streamline the procedure in this regard with a view to ensuring that the material could immediately be taken over from the firms on cancellation of such orders rather than allowing it to deteriorate at the premises of the firm. The Committee recommend that the matter may be examined further with a view to streamlining the existing procedure in this respect and cutting down purposeless procedural formalities.

1.15. The Committee are concerned that the authorities have not thus far been able to recover from that firm Rs. 0.48 lakh on account of the cost of damages/deficiencies to 10 chassis. The reply of the Ministry that efforts are continuing to locate the whereabouts of partners of the firm is a sad commentary on the manner in which the Ministry had watched the financial interests of Government. The Committee recommend that immediate steps should be taken to recover this long outstanding public money from the firm.

Infructuous expenditure incurred on the procurement of 10-tonne vehicles for tractor role

(Serial No. 15-Paragraph 1.107)

1.16 Commenting upon the infructuous expenditure incurred on the procurement of 10-tonne vehicles for tractor role, the Committee had in Paragraph 1.107 of their 139th Report, recommended as follows :

“So, far as induction of 10-tonne vehicles for tractor role (towing of trailers) is concerned, the Committee find that a provision review carried out in October 1971 revealed a deficiency of 462 vehicles. According to the indent placed by the Director of Ordnance Services in July 1972 on DGS&D for 400 number of 10-tonne chassis, these chassis were required to be supplied during 1973-74 and 1974-75 at the rate of 200 numbers per year and were to conform to a particular specification. The Committee are perturbed to find that the revised specifications could be finalized only in January 1974, i.e. after a delay of about 1-1/2 years. It was only in July 1975 that the DGS&D could conclude a contract with Firm ‘A’ for 200 chassis and that too with existing/specifications. The Committee are not convinced with the argument that “repetitive amendments to the specifications were necessitated by the changes brought about in the vehicle by the firm viz. M/s. Ashok Leyland and the advice given by the Research and Development Organisation on various issues”. The Committee view with concern that the delay resulted in an infructuous expenditure of Rs. 235.32 lakhs in the procurement of these 200 vehicles in so far as the chassis with/existing specifications were procured at the rate of Rs. 2.45 lakhs (for 102 chassis) and Rs. 2.79 lakhs (for 98 chassis) per chassis against the rate of Rs. 1.44 lakhs prevailing at the time of placing an indent in July 1972. Had the authorities been vigilant enough, this expenditure could be avoided”

1.17 In their action taken note dated 24.12.83. the Ministry of Defence have stated :

“As stated in Para 1.78 of the PAC Report, the period of 1½ years (from June 1972 to Jan, 1974) was in fact

the time taken by the R&D mainly for selection, development and installation of winch. By doing so, they not only provided the Army with a suitable vehicle required by them for Tractor Role but also saved foreign exchange by way of utilisation of Winches lying surplus in the Army stock.

It is seen from the records that A/T No. SV-7 101/77/080/1.5.70/197/1107 dated 30.7.71 for Leyland Hippo 10 Tonne GS Chassis qty 450 was operative on the same firm from 31.7.71 to 28.2.75. Due to their limited capacity, labour problem and lock out the firm was not able to meet the delivery schedule and asked for extension twice. The vehicles for GS role as well as Tractor Role being almost similar, the firm would not have been able to supply additional vehicles even in a fresh order for supply of Tractor Role vehicle which was placed in July 1972. It may also be submitted that M/s Ashok Leyland was the only source for supply of subject vehicles.

It may, therefore, not be correct to say that the delay in placing the order by DGS&D has resulted in infructuous expenditure to the State.

As regards the price variation it is submitted that price of Rs. 1.44 lakh indicated in the Ord Dte indent of July 72 was the estimated price of GS Vehicle based on earlier procurement. As per price escalation clause of the A/T No. SV-7/101/77/080/1.5.70/197/1107 date 30.7.71, the price of the GS Vehicle was revised four times. It would, therefore, not be correct to indicated the price of the vehicle as Rs. 1.44 lakh. As per the Ord Dte indent the order would have been placed by DGS&D by Oct. 1972 and the prevailing price at that time would be Rs. 1.72 lakhs as indicated in Appendix 'A' (Not enclosed)."

1.18 In their earlier Report, the Committee had viewed with concern the delay in the conclusion of contract for 200 chassis which had resulted in an infructuous expenditure of Rs. 235.32 lakhs in the procurement of these vehicles in so far as the chassis with existing specifications were procured at the rate of Rs. 2.45

lakhs (for 102 chassis) and Rs. 2.79 lakhs (for 98 chassis) per chassis against the rate of Rs. 1.44 lakhs prevailing at the time of placing the indent in July 1972. In their action taken note, the Ministry of Defence have stated that price of Rs. 1.44 lakhs indicated in the Ord Dte indent of July 1972 was the estimated price of GS Vehicle based on earlier procurement. As per price escalation clause of the A/T No. SV—7/101/77/080/1.5.70/197/1107 dated 30-7-1971, the price of the GS Vehicle was revised four times. According to the Ministry of Defence as per the Ord Dte indent the order would have been placed by DGS & D by October, 1972 and the prevailing price at that time would be Rs. 1.72 lakhs. The Committee note that had the order been placed by October 1972 even at the then prevailing price of Rs. 1.72 lakhs, there would still have been a huge saving of about Rs. 74.46 lakhs in respect of 102 chassis with existing specifications and similar savings would also have resulted in the procurement of 98 other chassis. The Committee need hardly reiterate that had the authorities been vigilant enough, this infructuous expenditure could have been avoided. The Committee recommend that suitable remedial steps should be taken to streamline the procedure for placement of such orders so that infructuous expenditure of this nature may be avoided in future.

Injudicious procurement of vehicles

(S. N. 19—Para 1.111)

1.19 Commenting upon the injudicious procurement of 10-tonne vehicles, the Committee had in Paragraph 1.111, of their 139th Report recommended as follows :

“The Committee thus observe that 310—10 tonne vehicles of which 183 were procured for General service role and 127 for tractor role at a cost of Rs. 700 lakhs have become surplus to requirements and are being used for purposes other than for which they were procured just to utilise them somehow. In addition, expenditure to the tune of Rs. 2.52 lakhs incurred on freight charges for backloading 67 chassis has become infructuous. The Committee are, therefore, led to the conclusion that the decision to go in for large scale acquisition of 10-tonne vehicles in the face of adverse reports from the field as to their utility in an operational environment, was totally ill-conceived. It is highly regrettable

that such carelessness should be shown in planning the replacement of equipment for Defence Forces when Parliament is quite generous in granting funds for Defence expenditure. The Committee trust that this case would act as an eye opener and that proper lessons would be drawn at the Ministerial level from the experience so that the nation's precious resources are not frittered away on such schemes in the guise of meeting urgent/operational requirements of the armed forces".

1.20—1.21 In their action taken note dated 24-12-83, the Ministry of Defence have stated :

"Noted for future guidance".

1.22 In their earlier Report, the Committee had observed that 310—10 tonne vehicles of which 183 were procured for general service role and 127 for tractor role at a cost of Rs. 700 lakhs had become surplus to requirements and were being used for purposes other than for which they were procured just to utilise them somehow. In addition, expenditure to the tune of Rs. 2.52 lakhs incurred in freight charges for backloading 67 chassis had become infructuous. The Committee had recommended that this case should act as an eye opener and that proper lessons should be drawn at the Ministerial level from this experience so that the nation's precious resources were not frittered away in such schemes in the guise of meeting urgent/operational requirements of the Armed Forces. The Committee are not satisfied with the casual and vague reply of the Ministry to the effect that the recommendation has been "Noted for future guidance". The Committee would like the Ministry to precisely intimate the details of the lessons drawn from this case and the specific procedural improvements effected in order to guard against the recurrence of such lapses in future.

CHAPTER II

RECOMMENDATIONS AND OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

As early as 1964, the Army Headquarters mooted a proposal for induction of heavier 10-tonne vehicles for General Services role in the transport companies of the Army Service Corps and for tractor role for towing of 20-tonne trailers as against 3-tonners then in use in forward areas. User trials carried out in 1967 indicated that though the 10-tonne vehicle was suitable for employment as 'third line transport' over metalled roads, it did not have the requisite cross country mobility to operate in forward areas. The proposal was however justified on the ground that there were far too many lighter vehicles in the forward areas, which were targets to the enemy forces and it was necessary to reduce the number by replacing them with higher carrying capacity vehicles. Moreover, raising of additional 3-tonne platoons would have involved large increase in manpower. The Army Headquarters recommended (August, 1968) to the Ministry the raising of 8×10 tonne platoons in order to make up the deficiency of 24×3 tonne platoons for General Services role for reasons of cost effectiveness and "assured availability of 200×10 tonne vehicles within a time frame of six months". In October 1968, the Ministry of Defence sanctioned the raising of two 10-tonne transport companies to relieve proportionate number of 3-tonne transport companies for employment in forward areas. The raising of the first company was to be completed during 1968-69 and that of the second company during 1968-70.

[Sl. No. 1 (Para 1.93) of Appendix to 139th Report of the PAC (Seventh Lok Sabha)]

Action Taken

This is a statement of facts and does not call for any action.
[Ministry of Defence O. M. No. 12 (2)/83/D (O.I) dated 24-12-83.]

Recommendation

Consequent to the provision reviews carried out by the Director of Ordnance Services at the Army Headquarters during 1969

and 1970, 680 numbers (including 330 numbers for 2 new transport companies) of 10-tonne vehicles were found deficient for General Services role. Accordingly, three indents for procurement of the same were placed on DGS & D during May 1969—May 1970.

[Sl. No. 2 (Para 1.94) of Appendix to 139th Report of the PAC
(Seventh Lok Sabha)]

Action Taken

This is a statement of facts and does not call for any action.

[Ministry of Defence u. o. No. 12 (2)/83/D (O. I) dated 23-12-84.]

Recommendation

The Committee find that raising of the second company was cancelled on 29 January 1976 as it came to be realized that the 10-tonne vehicle was not suitable for deployment in forward areas during operations. Considering the fact that the user trials carried out in 1967 had clearly established that the vehicle was not suitable for cross country operations, the Committee are of the view that the Ministry of Defence/Army Headquarters should have proceeded in the matter of augmenting the fleet of these vehicles with utmost caution. The Defence Secretary informed the Committee in evidence that "they went on trying it in different areas. In the desert, it was not found successful. The area where this was not proving successful, was getting larger. Later on, based on the total roles discovered, I get a feeling that they decided that it was not a very successful vehicle and therefore in 1976, they decided to limit it to one transport company. It is obvious that the authorities did not care to re-assess the utility of the vehicles at the time of the provision reviews of 1969 and 1970 or immediately thereafter even while the field trials were consistently discouraging. That the decision to cancel the order for raising the second company was taken after as many as 6 years, is a sad reflection on the working of the Army Headquarters. The Committee cannot but take a serious view of this lapse on the part of the authorities since this resulted in considerable amount of infructuous expenditure as would be seen from the succeeding paragraphs.

[Sl. No. 3 (Para 1.95) of Appendix to 139th Report of the PAC (Seventh Lok Sabha)]

Action Taken

Noted for future guidance.

[Ministry of Defence O. M. No. 12 (2)/83/D (O. I) dated 24.12.83]

Recommendation

Consequent on the failure of M/s. Globe Motors Workshop, Faridabad to execute the contract, another contract was placed as late as in February 1975 on Free India Industries, Jullundur (Firm 'D') at a per unit rate of Rs. 10,250 which was much higher than the rates allowed to firms 'B' and 'C'. According to the Ministry of Defence, the work was awarded to the firm, as their offer was the lowest at that time, and the firm had earlier successfully completed fabrication work on one-tonners. The Committee regret to note that in spite of a specific provision for security deposit at the rate of 2½% of the contract value, the authorities chose not to obtain the same from the firm despite the fact that they had a bad experience with Globe Motors. The Committee would like to know whether there was any provision in the contract with the firm for getting the work done at the risk and cost of the firm in case of its failure to effect the supplies as per the terms of the contract and if so, why it was not enforced.

[Sl. No. 7 (Para 1.99) of Appendix to 139th Report of the PAC (Seventh Lok Sabha)]

Action Taken

The position in respect of the provision relating to security deposit is explained in the Action Taken Note in respect of Sl. No. 11—Para 1.103. As regards the provision for cancellation of the contract at the risk and cost of the firm, it is seen that the contract was cancelled at the risk and cost of the firm in June '78. However, no risk purchase action was resorted to apparently because the Army HQrs. had by then indicated that there was no further requirement of these GS bodies.

[Ministry of Defence O. M. No. 12(2)/83/D (O. I) dated 24.12.83]

Recommendation

According to the contract, the firm was required to start bulk supply at the rate of 15 numbers per month commencing after 45 days of the grant of bulk production clearance. The prototype submitted by the firm in August, 1975 was approved by the Director General of Inspection in October, 1975 and consequently 30 chassis were issued in January 1976 to firm 'D' for fabrication work. The Committee find that the firm miserably failed in the execution of the contract and not even a single built vehicle was delivered despite repeated extensions of time upto July 1976. Even as late as 20 November, 1976, it was noticed that cabs and bodies

had been almost completed in case of only 3 vehicles, with certain modifications, partial work had been completed by the firm on 4 more vehicles and no work had been done on balance 23 chassis. The Committee are surprised to find that despite the shocking report by the Inspector about the work, the authorities did not cancel the contract immediately and take over all the 30 vehicles to get the work completed at the risk and expense of the firm as agreed to at the meeting held with the representative of the firm on 12 July, 1976. The contract with firm 'D' was finally cancelled as late as January 1977. Thereafter, the authorities did not take over the chassis immediately. This was done after another 9 months. The Committee are not satisfied with the argument advanced by the Ministry for their failure to recover the chassis in January 1977 that "Board was to be formed to go and see the conditions of the vehicles and then to take over. That process took some time". It is unfortunate that it took more than 8 months to set up a Board of Officers for re-assessing the condition of the chassis and that these were finally taken over in September, 1977. Certain deficiencies and damages costing Rs. 5,528 were assessed in respect of these chassis. No recovery could be effected. The firm even tampered with the pilot chassis kept with it, and the authorities took no action against the firm for this grave violation of the terms of contract.

[Sl. No. 8 (Para 1.100) of Appendix to 139th Report of the PAC (Seventh Lok Sabha)]

Action Taken

The position is explained in the Action Taken Note against Serial No. 11—Para 1.103.

[Ministry of Defence O. M. No. 12 (2) / 83/ D (O. I) dated (24.12.83)]

Recommendation

Strangely enough, despite the reported sad experience with the firm in the execution of the contract the authorities partially reinstated the order in September 1977 to enable the firm to complete work on the remaining 10 partly built chassis. As the firm failed to complete the reinstated order also, the Department was left with no other alternative but to cancel the order in June 1978. Again, the authorities failed to recover the 10 partially built chassis from the firm immediately after the reinstated order was cancelled and allowed the chassis to deteriorate at the premises of the firm. Another Board of Officers convened to take over these chassis, reported in October 1979, that "all these chassis were lying

in the open with a large number of fitment items missing". The chassis were finally taken over in February 1980 with the help of civil police and municipal authorities. The Committee view with grave concern the irresponsible behaviour of the authorities in this case. The Committee also regret to note that the authorities have not so far been able to recover from the firm Rs. 0.48 lakh on account of the cost of damages/deficiencies to these 10 chassis, as assessed in June, 1980.

[Sl. No. 9 (Para 1.101) of Appendix to 139th Report of the PAC (Seventh Lok Sabha)]

Action Taken

The position is explained in Action Taken Note against Serial No. 11—Para 1.103.

[Ministry of Defence O. M. No. 12 (2)/83/D (O. I) dated 24.12.83]

Recommendation

The Committee desire that a thorough enquiry should be instituted to go into the various acts of omission and commission particularly with regard to the following points :

- (i) whether proper procedures as were followed in the selection of firms for fabrication of cabs and bodies ;
- (ii) why the specific provision for security deposit at the rate of 2-1/2% of the contract value was not enforced in case of firm 'D'.
- (iii) why the order with firm 'D' was reinstated partially in Sept. 1977 despite the failure of the firm to execute the order as per terms of the contract ; and
- (iv) why the chassis were not recovered from firm 'D' immediately after cancelling the order in January 1977 and why the 10 partly-built chassis were again not recovered from the firm in June 1978 when the partially reinstated order was also cancelled.

[Sl. No. 10 (Para 1.102) of Appendix to 139th Report of the PAC (Seventh Lok Sabha)]

Action Taken

A Team of Officers was constituted to enquire into the various aspects as recommended by the PAC. The result of the enquiry is given in the Action Taken Note on para 1.103.

[Ministry of Defence O. M. No. 12 (2)/83/D (O. I) dated 24.12.83].

Recommendation

The Committee would like the matter to be gone into by a team of senior officers and their findings together with the action taken in pursuance thereof, reported to the Committee within six months. The Committee would also, like to be apprised of the steps taken to recover the cost of damages/deficiencies from the partners of the firm 'D', as the firm itself is reportedly not in existence now.

[Sl. No. 11 (Para 1.103) of Appendix to 139th Report of the PAC (Seventh Lok Sabha)].

Action Taken

As indicated, the matter has been gone into by a Team of Officers and a copy of its Report is enclosed. Based on the Team Report, the views of the Ministry are as follows :

- (1) *Selection of firms.* The Ministry feels that due care was taken in the selection of firms in accordance with the procedure in force at that time. As indicated by the Team of Officers, there were no laid-down procedures in this regard. The matter has since been streamlined.
- (2) *Security deposit.* There was a provision for taking security deposit in the contract. This could not be enforced because the firm was not able to make bulk supply and submit the bills to the paying authority. The provision for security deposit has since been amended and as per the new provision, the Government has the discretion to take the following action if the supplier fails to furnish the security deposit within the specified period :
 - (a) to recover from the contractor the amount of such security deposit by deducting the amount from any pending bills of the contractor ;

- (b) to cancel the contract or any part thereof and to authorise the purchase of stores at the risk and cost of the contractor.

(3) *Why the order was partially reinstated in September 1977 ?*

The position has been explained in the Report of the Team of Officers. The main reason for the reinstatement of the order was that the firm had already done some amount of fabrication on these chassis and had procured the necessary material for completing the fabrication work. Besides, a number of difficulties were anticipated in the removal of the chassis on which the part fabrication had been done. It was also felt that better co-operation will be forthcoming from the firm in the removal of the remaining chassis if they were allowed to complete the work on the partially fabricated chassis.

(4) *Why there was delay in the recovery of chassis from the firm ?*

The delay took place because of the procedural formalities involved and the necessity of constituting a Team of Officers for this purpose.

(5) *Steps taken to recover the cost of damages/deficiencies from the partners of the firm.*

Efforts are continuing to locate the whereabouts of partners of the firm. In the meantime, it is proposed to seek legal advice as suggested in the Report.

[Ministry of Defence O. M. No. 12 (2)/83/D (O. I) dated 24.12.83].

Recommendation

Of the balance 73 chassis 23 were issued to Ordnance units for GS Role after fabrication of cabs and bodies thereon at an estimated cost of Rs. 18,500 per vehicle beside freight charges of Rs. 0.60 lakhs. Modification/conversion of another 48 chassis into bulk petroleum lorries was decided upon in February 1982. The Committee are surprised to find that relevant drawings for these lorries have not yet been finalised and it is still not known as to exactly when the 48 chassis meant to be utilised as bulk petroleum lorries would be pressed into service.

[Sl. No. 13 (Para 1.105) of Appendix to 139th Report of the PAC
(Seventh Lok Sabha)]

Action Taken

Fabrication of 10,000 litres capacity BPL on Lorry 10 Ton 6×4 Leyland Hippo as regular production is being undertaken for the first time for Defence. The Bulk Petroleum Lorries was developed & drawings were prepared by VRDE Ahmednagar. During users trial of the prototype, some modification/improvements were suggested by WE Dte. during March 82. The cloth tracings of the drgs. were received after a long time from VRDE Ahmednagar, & modification/improvements for incorporating in the drgs. were received by AHSP during Feb. 83. Since many drgs. were involved, the prints of the drgs. were made available to TCV for floating Tender Enquiry on 23 Apr 83. placement of the order has been finalised by Deptt. of Defence Supplies on 15 Sep 83 & a formal supply order will be issued shortly.

[Ministry of Defence O.M.No. 12(2)/83/D(O.I) dated 24-12-83]

Recommendation

The Committee view with grave concern that an expenditure of Rs. 2.27 crores incurred on 117 chassis procured as early as 1974-75 remained absolutely unproductive for more than 5 years.

[Sl. No. 14 (Para 1.106) of Appendix to 139th Report of the PAC
(Seventh Lok Sabha)]

Action Taken

Noted

[Ministry of Defence O.M. No. 12(2)/83/D(O.I) dated 23-12-83].

Recommendation

The same lackadaisical approach is evident from the manner in which the work of fabrication of cabs and bodies over the 200 chassis was proceeded with. Whereas fabrication of cabs and bodies on 100 chassis was entrusted to a public sector undertaken which completed it in May 1977, firm 'E' (M/s. Jullunder Body Builders, Delhi) to which fabrication work for another 100 chassis was awarded in December 1975 miserably failed to execute the order as per schedule. The firm could hardly complete 15 out of 300 chassis fed to it within the extended date of delivery viz. November 1977 and the order had to be short-closed at 15 nos. in January 1978 and the rest 15 were again ordered to the same firm in September 1978. The Department's contention that "the firm being new in development of stores, they

had to face technical problem" does not seem to be plausible that the selection of the firm was itself wrong. The Committee desire that the matter may also be gone into by the team of officers as recommended earlier and on the basis of its findings steps should be taken with a view to obviating such lapses in the selection of firms in future.

[Sl. No. 16 para 1.108 of Appendix to 139th Report of the PAC (Seventh Lok Sabha)]

Action Taken

The firm was able to complete the fabrication of 30 chassis which shows that it was capable of executing the order. The firm's failure to complete the order is attributed to the difficulties subsequently faced by them which were not evident at the time of placement of the order. The procedure for selection of the firms has been streamlined as indicated in the Action Taken Notes against Sl. No. 11, Para 1.103.

[Ministry of Defence O.M. No. 12(2)/83/D (O.I) dated 24-12-83].

Recommendation

The Committee further find that the work for fabrication of bodies on the balance 70 chassis was entrusted to firm 'F' (M/s Pearey Lal & Sons, New Delhi) as late as May 1978 and was completed in April 1980. Thus, the expenditure on these 70 chassis remained unproductive for nearly two years.

[Sl. No. 17, Para 1.109 of Appendix to 139th Report of the PAC (Seventh Lok Sabha)]

Action Taken

The observation of the PAC has been noted. The order for the fabrication of bodies on the balance 70 chassis was placed after the order on M/s. Jullundur Body Builders was short closed in January '78. It would not have been possible to place the order during the pendency of the contract on M/s. Jullundur Body Builders.

[Ministry of Defence O.M. No. 12 (2)/83/D (O.I) dated 24-12-83]

Recommendation

As for the requirement of balance quantity of 262 chassis, the Committee find that the order was cancelled in August 1979 keeping

in view the observations made by the Engineer-in-Chief (July 1979) to the effect that the vehicle was not suitable for tractor role due to its poor cross country performance in the desert and riverine/canal-based terrain and should not be used in this role.

[Sl. No. 18, Para 1.110 of Appendix to 139th Report of the PAC
(Seventh Lok Sabha)]

Action Taken

These are statement of facts and need no comments.

(Dr. G. Sundaram)
Joint Secrerary (O)

[Ministry of Defence O.M. No. 12 (2)/83/D (O.I) dated 24-12-83]

CHAPTER III

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

Recommendation

In order to meet the deficiencies of 10 tonne vehicles, two contracts were concluded with firm 'A' (M/s, Ashok Leyland, Madras) for supply of 230 (10-tonne) chassis in January 1970 (modified in May 1970) and for 450 chassis in July 1971, i.e. a total of 680 chassis, at a cost of Rs. 11.26 crores. Whereas supplies against the first contract were completed by the firm by August, 1972, as many as three extensions had to be granted with regard to the supply against the second contract. The supply was completed as late as February, 1975. The extensions were granted to the firm for reasons like lock-out, labour dispute, power cut and approval of pilot sample. No, liquidated damages were levied on the firm as it was decided to re-fix delivery period upto 28.2.1975 subject to no price increase after 7.7.1974. It is not understood why approval of pilot sample was needed at this stage when the firm had already supplied a number of chassis against the first contract. The Committee consider that in these circumstances, the Ministry would have been well within their rights to cancel the order. It is regrettable that this was not done and an opportunity was lost to get rid of vehicles for which they had little use.

[Sl. No. 4, Para 1.96 of Appendix to 139th Report of the PAC
(Seventh Lok Sabha)]

Action taken

The question of cancellation of the orders in spite of 3 extensions was not considered as the vehicles were urgently required for raising of transport companies and cancellation at that stage would have only resulted in delay in procurement of alternative vehicle which was nowhere in sight. Therefore, an overall view had to be taken as there

was no option for the Army Hqrs. but to accept these vehicles. However, in view of the observation of the PAC, it is agreed that more caution should be exercised while granting extensions and accepting the vehicle extended delivery period.

As regards the pilot sample, the position is explained as follows :

'The first fleet of 90 Hippo Vehicles was procured against A/T No. SV 3/101/1260 dt 11.10.65. These vehicles had components of 80 to 85% of imported origin. These vehicles were originally meant for FAT Role and later on converted into GS Role based on decision taken by AHQ since Winches were not available, but, however, fitted with tractor body.

The second fleet of 230 Hippos was procured against A/T No. SV7/101/733 dt 15.1.70 for GS Role. Pilot approval of Chassis in the lot of 230 nos. was considered necessary due to the following :—

- (i) 230 Chassis were procured for GS Role which is different from the FAT role for which the 1st 90 Chassis were procured.
- (ii) In the 1st order, the last batch of chassis was accepted during May 67. While the 1st chassis of the second order of 230 Nos. was expected to be tendered during Aug 70, there being a gap of 3 yrs. Within this period, due to the systematic progress in technology, there would have been considerable changes which required to be assessed.
- (iii) Due to progressive indigenisation programme adopted by the manufacturer, a high percentage of indigenous spares were fitted in the 2nd lot of 230 nos.

There was no pilot clause in the 3rd lot of chassis of 450 Nos. procured against A/T No. SV 7/101/1107 dt. 30.07.71.'

[Ministry of Defence O.M. No. 12(2)/83/D (0.1) dated. 24-12-83].

Recommendation

Three contracts for fabrication of cabs and bodies on 680 10-tonne chassis were concluded by the Department of Defence Supplies for 130, 300 and 250 numbers in June 1970, August 1971 and October 1971 on M/s. Globe Motors Workshop Faridabad, M/s. Punj and Sons, New Delhi (Firm B) and Mrs. Javand Khira Bombay (Firm C).

unit rate of Rs. 6,200, Rs. 9,530 and Rs. 8,050 respectively. The Committee regret to not that despite the fact that the Army Headquarters had emphasized that "the requirement was of an operational nature and fabrication of bodies on at least 130 chassis had to be completed by Spetember, 1971 and bulk supplies commence immediately", the contracts were processed in a leisurely manner. The Committee find that the contract on M/s. Globe Motors Workshop, Faridabad for 130 chassis had to be cancelled for its failure to effect the supplies. It is unfortunate that the authorities waited for three years to cancel the order on the firm for unsatisfactory performance. This needs looking into.

[Sl. No. 5 (Para 1.97) of Appendix to 139th Report of the PAC
(Seventh Lok Sabha)]

Action Taken

As desired by the PAC, the matter has been looked into. The fabrication of bodies and cabs on the chassis in this case was linked up with the supply of chassis to the firms by the indentor. It has been noted that there was delay in the supply of chassis to the firms. This point had been brought to the notice of the Army Hqrs. from time to time. The delivery requirements of the indentor, were, however, kept in view while processing the indents. The delivery schedule indicated in the contract on M/s. Globe Motors provided that the proto-type sample would be submitted within 4-6 weeks from the date of receipt of orders and chassis, and bulk supply would commence @ 75 bodies/cabs per month within 4-6 weeks from the date of approval of the proto-type. As the order for 130 nos. was placed on 15.6.70, the requirement of the Army Hqrs. for fabrication of 130 bodies by September 71 was taken care of by the Supply Order. The firm M/s. Globe Motors submitted the proto-type on 25.2.71. The proto-type was examined by the inspection authorities and Bulk Production Clearance granted on 21.6.71, subject to rectification of certain discrepancies. In the meantime, a report had been received that the firm was facing great financial hardships and no responsible person was attending the factory. As the firm did not give insurance cover for more chassis after Bulk Production Clearance and also did not extend insurance cover for the proto-type held by them, the possession of the vehicle was taken over on 5th July 1971. The firm's representative was called for a meeting in Joint Secretary's room but did not come. The Supply Order was finally cancelled on 7-3-72. The

above clarification would indicate that the apparent delay in cancellation of the contract was beyond the control of the Department and the case was being pursued with the firm from June 70 to March 72.

[Ministry of Defence O.M. No. 12 (2)/83/D (0.1) dated 24-12-83]

Recommendation

So far as firms 'B' and 'C' are concerned, the Committee find that fabrication of cabs and bodies was completed by them in November 1975 and July 1977 respectively after they were given extensions repeatedly—6 in the case of former and 4 in that of the latter. Thus, extensions were liberally granted. The Department did not also choose to levy liquidated damages for the delayed supplies. This aspect of the matter needs to be adequately explained.

[Sl. No. 6 (Para 1.98) of Appendix to 139th Report of the PAC (Seventh Lok Sabha)]

Action Taken

It may be mentioned that the progress regarding fabrication was reviewed time and again by the Department of Defence Supplies. The firms had been complaining that they were not getting the chassis at the stipulated date. As the fabrication of bodies and cabs was directly linked with the supply of chassis by M/s. Ashok Leyland, extensions were granted keeping in view the supply position of chassis. The following Liquidated Damages were levied on the two firms :

(i) M/s. Punj and Sons.....Rs. 11,087/-

(ii) M/s. Jayanand Khira.....Rs. 350/-

[Ministry of Defence O.M. No. 12 (2)/83/D (O.I) dated 24-12-83]

Recommendation

As a direct consequence of the unimaginative planning in this case, a surplus of 183 10-tonne vehicles (built vehicles—66 and chassis—118) was revealed in the provision review of October 1976. In order to utilize these surplus vehicles somehow, these were issued to static unit, training establishments and ordnance depots. The Committee observe that despite reservations on the part of the representatives of Western and Northern Commands about the utility of the 10-tonne vehicles, it was decided to convert 3-tonne independent transport platoons into 10-tonne

platoons. An additional expenditure of Rs. 8.14 lakhs was sanctioned on fabricating cabs and bodies over 44 out of 117 surplus chassis. An expenditure to the tune of Rs. 1.92 lakhs was incurred on their transportation.

Sl. No. 12 (Para 1.104) of Appendix to 139th Report of the PAC
(Seventh Lok Sabha)]

Action Taken

The decision to reorganise 3 tonne independent transport platoons into 10—tonne platoons was taken after detailed examination by HQrs. Southern Command & QMG's Branch as the vehicles besides meeting the requirements would help to increase the lift capacity while also releasing 3—tonne vehicles held by these units for use with forward units against their deficiencies.

[Ministry of Defence O.M. No. 12 (2)/38/D (O.I) dated 24-12-83]

CHAPTER IV

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

Recommendation

So far as induction of 10 —tonne vehicles for tractor role (towing of trailers) is concerned, the Committee find that a provision review carried out in October 1971 revealed a deficiency of 462 vehicles. According to the indent placed by the Director of Ordnance Services in July 1972 on DGS & D for 400 number of 10—tonne chassis, these chassis were required to be supplied during 1973-74 and 1974-75 at the rate of 200 numbers per year and were to conform to a particular specification. The Committee are perturbed to find that the revised specifications could be finalized only in January 1974, i.e. after a delay of about 1½ years. It was only in July 1975 that the DGS & D could conclude a contract with Firm 'A' for 200 chassis and that too with existing/specifications. The Committee are not convinced with the argument that "repetitive amendments to the specifications were necessitated by the changes brought about in the vehicle by the firm viz. M/s. Ashok Leyland and the advice given by the Research and Development Organisation on various issues". The Committee view with concern that the delay resulted in an infructuous expenditure of Rs. 235.32 lakhs in the procurement of these 200 vehicles in so far as the chassis with/existing specifications were procured at the rate of Rs. 2.45 lakhs (1 or 102 chassis) and Rs. 2.79 lakhs (for 98 chassis) per chassis against the rate of Rs. 1.44 lakhs prevailing at the time of placing an indent in July 1972. Had the authorities been vigilant enough, this expenditure could be avoided.

[Sl. No. 15 (Para 1.107) of Appendix to 139th Report of the PAC
(Seventh Lok Sabha)]

Action Taken

As stated in Para 1.78 of the PAC Report, the period of 1½ years (from June 1972 to Jan. 1974) was in fact the time taken by the R & D mainly for selection, development and installation of Winch. By doing

so, they not only provided the Army with a suitable vehicle required by them for Tractor Role but also saved foreign exchange by way of utilisation of Winches lying surplus in the Army stock.

It is seen from the records that A/T No. SV—7/101/77/080/1.5.70/197/1107 dated 30-7-71 for Leyland Hippo 10 Tonne GS Chassis qty. 450 was operative on the same firm from 31-7-71 to 28-2-75. Due to their limited capacity, labour problem and lock out the firm was not able to meet the delivery schedule and asked for extension twice. The vehicles for GS role as well as Tractor Role being almost similar, the firm would not have been able to supply additional vehicles even in a fresh order for supply of Tractor Role vehicle which was placed in July 1972. It may also be submitted that M/s. Ashok Leyland was the only source for supply of subject vehicles.

It may, therefore, not be correct to say that the delay in placing the order by DGS & D has resulted in infructuous expenditure to the State.

As regards the price variation it is submitted that price of Rs. 1.44 lakh indicated in the Ord Dte indent of July 72 was the estimated price of GS Vehicle based on earlier procurement. As per price escalation clause of the A/T No. SV—7/101/77/080/1.5.70/197/1107 dated 30-7-71, the price of the GS Vehicle was revised four times. It would, therefore, not be correct to indicate the price of the vehicle as Rs. 1.44 lakh. As per the Ord Dte indent the order would have been placed by DGS & D by Oct. 1972 and the prevailing price at the time would be Rs. 1.72 lakhs as indicated in ANNEXURE

[Ministry of Defence O.M. No. 12 (2)/83/D(O. I) dated 24-12-83.]

ANNEXURE

A/T No. SV7/101/77/080/1-5-70/197/1107 dated 30.7.71.

	Rs.	P.
Price of bare chassis as per amdt dt. 12-9-72	1,68,389.54	
Price of set of tools (Kit items)	280.00	
Price of spare wheel rim	229.00	
Price of spare tyre	1,205.00	
Tyre inflator hose, pipe guage etc.	350.00	
BA No. plates 3 Nos.	35.00	
Wallet	7.50	
Hasp & staple on glove box	15.00	
Black out eqpt	825.00	
Supply of 150 Amp Battery in lieu of 135A Battery	105.00	
Phosphating & painting of chassis with OG Paint	834.00	
Fitment and supply of temp guage	60.00	

TOTAL	1,72,335.04	

Recommendation

The Committee thus observe that 310-10 tonne vehicles of which 183 were procured for General service role and 127 for tractor role at a cost of Rs. 700 lakhs have become surplus to requirements and are being used for purposes other than for which they were procured just to utilise them somehow. In addition, expenditure to the tune of Rs. 2.52 lakhs incurred on freight charges for backloading 67 chassis has become infructuous. The Committee are, therefore, led to be conclusion that the decision to go in for large scale acquisition of 10-tonne vehicles in the face of adverse reports from the field as to their utility in an operational environment, was totally ill-conceived. It is highly regrettable that such carelessness should be shown in planning the replacement of equipment for Defence Forces when Parliament is quite generous in granting funds

for Defence expenditure. The Committee trust that this case would act as an eye opener and that proper lessons would be drawn at the Ministerial level from the experience so that the nation's precious resources are not frittered away on such schemes in the guise of meeting urgent/operational requirements of the armed forces.

[Sl. No. 19 (Para 1.111) of Appendix to 139th Report of the PAC
(Seventh Lok Sabha)]

Action Taken

Noted for future guidance.

[Ministry of Defence O.M. No. 12(2)/83/D(0.I) dated 24-12-88]

CHAPTER V

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

NIL

**NEW DELHI;
March 22, 1984**

Chaitra 2, 1906 (S)

**SUNIL MAITRA
Chairman
Public Accounts Committee**

APPENDIX

Conclusions and Recommendations

Sl. No.	Para No.	Ministry/Department concerned	Conclusion/Recommendation
1	2	3	4
1	1.11	Defence	In their earlier Report, the Committee had observed that consequent on the failure of M/s. Globe Motors Workshop, Faridabad to execute the contract for fabrication of bodies on 130 chassis despite the fact that the Army Headquarters had emphasized that "the requirement was of an operational nature and fabrication of bodies on at least 130 chassis had to be completed by September 1971.....", another contract was placed as late as in February 1975 on Free India Industries, Jullunder (Firm 'D') at a per unit value of Rs. 10,250 which was much higher than the rates allowed to [firms 'B' and 'C' viz. at the per unit value of

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Rs. 9,530 and Rs. 8,050 respectively. On approval of the prototype submitted by firm 'D' by the Director General of Inspection in October 1975, 30 chassis were issued to the firm in January, 1976 for fabrication work. Even as late as 20 November, 1976, it was noticed that cabs and bodies had been almost completed in case of only 3 vehicles, with certain modifications partial work had been completed by the firm on 4 more vehicles and no work had been done on balance 23 chassis. The Committee were surprised to find that despite the shocking report by the Inspector about the work, the authorities did not cancel the contract immediately and the contract with the firm was finally cancelled as late as January 1977. The authorities took over the chassis from the firm after a lapse of another 9 months in September 1977. Certain deficiencies and damages costing Rs. 5,528 were assessed in respect of these chassis for which no recovery could be effected.

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Defence

What was still more surprising was that despite the sad experience with the firm 'D' in the execution of the contract the authorities partially reinstated the order in September 1977 to enable the firm to complete the work on the remaining 10 partly

built chassis. As the firm again failed to complete the reinstated order, this order had also to be cancelled in June 1978. Again the authorities failed to recover the partially built chassis till February 1980 and allowed them to deteriorate at the premises of the firm. The authorities had also failed to recover from the firm Rs. 0.48 lakh on account of the cost of damages/deficiencies to these 10 chassis. The Committee had recommended a thorough enquiry by a team of senior officers to go into the various acts of omission and commission in this case.

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Defence

The Committee are concerned to note from the Report of the Team of Officers that there were no laid down procedures with regard to the selection of firms at the time the contract was awarded. According to the Ministry, the procedure has now been streamlined. The Ministry had also failed to obtain security deposit from the firm. The reason why the Ministry could not enforce this provision was that the firm was not able to make bulk supply and submit the bills to the paying authority. The Committee have been informed that, based on the finding of the Team of Officers, the provision for security deposit has since been amended and as per the new provision, Government would have the discretion to take following action if the supplier fails to furnish the security deposit within the specified period :

1	2	3	.	4
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(a) to recover from the contract the amount of such security deposit by deducting the amount from any pending bills of the contractor ;

(b) to cancel the contract or any part thereof and to authorise the purchase of stores at the risk and cost of the contractor.

The Committee hope that provisions/amendments made as a result of findings of the Team of Officers would be followed meticulously both in letter and spirit so that costly omissions as in the present case do not recur.

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4 1.14 Defence

The Committee are not satisfied with the explanation of the Ministry that delay in the recovery of chassis from the firm took place because of the procedural formalities involved. As the Committee observe, strangely enough even now Government have not taken necessary steps to streamline the procedure in this regard

with a view to ensuring that the material could immediately be taken over from the firms on cancellation of such orders rather than allowing it to deteriorate at the premises of the firm. The Committee recommend that the matter may be examined further with a view to streamlining the existing procedure in this respect and cutting down purposeless procedural formalities.

5 1.15 Defence

The Committee are concerned that the authorities have not thus far been able to recover from the firm Rs. 0.48 lakh on account of the cost of damages/deficiencies to 10 chassis. The reply of the Ministry that efforts are continuing to locate the whereabouts of partners of the firm is a sad commentary on the manner in which the Ministry had watched the financial interests of Government. The Committee recommend that immediate steps should be taken to recover this long outstanding public money from the firm.

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6 1.18 Defence

In their earlier Report, the Committee had viewed with concern the delay in the conclusion of contract for 200 chassis which

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had resulted in an infructuous expenditure of Rs. 235.32 lakhs in the procurement of these vehicles in so far as the chassis with existing specifications were procured at the rate of Rs. 2.45 lakhs (for 102 chassis) and Rs. 2.79 lakhs (for 98 chassis) per chassis against the rate of Rs. 1.44 lakhs prevailing at the time of placing the indent in July 1972. In their action taken note, the Ministry of Defence have stated that price of Rs. 1.44 lakhs indicated in the Ord Dte indent of July 1972 was the estimated price of GS Vehicle based on earlier procurement. As per price escalation clause of the A/T No. SV—7/101/77/080/1.5.70/197/1107 dated 30.7.1971, the price of the GS Vehicle was revised four times. According to the Ministry of Defence as per the Ord Dte indent the order would have been placed by DGS&D by October, 1972 and the prevailing price at that time would be Rs. 1.72 lakhs. The Committee note that had the order been placed by October, 1972 even at the then prevailing price of Rs. 1.72 lakhs, there would

still have been a huge saving of about Rs. 74.46 lakhs in respect of 102 chassis with existing specifications and similar savings would also have resulted in the procurement of 98 other chassis. The Committee need hardly reiterate that had the authorities been vigilant enough, this infructuous expenditure could have been avoided. The Committee recommend that suitable remedial steps should be taken to streamline the procedure for placement of such orders so that infructuous expenditure of this nature may be avoided in future.

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Defence

In their earlier Report, the Committee had observed that 310-10 tonne vehicles of which 183 were procured for general service role and 127 for tractor role at a cost of Rs. 700 lakhs had become surplus to requirements and were being used for purposes other than for which they were procured just to utilise them somehow. In addition, expenditure to the tune of Rs. 2.52 lakhs incurred in freight charges for backloading 67 chassis had become infructuous. The Committee had recommended that this case should act as an eye opener and that proper lessons should be drawn at

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the Ministerial level from this experience so that the nation's precious resources were not frittered away in such schemes in the guise of meeting urgent/operational requirements of the Armed Forces. The Committee are not satisfied with the casual and vague reply of the Ministry to the effect that the recommendation has been "Noted for future guidance". The Committee would like the Ministry to precisely intimate the details of the lessons drawn from this case and the specific procedural improvements effected in order to guard against the recurrence of such lapses in future.

PART II

MINUTES OF THE SIXTY-SIXTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON 20 MARCH, 1984 (AN)

The Committee sat from 1500 hrs to 1720 hrs.

PRESENT

Lok Sabha

1. Shri Bhiku Ram Jain — *In the Chair*
2. Shri Chitta Basu
3. Smt. Vidyavati Chaturvedi
4. Shri G.L. Dogra
5. Shri Jamilur Rahman

Rajya Sabha

6. Shri Syed Rahmat Ali
7. Smt. Pratibha Singh

REPRESENTATIVES OF THE OFFICE OF THE C. & AG.

1. Shri R.K. Chandrasekharan — *Addl. Dy. C & AG of
India (Reports)*
2. Shri S.R. Mukerjee — *Addl. Dy. C & AG of
India (Railways)*
3. Shri K.N. Row — *Director of Audit,
Defence Services*
4. Shri A.N. Biswas — *Director of Audit, P & T*
5. Shri V. Sundaresan — *Director of Receipt
Audit—I*
6. Shri N. Shivasubramaniam — *Director of Receipt
Audit—II*
7. Shri A.N. Mukhopadhyay — *Jt. Director
(Report—Central)*

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| 8. Shri K.H. Chaya | —Jt. Director (Railways) |
| 9. Shri S.K. Gupta | —Jt. Director (Receipt Audit) |
| 10. Shri N.R. Rayalu | —Jt. Director (Defence) |
| 11. Shri T.G. Srinivasan | —Jt. Director of Audit, P & T |
| 12. Shri N. Balasubramaniam | —Jt. Director (Receipt Audit) |
| 13. Shri R.S. Gupta | —Jt. Director of Audit,
Defence Services |

SECRETARIAT

- | | |
|---------------------|--|
| 1. Shri H.S. Kohli | —Chief Financial Committee
Officer |
| 2. Shri K.K. Sharma | —Senior Financial Committee
Officer |
| 3. Shri K.P. Singh | —Senior Financial Committee
Officer |
| 4. Shri R.C. Anand | —Senior Financial Committee
Officer |
| 5. Shri K. Sahai | —Senior Financial Committee
Officer |

2. In the absence of the Chairman, PAC, Shri Bhiku Ram Jain, was chosen to act as Chairman for the sitting.

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4. The Committee also considered and adopted the following draft Reports without any amendments/modifications :

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| × × × × |
| 3. Action Taken on 139th Report of PAC (7th Lok Sabha) on Procurement and utilisation of 10-ton chassis and vehicles built thereon. |
| 4. Action Taken on 156th Report of PAC (7th Lok Sabha) on establishment of production facilities for an ammunition. |

The Committee also authorised the Chairman to finalise the Reports in the light of modifications/amendments suggested by Audit as a result of factual verification and present the same to the House.

The Committee then adjourned

