

PUBLIC ACCOUNTS COMMITTEE (1972-73)

(FIFTH LOK SABHA)

SEVENTIETH REPORT

[Action taken by Government on the recommendations of the Public Accounts Committee contained in their 38th Report (Fifth Lok Sabha) relating to Ministry of Supply]



सत्यमेव जयते

**LOK SABHA SECRETARIAT
NEW DELHI**

January, 1973/Magha, 1894 (Saka)

Price : Rs. 0.90 paise

(2)

**LIST OF AUTHORISED AGENTS FOR
SABHA SECRETARIAT PUNJAB**

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name
ANDHRA PRADESH				
1.	Andhra University General Cooperative Stores Ltd., Waltair (Visakhapatnam)	8	12.	Charl pany dhi Tow
2.	G.R. Lakshmiipathy Chetty and Sons, General Merchants and News Agents, Newpet, Chandragiri, Chittoor District.	94	13.	The Mar Dad
			14.	Decc gusc Poo
ASSAM				
3.	Western Book Depot, Pan Bazar, Gauhati.	7	15.	M/s. 585, Hot Bot
BIHAR				
4.	Amar Kitab Ghar, Post Box 78, Diagonal Road, Jamshedpur.	37	16.	M/s Op Mj
GUJARAT				
5.	Vijay Stores, Station Road, Anand.	35	17.	Infc Gc Tri
6.	The New Order Book Company, Ellis Bridge, Ahmedabad-6.	63		
HARYANA				
7.	M/s. Prabhu Book Service, Nai Subzimandi, Gurgaon, (Haryana).	14	18.	Swi 59 Cl
			19.	Lav Sa be
MADHYA PRADESH				
8.	Modern Book House, Shiv Vilas Palace, Indore City.	13	20.	Gri M ri
MAHARASHTRA				
9.	M/s. Sunderdas Gianchand, 601, Girgaum Road, Near Princess Street, Bombay-2.	6	21.	W. L. S
10.	The International Book House (Private) Limited, 9, Ash Lane, Mahatma Gandhi Road, Bombay-1.	22	22.	Fi 6/ L
11.	The International Book Service, Deccan Gymkhana, Poona-4.	26	23.	M/ 8-

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PUBLIC ACCOUNTS COMMITTEE
(1972-73)

CHAIRMAN

Shri Era Sezhiyan

MEMBERS

2. Shri Bhagwat Jha Azad
3. Shri R. V. Bade
4. Shrimati Mukul Banerji
5. Shri Jyotirmoy Bosu
6. Shri K. G. Deshmukh
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15. Shri Ram Chandra Vikal
16. Shri M. Anandam
17. Shri Golap Barbora
18. Shri Bipinpal Das
19. Shri P. S. Patil
20. Shri Kalyan Roy
21. Shri Swaisingh Sisodia
22. Shri Shyam Lal Yadav

SECRETARIAT

Shri B. B. Tewari—Deputy Secretary.

Shri T. R. Krishnamachari—Under Secretary.

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

NEW DELHI;
12th February, 1973
23rd Magha, 1894 (S).

ERA SEZHIYAN,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

1.1 This Report of the Committee deals with action taken by Government on the recommendations contained in their 33th Report (Fifth Lok Sabha) relating to the Ministry of Supply which was presented to the House on the 19th April, 1972.

1.2 Action taken notes have been received in respect of all the 21 recommendations contained in the Report.

1.3. 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, 2, 3, 4, 6, 8, 11-14, 16-20.

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

S. Nos. 15 and 21.

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

S. No. 7.

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

S. Nos. 5, 9 and 10.

1.4 The Committee hope that final replies in regard to 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 notes on some of the recommendations.

Purchase of tent poles

1.6 In paragraphs 1.1-1.26, the Committee examined purchase of tent poles by DGS&D for supplying them to the Ministry of Defence.

Commenting on the delay in the inspection of stores by the Defence Inspectorate, the Committee had made the following recommendations in paragraph 1.29 (S. No. 3):

"The Committee note that the inspection of the first lot of stores took nearly 2½ months. As this was more than a third of the delivery period, the Defence Inspectorate should have, in normal course, informed the Purchase Officer of the reasons for the delay; since this was not done, the Committee desire that the matter may be investigated and responsibility fixed. The Committee, however, note that the Ministry of Defence have issued suitable instructions, in the matter soon after their representative was examined by the Committee."

1.7. In their reply dated the 4th January 1973, the Department of Defence Production have stated:

"In order to investigate into the causes of delay in the inspection of stores which took nearly 2-1½ months, the Director of Inspection (General Stores), New Delhi, set up a Court of Inquiry in August, 1971. The terms of reference of the Court were to examine the reasons of alleged delay in inspection of tent poles offered for inspection against the two A/Ts mentioned in the Public Accounts Committee's Report; to ascertain whether the inspection took abnormal time in clearance of deliveries; and to fix responsibility on individual(s) concerned for delays, if any.

2. The Court of Inquiry after examining all the witnesses and documents relating to the case opined that:

- (a) the firms were located at out stations and officers had to be deputed for out station sampling from HQ at Delhi;
- (b) the firms did not make available inspection facilities of Bond Room etc. in the first instance as per terms of the contract. In the absence of these facilities, the first Sampling/Inspection Officer had to come back. On assurance of the firms that bonding facilities had been arranged by them a second team of officers was immediately sent. This lapse on the part of the firms resulted in 12 days delay in bulk sampling of the initial deliveries of the firms;
- (c) repeat testing of samples of Creosote Oil, as recommended by Inspector of General Stores (North India) Laboratories,

had to be carried out and the first sample was not found acceptable. The test results of the second sample had to be awaited from the Chief Inspectorate of General Stores before clearance of supply by OIC GSID;

- (d) since the requisite laboratory facilities were not available with the Inspector, it was necessary to forward the Bulk Supply Samples from first turn-overs of the firms of the Chief Inspectorate of General Stores, Kanpur and to await the test reports.

3. In the Context of the above position it is not possible to pin point responsibility for delay in inspection of deliveries offered on 1-1-1968 to a single factor|individual.

4. It may perhaps be argued that had the Inspector taken the safest course by resorting to bulk rejection on the spot, a delay of 71 days in inspection of the first lot offered by the firms could have been avoided. However, such an action on the part of the officer would have resulted only in further delay in procurement on account of re-tendering, etc. In our opinion he correctly judged the situation by not rejecting the material on the spot and gave the firm time to gear up facilities for inspection in view of the urgent requirement of tent poles. His action of sending the Creosote for testing at CI(GS) Kanpur was all the more necessary since all precautions had to be taken in cases of first delivery, more so in the case of a natural product like tent pole."

1.8. Referring to the failure of the Defence Inspectorate to inform the Purchase Officer about the reasons for the delay in inspection, the Committee had desired the Ministry of Defence to investigate the matter with a view to fixing responsibility. The reply of the Ministry does not meet the point raised by the Committee. The Committee would, therefore, like the Ministry of Defence to take appropriate action to fix responsibility for the lapse.

1.9. Commenting on the lack of proper progressing of the contract, the Committee, in paragraph 1.30 (S.No. 4), observed:—

"It is surprising to note that the slow progress of Supply was not noticed till the firm A complained about the delay in inspection on the 27th June, 1968, as by then against the proportionate quantity of 3.6 lakh tent poles which should have been supplied, only 1.2 lakhs, representing a mere third were supplied. Further there was no quantity

tendered for inspection by the firms after 24th April, 1968. This clearly indicates that the contract was not progressed properly."

1.10. The Department of Supply, in their reply dated the 2nd December, 1972 have stated:

"The observation of the Committee has been noted."

1.11. The Committee had observed that there was no proper progressing of the contract. The Department has merely noted the observation. The Committee wish that the Department should examine why the contract was not progressed properly and take necessary action.

1.12. In paragraph 1.33 (S. No. 7), the Committee had referred to the need for effective coordination in inspection of stores between the Defence Ministry and DGS&D and observed:—

"The Committee understand that for most of the Defence requirements procured through the DGS&D, inspection is arranged by the Defence Inspectorate. The lack of coordination resulting from neither the DGS&D nor the Defence Inspectorate taking the initiative noticed in this case, is rather disquieting. There is a need for an effective liaison and to obviate any delay in scrutinising the tenders involving opinion of the Inspectors and in progressing the contracts so that Government may not be put to any avoidable loss. In this connection the Committee would like Government to consider whether it may not be desirable to entrust also inspection of at least all the non-sophisticated items to the DGS&D as under ideal conditions purchase and inspection should vest in one authority. The Committee were, however, assured that the inspection of tent poles would be taken over by the DGS&D shortly."

1.13. The Department of Supply, in their reply dated the 27th December, 1972 have stated:

"As per Office Order No. 19--B dated 10-12-1968, inspection in respect of 17 common usef items was taken over from the Ministry of Defence (DGI) and transferred to Inspection Wing of the DGS&D. A copy of the office order is enclosed for ready reference.

In respect of wooden items — Tent Mallet Heads (Wooden), Tent Pins (Wooden), Helves and Handles (Wooden) and Tent Poles Bamboo, listed against items 1 to 4 of the said Office Order, some difficulties were experienced in carrying out inspection by the DGS&D Inspection Wing. The matter had been under correspondence with the Directorate of Inspection (Ministry of Defence), New Delhi and a copy of note dated 26-3-1971 recorded by the Deputy Director General (Inspection), DGS&D is enclosed. In view of these difficulties, the Purchase Directorates were again requested to entrust the inspection of these four items to the Defence Inspectorate. Further, in view of the heavy load on the Inspection Wing consequent upon the procurement of Defence stores|stores required for the East Bengal Refugees, it was not found possible to take over the inspection of Tent Poles immediately by the inspection Officers of the DGS&D. A copy of D.O. letter No. DG|MISC|71 dated 18-12-71 from the Director General to Brig. Bhupinder Sing Director of Inspection (GS), Ministry of Defence, is enclosed for ready reference.

In regard to wooden items mentioned above and particularly Tent Poles, the difficulty faced by the Inspection Wing is about a particular set of staff by which the process of inspection is carried out by the Defence Inspectorate. There are various grades of officers at lower levels like Khalasis, Sorters etc. who conduct the preliminary examination which is not the pattern of staffing in the DGS&D Inspection Wing. In order to take over the inspection of these items, it has been found necessary to ascertain the details of the staffing pattern of the Defence Inspectorate, periodicity of inspection, detailed process of inspection of stores, sources of supply etc., so that a complete scheme for recruitment of staff at appropriate levels, is submitted to the Government for their consideration and approval. The facts in this regard are being collected by the Inspection Wing of the DGS&D in consultation with the Purchase Directorate, Defence Inspection Organisation and the Defence indenter."

1.14. The Committee had desired that Government should consider whether it might not be desirable to entrust also inspection of at least all the non-sophisticated items to the D. G. S. & D., as under ideal conditions, purchase and inspection should vest in one authority. As per an office order issued prior to the examination of the matter by the Committee, inspection in respect of 17 common user

that hereafter the following procedure should be followed in all cases of risk purchase:

- (i) The purchase proposal should clearly indicate the reasons why the original supplier had failed to supply.
- (ii) The risk purchase order should not be placed on the defaulting firm, unless it is established that the default in making supplies under the original contract was due to circumstances beyond the control of the supplying firm and sufficient reasons are there to show that the contract was impossible of performance due to circumstances such as strikes, lockouts, failure of Government to provide assistance promised (by way of foreign exchange or raw materials in short supply etc.) or other genuine difficulty in the procurement of raw materials e.g., steel, etc.
- (iii) Where the defaulter's lowest acceptable offer against the risk purchase tender enquiry has been ignored as stated at (ii) above, every effort should be made to recover general damages from him as admissible under the law. Besides, a note regarding the default in making the Supplies should be kept in view even for considering his offers against tender enquiries for placement of any fresh order.
- (iv) If, for any reason, the risk purchase contract has to be placed on the defaulting firm, detailed reasons for such coverage should be recorded. The indenter should also be apprised of the position, particularly regarding the prospect of delivery.

2. Purchase Officers may kindly note the above decisions for compliance.

Sd./- M. M. PAL,
Deputy Director (CS-I).

Standard Distribution.

(On File No. QDN-2/7(34) I/71)

Copy to:—

- (1) Department of Supply, New Delhi, with reference to their U.O. No. PIII-3717/71, dated 17-12-71.
- (2) Ministry of Finance (Supply Wing), with reference to their U.O. No. F. 1950/71 dated 8-12-71.

1.17. The Committee had desired Government to lay down suitable guidelines as regards placing repurchase orders on the same

firms, which had earlier defaulted in supplying and whose original contracts were cancelled without financial repercussions. The Departments have forwarded a copy of the instruction issued before the presentation of the Thirty Eighth Report (Fifth Lok Sabha). The Committee find that the instructions, however, do not cover the case specifically referred to by them. They, therefore, wish that the Department should issue comprehensive instructions in the matter.

Purchase of paper and paper boards

1.18. The Committee, in paragraphs 1.36—1.70, had dealt with the unsatisfactory arrangement for the procurement of paper to meet essential Government requirements after the decontrol in May, 1968. Referring to the necessity of increasing the paper production in the country, the Committee in paragraph 1.78 (S. No. 17) had made the following observations:

“The Committee are, however, convinced that a long term solution can be found only in increasing the output of paper in the country. Obviously the demand, especially of cultural variety of paper has far outpaced the growth in production. The Committee were informed that in addition to setting up new mills in the public sector, Government have worked out a ‘Crash Programmes’ under which by expanding the capacity of selected mills, an additional tonnage of 80,000 tonnes of paper per annum is expected to be manufactured by the end of 1972 or early 1973.

This assumes urgency in view of the fact that as against Government’s requirement alone of the order of 1.99 lakh tonnes during the period 1-7-71 to 31-3-73 only a quantity of 0.95 lakh tonnes has been covered by 1971-72 rate contract effective upto 30-11-72. The Committee would, therefore, urge Government to ensure that the target of additional production is achieved without any delay.”

1.19. The Ministry of Industrial Development, in their reply dated the 1st January, 1973, have stated:

“Government are constantly alive to the imperative and overriding need to achieve additional production with the least possible delay. Towards this end, Government have already taken the following action, in addition to the crash programme referred to above.

- (i) 38 new Schemes for either setting up of new undertakings or effecting substantial expansion in existing undertakings for manufacture of paper have been approved in the private sector, for a total capacity of 12.92 lakh tonnes, of which writing and printing varieties of paper will constitute approximately 6.87 lakh tonnes.
- (ii) The following three schemes for setting up of projects by the Hindustan Paper Corporation in the public sector are under various stages of achieve consideration:
- (a) A project at Nowgong, Assam for a capacity of 50,000 tonnes per annum.
- (b) A project at Cachar, Assam for a capacity of 50,000 tonnes to 75,000 tonnes per annum of paper. (Capacity to be decided finally).
- (c) A project at Nagaland for a capacity of 30,000 tonnes per annum of paper."

1.20. The Committee had been given to understand that in addition to setting up new mills in the public sector, an additional tonnage of 80,000 tonnes of paper per annum was expected to be manufactured by the end of 1972 or early 1973. The reply of the Ministry does not indicate whether this expectation had materialised. The Committee desire that the position in this regard may be intimated to them.

1.21. Dealing with the powers to enforce ISI specifications for paper, the Committee, in paragraph 1.80 (S. No. 19) had made the following observations:

"The Committee are surprised to learn that it took such a long time to finalise ISI specifications for different varieties of paper which appears to have been done comprehensively for the first time only in August, 1971. The Committee hope that supplies by mills will now conform to ISI specifications. As there were conflicting views regarding the powers to enforce the specifications, the Committee wish that this question should be examined and settled to guard against sub-standard supplies."

1.22. The Ministry of Industrial Development, in their reply dated the 1st January 1973, have stated:

"Steps have been initiated to ensure that all paper producing units adhere to the ISI Standards. The Director General

of Supplies and Disposals are also pursuing the question of adoption of the ISI Standards by all Paper Mills with regard to Government's supplies against the rate contracts with the Joint Committee on Paper Industry. Although the ISI scheme is essentially one for voluntary adoption by the various manufacturers, in regard to the Paper Industry the question of ensuring some sort of compulsory adoption is being gone into in depth by the Government."

1.23. As regards enforcing ISI specifications for paper, the Committee had been informed by the representative of the ISI that it was for the user organisations to enforce specifications whereas the representative of the Ministry of Supply had stated that it was for the D.G. I.S.I., to enforce specifications and that the purchase authority had no powers. As there were conflicting views regarding the power to enforce specifications, the Committee had wished that this question should be examined and settled to guard against sub-standard supplies. It has been intimated that the question of ensuring some sort of compulsory adoption is being gone into in depth by the Government. The Committee would like to know the manner in which it is proposed to be ensured.

Extra expenditure in purchase of bearing plates:

1.24. In paragraphs 1.81—1.86, the Committee had examined a case involving delay in finalising purchase proposals. Dealing with invitation of tenders on f.o.r. destination basis, the Committee had made the following observations in paragraph 1.87 (S. No. 20):

"The Committee note that there was a delay of over 3 months in finalising of purchase proposals in this case which involved calculation of destination prices of a number of items and tenders. In order to avoid unnecessary delays the Committee would suggest that as far as possible tenders should be invited on f.o.r. basis rather than on ex-factory basis."

1.25. In their reply dated 21-10-72, the Department of Supply have stated:

"The recommendation of the Committee has been noted.

The instructions contained under para 4(c) of Form D. G. S. and D. 100C, attached to the tender enquiries reads as under:

'Prices quoted should be invariably for delivery f.o.r. Station of 'destination (or of station of despatch) in India and inclusive of charges such as packing forwarding, customs duty, octroi, etc., etc., where applicable.'

It will be seen that the prices are called for on f.o.r. basis in all cases."

1.26. Considering the delay in finalising purchase proposals involving calculations of destination prices of tenders, the Committee had suggested that as far as possible tenders should be invited on f.o.r. basis rather than on ex-factory basis. The Ministry referred to existing instructions that prices quoted should be invariably for delivery on f.o.r. station of destination or station of despatch. As the rates for f.o.r. station of despatch will not obviate time consuming calculation of destination prices, the Committee wish to reiterate that tenders should be called for on f.o.r. destination basis as far as possible.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT.

Recommendation

"The Committee are distressed to note that lack of proper care in drafting the terms of the contract and progressing it together with the deplorable absence of coordination between the organisations of the D.G.S. & D., and the Defence Inspectorate cost the exchequer in this case as much as Rs. 6.62 lakhs besides delaying the procurement of tent poles urgently required for Defence preparedness. The Committee desire that responsibility of the officials concerned should be fixed so as to act as deterrent against any laxity in future."

[S. No. 1 (Para 1.27) of Appendix IV to Thirty Eighth Report (Fifth Lok Sabha)].

Recommendation

"The orders placed on firms 'A' and 'B' for tent poles did not specifically indicate the number of instalments and the rate of supply, with the result that in the first lot, only an insignificant fraction of the total quantity ordered for, was tendered for inspection. The Committee would like to know how such a vague delivery clause was provided for by the D. G. S. & D., organisation who have long years of experience and expertise in the field."

[S. No. 2 (Para 1.28) of Appendix IV to Thirty Eighth Report (Fifth Lok Sabha)].

Action Taken

The official responsible for the drafting of the contract has been warned.

[Department of Supply O.M. No. PIII-19(18) |70 dated 2-12-72]

Recommendation

The Committee note that the inspection of the first lot of stores took nearly 2½ months. As this was more than a third of the delivery period, the Defence Inspectorate should have in normal

course, informed the Purchase Officer of the reasons for the delay; since this was not done, the Committee desire that the matter may be investigated and responsibility fixed. The Committee, however, note that the Ministry of Defence have issued suitable instructions, in the matter soon after their representative was examined by the Committee.

[S. No. 3 (Para 1.29) of Appendix IV to 38th Report (5th L.S.)]

Action Taken

In order to investigate into the causes of delay in the inspection of stores which took nearly 2½ months, the Director of Inspection (General Stores), New Delhi, set up a Court of Inquiry in August, 1971. The terms of reference of the Court were to examine the reasons of alleged delay in inspection of tent poles offered for inspection against the two A/Ts mentioned in the Public Accounts Committee's Report; to ascertain whether the inspection took abnormal time in clearance of deliveries; and to fix responsibility on individual(s) concerned for delays, if any.

2. The Court of Inquiry after examining all the witnesses and documents relating to the case opined that:

- (a) the firms were located at out stations and officers had to be deputed for out station sampling from HQ at Delhi;
- (b) the firms did not make available inspection facilities of Bond Room etc. in the first instance as per terms of the contract. In the absence of these facilities, the first Sampling|Inspection Officer had to come back. On assurance of the firms that bonding facilities had been arranged by them a second team of officers was immediately sent. This lapse on the part of the firms resulted in 12 days delay in bulk sampling of the initial deliveries of the firms;
- (c) repeat testing of samples of Creosote Oil, as recommended by Inspector of General Stores (North India) Laboratories, had to be carried out and the first sample was not found acceptable. The test results of the second sample had to be awaited from the Chief Inspectorate of General Stores before clearance of supply by OIC GSID;
- (d) since the requisite laboratory facilities were not available with the Inspector, it was necessary to forward the Bulk Supply Samples from first turn-overs of the firms

to the Chief Inspectorate of General Stores, Kanpur and to await the test reports.

3. In the context of the above position it is not possible to pinpoint responsibility for delay in inspection of deliveries offered on 1.1.1968 to a single factor/individual.

4. It may perhaps be argued that had the Inspector taken the safest course by resorting to bulk rejection on the spot, a delay of 71 days in inspection of the first lot offered by the firms could have been avoided. However, such an action on the part of the officer would have resulted only in further delay in procurement on account of retendering, etc. In our opinion he correctly judged the situation by not rejecting the material on the spot and gave the firm time to gear up facilities for inspecting in view of the urgent requirement of tent poles. His action of sending the Creosote for testing at CI(GS) Kanpur was all the more necessary since all precautions had to be taken in cases of first delivery, more so in the case of a natural product like tent pole.

[Ministry of Defence (Department of Defence Production)
O.M. No. 4(9) |72|D (Prod) dated 5-1-1973]

Recommendation

“It is surprising to note that the slow progress of Supply was not noticed till the firms complained about the delay in inspection on the 27th June, 1968, as by then against the proportionate quantity of 3.6 lakh tent poles which should have been supplied, only 1.2 lakhs, representing a mere third were supplied. Further there was no quantity tendered for inspection by the firms after 24th April, 1968. This clearly indicates that the contract was not progressed properly.”

[S. No. 4 (Para 1.30) of Appendix IV to Thirty Eighth Report
(Fifth Lok Sabha)]

Action Taken

The observation of the Committee has been noted.

[Department of Supply O.M. No. PIII-19(18) |70 dated 2.12.72]

Recommendation

“Having lost sight of the firm’s letter for well over a month by which time the delivery period had already expired, the case was referred to the Law Ministry in August, 1968. It is unfortunate that

the facts of the case were not fully presented to them. In the opinion of the Committee, however, there was an occasion to refer the case at that stage to the Defence Inspectorate rather than to the Ministry of Law. Had this been done, Government would not have been put to the loss in this case as the firms were in fact responsible for the delay in inspection."

[Sl. No. 6 (Para 1.32) of Appendix IV to Thirty-Eighth Report (Fifth Lok Sabha)].

Action taken

It is submitted that all the facts available with the DGS&D at that time were placed before the Law Ministry. The opinion of the Committee that at that stage the Defence Inspector should have been consulted has, however, been noted.

[Department of Supply O.M. No. PIII-19(18)|70 dated 2-12-72]

Recommendation

"The attitude and performance of the firms have been quite unsatisfactory. The identical nature of developments in this case shows that the firms have been acting in concert to avoid contractual commitments under some pretext or the other. The Committee desire it to be investigated as to how these firms were related to each other. Ironically enough these firms got the bulk of the orders on repurchase at much higher rates after getting the original contracts cancelled without financial repercussions. The Committee, however, wish to make it clear that it may not be objectionable to place repurchase orders on the same firms after cancelling their original contracts at their own risk and responsibility. In any case there is a need for laying down suitable guidelines in the matter of repurchase from the same firms which defaulted supplies originally.

[Sl. No. 8 (Para 1.34) of Appendix IV to Thirty-Eighth Report (Fifth Lok Sabha)]

Action taken

The relationship between the two firms as per the Registration records of DGS&D is as under:—

Firm A-M's. International Trading Co., New Delhi is personally owned by Shri Madan Lal Talwar, son of Shri Hukam Chand Talwar.

Firm B-M|s. Hukam Chand & Sons, 60|22, Rohtak Road, Karol Bagh, New Delhi is sole proprietorship concern of Shri Hukam Chand Talwar.

M|s. International Trading Co. was registered on the basis of the Defence Inspection Report, wherein it had been stated that the factory premises were situated adjacent to M|s. Hukam Chand & Sons at Najibabad. Some of the seasoning facilities of M|s. Hukam Chand & Sons were availed of by the International Trading Co. The two firms had separate factories at Najibabad, though adjacent to each other. At the time of Registration the address of M|s International Trading Co. was 5-C|11, New Rohtak Road, Karol Bagh, New Delhi. It has been changed to 60|22, Ramjas Road, W.E.A. Karol Bagh, New Delhi, which is the same address as that of M|s. Hukam Chand and Sons.

Instructions regarding the guidance of the purchase officers in the matter of re-purchase from the same firm, who defaulted the supplies originally have been issued vide O.O. No. 21(A) dated 12.1.72, copy enclosed.

[Deptt. of Supply OM No. PIII-19(18)|70 dated 2-12-72]

DIRECTORATE GENERAL OF SUPPLIES AND DISPOSALS (COORDINATION SUPPLIES SECTION CDN-2 NEW DELHI-1

Office Order No. 21(A)

Dated: 12.1.1972.

SUBJECT: Risk Purchase—Ignoring of the lowest offer of defaulter against risk purchase.

In para 4 of Office Order No. 21 dated 1.1.71, the detailed procedure for carrying out a risk purchase has been indicated. Among other things, it has also been specifically laid down in para 4(h) of the order that in case of operational, critical indents from various indentors the question of placement of repurchase orders on the defaulting firms has necessarily to be considered from purely the angle of immediate supply rather than from a legal angle, and that if the purchase officer is convinced that the defaulting firm will not be in a position to deliver the supplies, his offer has to be passed over and orders placed on a reliable source of supply. In such an instance, whatever recovery is possible by way of general damages should be claimed.

2. In a recent examination of some of the risk purchase contracts placed on defaulting firms, it has been invariably noticed that no supplies have been forthcoming and indentors have been denied supplies of certain of their vital requirements. The matter was re-examined in consultation with the Department of Supply and the

Ministry of Finance. Keeping in view the fact that timely materialisation of supplies is of paramount importance, it has been decided that hereafter the following procedure should be followed in all cases of risk purchase:

- (i) The purchase proposal should clearly indicate the reasons why the original supplier had failed to supply.
- (ii) The risk purchase order should not be placed on the defaulting firm, unless it is established that the default in making supplies under the original contract was due to circumstances beyond the control of the supplying firm and sufficient reasons are there to show that the contract was impossible of performance due to circumstances such as strikes, lockouts, failure of Government to provide assistance promised (by way of foreign exchange or raw materials in short supply etc.) or other genuine difficulty in the procurement of raw materials e.g. steel, etc.
- (iii) Where the defaulter's lowest acceptable offer against the risk purchase tender enquiry has been ignored as stated at (ii) above, every effort should be made to recover general damages from him as admissible under the law. Besides, a note regarding the default in considering his offers against tender enquiries for placement of any fresh order.
- (iv) If, for any reason, the risk purchase contract has to be placed on the defaulting firm, detailed reasons for such coverage should be recorded. The indenter should also be apprised of the position, particularly regarding the prospects of delivery.

2. Purchase Officers may kindly note the above decisions for compliance.

Sd/- M. M. PAL
DEPUTY DIRECTOR (CS-1)

Standard Distribution.

(On File No. CDN-2|7(34)|1|71.

Copy to:—

1. Department of Supply, New Delhi, with reference to their U.O. No. PIII-3717|71 dated 17-12-71.

2. Ministry of Finance (Supply Wing), with reference to their U.O. No. F. 1950/71 dated 8.12.71.

Recommendation

The Committee find that the rate contract is only a price agreement and unless each and every supply order is accepted by the mill, it is not legally a concluded contract. Further the Industry is stated to be not prepared to accept penalty being imposed for late delivery. In view of the experience in the recent past, the only remedy appears to be to bring around the industry to accepting a running contract in order that there may not be any uncertainty in supply. The Committee have later in this section of the report indicated how this can be ensured.

[S. No. 11 (Para 1.72) of Appendix IV to Thirty-Eight Report (Fifth Lok Sabha)].

Action Taken

In the past and also during negotiations held with the Paper Industry during August and September, 1971, an attempt was made to persuade the industry to accept running contracts instead of rate contracts. They regretted their inability to accept this position, primarily due to the fact that running contract would be subject to penalty clause. They felt that such penalty clause was not acceptable to them in view of the persistent difficult position about raw material, particularly pulp and chemicals, and difficulties in the movement of raw materials and finished products.

Against rate contracts, bulk allocation in tonnes is made in favour of all the indentors for each variety of paper without specifying the details of size and specification. The indentors place the Supply Orders later, giving full details to meet the requirements of particular consignees. The number of consignees would be numerous. The Government of India Stationery Office cater for a very large number of consignees, and for such a large number of consignees, it is extremely difficult for the Direct Demanding Officers to lay down in advance, the detailed requirements. Again, the placement of Supply Orders has to synchronise with the printing programmes and there is a degree of flexibility available under the rate contract system. However, the possibility of entering into running contracts will be explored for the next contract period.

[Deptt. of Supply O.M. No. PIII-19(20)/70, dated 25-9-1972].

Recommendation

“An important lacuna in determining the annual requirement of paper according to the Committee is that the actual past consumption and the balance stock are not ascertained from the various indentors. Unless these are obtained the reasonableness of estimates of requirement indicated by them cannot be ensured. The Committee, would, therefore, like to suggest that there should be a close check of the estimates with an eye on economy after obtaining the relevant data so that the commodity which is already in short supply in the country may not be either wasted or accumulated.

[S. No. 12 (Para 1.73) of Appendix IV to Thirty-Eighth Report (Fifth Lok Sabha)].

Action Taken

The recommendations of the Committee have been noted.

All Direct Demanding Officers are being requested to furnish actual past consumption, the balance stock and the quantity due against backlogs which will be taken into account at the time of conclusion of future rate contracts/running contracts.

[Deptt. of Supply O.M. No. PIII-19(20)/70, dated 25-9-1972].

Recommendation

“The Committee note that the rate contracts are not being entered into in time and the Direct Demanding Officers informed of it sufficiently in advance. To what extent has there been delay can be seen from the fact that the contracts for the years 1968-69 to 1970-71 effective from 1st July each year were actually placed on 23rd August, 1968, 9th December, 1969 and 10th September, 1970 respectively, i.e., after a delay ranging from 7 to 22 weeks. The Committee trust that such delays would be strictly avoided, in future.

[S. No. 13 (Para 1.74) of Appendix IV to Thirty-Eighth Report (Fifth Lok Sabha)].

Action Taken

The recommendation of the Committee has been noted. It may be pertinent to mention that the rate contracts for 1971-72 i.e., from 1st December, 1971 to 30th November, 1972 were concluded on 14th December, 1971. Every effort will be made to conclude further contracts in time.

[Deptt. of Supply O.M. No. PIII-19(20)/70, dated 25-9-1972].

Recommendation

“One of the reasons given by the industry for not fulfilling the demand placed on them is that the Direct Demanding officers do not place the orders in time. Although the Committee desired to have the details of orders placed against the schedule of placement thereof prescribed after taking into account the delay in entering into the contracts, these were not furnished. It is, however, seen that supply orders actually placed during the years 1968-69 to 1970-71 ranged between 82 per cent and 93 per cent of the quantities allocated. The Committee could not view such slackness with equanimity. They would, therefore, suggest that such of the Direct Demanding Officers under Central Government as would not place orders in full and in time should not normally be permitted to make local purchases without first fixing responsibility for lapse. The matter may also be taken up with State Governments as regards other Direct Demanding Officers.”

[S. No. 14 (Para 1.75) of Appendix IV to Thirty-Eighth Report (Fifth Lok Sabha)].

Action taken

The recommendation of the Committee has been circulated to all the Ministries/Departments of the Central Government and to the State Governments for necessary action. A copy of the circular dated 14th November, 1972 is enclosed.

[Deptt. of Supply O.M. No. 19(20)/70, dated 4-12-1972].

No. PIII-19(20)/70

GOVERNMENT OF INDIA

Department of Supply

New Delhi-11, the

To

The Chief Secretaries of all State Governments.

SUBJECT:—*Supply of paper and paper board against Rate Contracts concluded by the DGS&D.*

Sir,

z

I am directed to state that the delay in the supply of paper and paper boards against orders placed by the Central and State Government Departments on firms holding DGS & D rate contracts came up for discussion by the Public Accounts Committee last year. The

Committee was apprised that one of the reasons for delay given by the industry for not fulfilling the demands placed on them was that the Direct Demanding Officers did not place the orders against the allocations made in Rate Contracts in time. The Committee has taken a serious view of the matter and its observations are reproduced below:—

“One of the reasons given by the industry for not fulfilling the demand placed on them is that the Direct Demanding Officers do not place the orders in time. Although the Committee desired to have the details of orders placed against the Schedule of placement thereof prescribed after taking into account the delay in entering into the contracts, these were not furnished. It is, however, seen that supply orders actually placed during the years 1968-69 to 1970-71 ranged between 82 per cent and 93 per cent of the quantities allocated. The Committee could not view such slackness with equanimity. They would, therefore, suggest that such of the Direct Demanding Officers under Central Government as would not place orders in full and in time should not normally be permitted to make local purchases without first fixing responsibility for the lapse. The matter may also be taken up with State Governments as regards other Direct Demanding Officers.”

It may be pointed out that the Rate Contracts concluded by the DGS & D clearly specify the quantities which have been allotted to each Direct Demanding Officer as well as the phased manner in which the Direct Demanding Officers are to place the supply orders on the firms holding the Rate Contracts. In view of these provisions, there should normally not be any difficulty for the Direct Demanding Officers in placing their orders against the Rate Contracts for full quantities allocated well in time provided, sufficient attention is paid by them to the matter at the appropriate time. The recommendation of the Public Accounts Committee as reproduced above is brought to the notice of all State Governments for suitable action.

(S. S. PURI)

Joint Secretary to the Government of India.

Copy for necessary action also to:—

1. All Ministries and Departments of the Central Government.
2. Lt. Governors/Chief Commissioners of Union Territories.

(S. S. PURI)

Joint Secretary to the Government of India.

Recommendation

The fundamental issue involved in the Ministry's reluctance to enter into a firm contract with Government is the disparity between the rate contract price and the open market price after the decontrol of paper which makes it profitable to the industry to divert supplies to the market thus starving Government of their legitimate and urgent requirements. The Committee do not think that Government should be a helpless witness to this phenomenon especially in view of the fact that reasonable price increases have been given in the rate contracts and the paper Industry on the whole are stated to have increased profits substantially after decontrol, further there is an unhealthy tendency for the price to increase with the widening gap between supply and demand. The solution, therefore, lies in imposing a partial control so as to ensure firm supply of a specified portion of production against Government requirements at an agreed rate which may also call for regulation of pattern of production.

[S. No. 16 (Para 1.77) of Appendix IV to Thirty-Eighth Report
(Fifth Lok Sabha)].

Action Taken

Imposition of a partial control on the paper industry with a view to ensure supply of a specified portion of production against Government requirements at an agreed rate will be a step in the right direction. But, having regard to the effect it will have on further investment in this very heavy investment industry and its administrative, organisational and financial implications, it is a question which has to be considered very carefully. Besides, the requirement of paper of other equally important sections of consumers has also to be kept very much in mind. Government are already having under their active consideration the entire question introducing some form of control to ensure the availability of paper at reasonable prices to all consumers, and will endeavour to arrive at an appropriate solution of the various facets of this problem in the near future.

As for varying the production pattern, though there are certain built in technological and economic difficulties, the suggestion is being carefully looked into suitable steps will be taken after due consultation with the paper industry and the technical advices of Government. Every steps will be taken here also.

[Ministry of Industrial Development, D.O. No. 3(17) |72—
Paper Cell, dated, 1-1-1973].

Recommendation

The Committee are, however, convinced that a long term solution can be found only in increasing the output of paper in the country. Obviously the demand, especially of cultural variety of paper has far outpaced the growth in production. The Committee were informed that in addition to setting up new mills in the public sector, Government have worked out a 'Crash Programmes' under which by expanding the capacity of selected mills, an additional tonnage of 80,000 tonnes of paper per annum is expected to be manufactured by the end of 1972 or early 1973.

This assumes urgency in view of the fact that as against Government's requirement alone of the order of 1.99 lakh tonnes during the period of 1st July, 1971 to 31st March, 1973 only a quantity of 0.95 lakh tonnes has been covered by 1971-72 rate contract effective upto 30th November, 1972. The Committee would therefore, urge Government to ensure that the target of additional production is achieved without any delay.

[S. No. 17 (Para 1.78) of Appendix IV to 38th Report
(5th Lok Sabha)].

Action Taken

Government are constantly alive to the imperative and over-riding need to achieve additional production with the least possible delay. Towards this end, Government have already taken the following action, in addition to the crash programme referred to above.

(i) 38 new schemes for either setting up of new undertakings or effecting substantial expansion in existing undertakings for manufacture of paper have been approved in the private sector, for a total capacity of 12.92 lakh tonnes, of which writing and printing varieties of paper will constitute approximately 6.87 lakh tonnes.

(ii) The following three schemes for setting up of projects by the Hindustan Paper Corporation in the public sector are under various stages of active consideration:—

- (a) A project at Nowgong, Assam for a capacity of 50,000 tonnes per annum.
- (b) A project at Cachar, Assam for a capacity of 50,000 tonnes to 75,000 tonnes per annum of paper. (Capacity to be decided finally).

- (c) A project at Nagaland for a capacity of 30,000 tonnes per annum of paper.

[Ministry of Industrial Development, D.O. No. 3(17) |72—
Paper Cell, dated, 1-1-1973].

Recommendation

The Committee would like it to be considered whether the mills who were the major defaulters in supply against Government requirements deserve any special facilities for expanding their production capacity.

[S. No. 18 (Para 1.79) of Appendix IV to 38th Report
(5th Lok Sabha)].

Action taken

While ordinarily the course of action suggested may be the most appropriate way of dealing with the "erring" mills, in view of the larger interest of the country which calls for the promotion of investment in paper industry to the maximum extent possible in the shortest period to meet the urgent rising demand, Government feel that the purpose may be achieved by stern warning and grilling the defaulting mills to discipline them, reserving drastic steps for really bad cases involving habitual defaulters.

[Ministry of Industrial Development, D.O. No. 3(17) |72—
Paper Cell, dated, 1-1-1973].

Recommendation

The Committee are surprised to learn that it took such a long time to finalise ISI specifications for different varieties of paper which appears to have been done comprehensively for the first time only in August, 1971. The Committee hope that supplies by mills will now conform to ISI specifications. As there were conflicting views regarding the powers to enforce the specifications, the Committee wish that this question should be examined and settled to guard against sub-standard supplies.

[S. No. 19 (Para 1.80) of 38th Report (5th Lok Sabha)].

Action taken

Steps have been initiated to ensure that all paper producing units adhere to the ISI Standards. The Director General of Supplies and Disposals are also pursuing the question of adoption of the ISI Standards by all Paper Mills with regard to Government's supplies against

the rate contracts with the Joint Committee on Paper Industry. Although the ISI scheme is essentially one for voluntary adoption by the various manufacturers, in regard to the Paper Industry the question of ensuring some sort of compulsory adoption is being gone into in depth by the Government.

[Ministry of Industrial Development, D.O. No. 3 (17) |72—
Paper Cell, dated, 1-1-1973].

CHAPTER III

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

Recommendation

Admittedly the multiplicity of demanding officers has not worked well. If the remedial steps taken by Government do not yield satisfactory results, the Committee would like them to consider the feasibility of setting up a centralised agency to procure paper in bulk and to distribute to various indentors.

[S. No. 15 (Para 1.76) of Appendix IV to 38th Report (5th Lok Sabha)].

Action taken

In so far as the question of multiplicity of demanding officers is concerned, a list of the Direct Demanding Officers who are at present allowed to operate against the rate contracts for paper and paper boards is enclosed. It will be observed that the list has been very severely restricted. It will be noticed that in the case of State Governments, there is generally only one direct demanding officer for each State. Similarly, in the case of the Central Government, there is one direct demanding officer for all Ministries excluding Defence and Railways. It is submitted that the reasons for delay or failure of supplies against the rate contracts, in so far as they can be attributed to the direct demanding officers rest, not on their multiplicity but on the non-placement of the orders by them in full and in time against the rate contracts. Remedial measures have already been taken in this regard as indicated in the reply to the recommendation at serial No. 14.

The suggestion for the creation of a centralised agency to procure paper in bulk and to distribute to various indentors has been very carefully examined. The concept of a centralised agency can have two aspects. Firstly, there should be only one agency for the procurement of the entire requirements of all the Central and State Governments and allocation of the available supplies amongst them. Secondly, there should be a centralised depot where the entire requirements of paper and paper boards should be stored and then distributed amongst the various indentors.

In so far as the first aspect is concerned, it needs to be pointed out that at present the DGS & D is the only organisation which enters into rate contracts with all the paper mills and also makes allocations of the available supplies to the various indentors. The first aspect of the centralised agency is, therefore, already being discharged by the DGS & D. As regards the second aspect, it is felt that no useful purpose will be served by having a centralised store-house for maintaining stocks of paper and paper boards as it would involve building up of fresh storage capacity, multiple movement from the mills to the godown and from the godown to the consignees, loss in transit, deterioration in storage, higher freight, overhead and establishment charges etc. This would also lead to delay in making supplies to the indentors. Under the present arrangement a direct demanding officer places an order on the mill directly against the rate contract and the supplies are despatched by the mill direct to the consignee concerned. It is, therefore, considered that the present arrangements are quite suitable and that no change in these arrangements is called for.

[Deptt. of Supply O.M. No. P III—19 (20) |70, dated 30-12-1972].

**DIRECT DEMANDING OFFICERS AUTHORISED TO OPERATE
RATE CONTRACTS FOR PAPER AND PAPER BOARDS**

1. The Director of Printing, Stationery and Stores and Purchases Stationery Wing, Andhra Pradesh, Semajiguda, Hyderabad-4.
2. The Under Secretary to the Government of Assam, Printing and Stationery Deptt., Assam-Shillong.
3. The Superintendent, Press and Forms, Bihar, Gaya.
4. The Superintendent, Bihar Sectt. Press, Gulzarbagh, Patna.
5. The Superintendent, Government Stationery Stores and Publication, Bihar, Gulzarbagh, Patna.
6. The Director Printing and Stationery, Government of Gujarat O-5, New Civil Hospital Annexe, Ahmedabad.
7. The Director of Printing and Stationery, Government of Maharashtra, Bombay-4.
8. The Controller of Stationery and Printing, J & K Srinagar.
9. The Controller of Printing and Stationery, Government Stationery Department, Kerala, Trivandrum.
10. The Director of Printing and Stationery, Tamil Nadu, Madras-1.

11. The Director of Printing, Stationery and Publications, Government of Mysore, Bangalore.
12. The Controller of Printing and Stationery, M.P. Bhopal.
13. The General Manager, India Security Press, Nasik Road, C. Rly.
14. The Superintendent, Orissa Government Press, Cuttack.
15. The Controller of Printing and Stationery, U.T. Chandigarh.
16. The Director of Printing and Stationery, Rajasthan, Jaipur.
17. The Superintendent, Printing and Stationery, U.P. Allahabad.
18. The Superintendent of Stationery, Government of West Bengal, 18-Gopalnagar Road, Alipore, Calcutta-27.
19. The Controller of Stationery, Government of India Stationery Office, 3 Church Lane, Calcutta-1.
20. The Superintendent, Printing and Stationery, N. Rly., Shakur Basti.
21. The Controller of Stores, W. Rly., Churchgate, Bombay.
22. The Controller of Stores, C. Rly., Bombay.
23. The Controller of Stores, S. Rly., Preambur, Madras.
24. The Controller of Stores, S.E. Rly., Garden Reach, Calcutta.
25. The Controller of Stores, N. E. Rly., Gorakhpur.
26. The Controller of Stores, N.F. Rly., Pandu.
27. The Printing Superintendent (Stationery) E. Rly., Calcutta.
28. The Dy. Controller of Stores, D.L.W., Varanasi.
29. The Controller of Stores, Chittaranjan Loco Works, Calcutta.
30. The E.G., Research Design and Standard Organisation, Ministry of Railways, Alambagh, Lucknow.
31. The Controller of Stores, S.C. Rly., IRSET Building, Lalguda, Secunderabad-17.
32. The Director of Military Regulation and Forms, Ministry of Defence, R. K. Puram, New Delhi-22.
33. The Controller of Printing and Stationery, Haryana, Chandigarh.
34. The Dy. Controller of Printing and Stationery, Punjab, Chandigarh.

35. The Controller of Printing and Stationery, H.P. Simla.
36. The Manager, Printing and Stationery, Government of Goa, Daman and Diu, Panaji (Goa).
37. The Under Secretary to the Government of Meghalaya, Printing and Stationery Department, Shillong.

Recommendation

It is regrettable that a partially incorrect information regarding the extended date of validity of offers given by the Purchase Officer led to the delay in the approval of the purchase proposals which ultimately caused an extra expenditure of Rs. 2.67 lakhs. The Committee note that suitable instructions in this regard have since been issued. They would, however, like Government to fix responsibility for this costly negligence.

[S. No. 21 (Para 1.88) of Appendix IV to 38th Report (5th Lok Sabha)].

Action taken

The matter has been investigated and it has been held that no blame can be placed on any Purchase Officer.

[Deptt. of Supply, O.M. No. PIII-19(4) |70, dated 21-10-1972].

CHAPTER IV

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

Recommendation

The Committee understand that for most of the Defence requirements procured through the DGS&D, inspection is arranged by the Defence Inspectorate. The lack of coordination resulting from neither the DGS&D nor the Defence Inspectorate taking the initiative noticed in this case, is rather disquieting. There is a need for an effective liaison and to obviate any delay in scrutinising the tenders involving opinion of the Inspectors and in progressing the contracts so that Government may not be put to any avoidable loss. In this connection the Committee would like Government to consider whether it may not be desirable to entrust also inspection of at least all the non-sophisticated items to the DGS&D as under ideal conditions purchase and inspection should vest in one authority. The Committee were, however, assured that the inspection of tent poles would be taken by the DGS&D shortly.

[Sl. No. 7 (Para 1.33) of Appendix IV to Thirty-Eighth Report (Fifth Lok Sabha)].

Action Taken

As per Office Order No. 19-B dated 10-12-1969, inspection in respect of 17 common user items was taken over from the Ministry of Defence (DGI) and transferred to Inspection Wing of the DGS&D. A copy of the office order is enclosed for ready reference.

In respect of wooden items—Tent Mallet Heads (Wooden), Tent Pins (Wooden), Helves and Handles (Wooden) and Tent Poles Bamboo, listed against items 1 to 4 of the said Office Order, some difficulties were experienced in carrying out inspection by the DGS&D Inspection Wing. The matter had been under correspondence with the Directorate of Inspection (Ministry of Defence), New Delhi and a copy of note dated 26-3-1971 recorded by the Deputy Director General (Inspection), DGS&D is enclosed. In view of these difficulties, the Purchase Directorates were again requested to entrust the inspection of these four items to the Defence Inspectorate. Further, in view of the heavy load on the Inspection Wing

consequent upon the procurement of Defence stores|stores required for the East Bengal Refugees, it was not found possible to take over the inspection of Tent Poles immediately by the Inspection Officers of the DGS&D. A copy of D.O. letter No. DG|MISC|71 dated 18-12-71 from the Director General to Brig. Bhupinder Singh Director of Inspection (GS), Ministry of Defence, is enclosed for ready reference.

In regard to wooden items mentioned above and particularly Tent Poles, the difficulty faced by the Inspection Wing is about a particular set of staff by which the process of inspection is carried out by the Defence Inspectorate. There are various grades of officers at lower levels like Khalasis, Sortors etc. who conduct the preliminary examination which is not the pattern of staffing in the DGS&D Inspection Wing. In order to take over the inspection of these items, it has been found necessary to ascertain the details of the staffing pattern of the Defence Inspectorate, periodicity of inspection, detailed process of inspection of stores, sources of supply etc., so that a complete scheme for recruitment of staff at appropriate levels, is submitted to the Government for their consideration and approval. The facts in this regard are being collected by the Inspection Wing of the DGS&D in consultation with the Purchase Directorate, Defence Inspection Organisation and the Defence indenter.

[Deptt. of Supply O.M. No. PIII-19(18)|70 dated 29-12-72].

COPY

DIRECTORATE GENERAL OF SUPPLIES AND DISPOSALS
(CO-ORDINATION BRANCH, SECTION CDN-4, NED DELHI)

OFFICE ORDER No. 19-B

Dated 10-12-1969.

SUBJECT:—*Transfer of Inspection responsibility from Ministry of Defence, DG (I) to DGS&D, Inspection Wing.*

REF: Consolidated Office Order No. 19 dated 1-1-1969 Para 7—2
'Appendix-C'.

Ministry of Defence (Department of Defence Production) in consultation with the Ministry of Supply have decided to transfer the inspection responsibilities in respect of the under mentioned common user items from Ministry of Defence (DGI) to Inspection Wing of DGS & D:

1. Tent Mallet Heads (Wooden)

(a) Large

- (b) Medium
- (c) Small
- 2. Tent Pins (Wooden) (a) Large
 - (b) Medium
 - (c) Small
- 3. Helves and Handles wooden all types (32 items).
- 4. Tent Poles Bamboo.
- 5. Baskets G.S. MK-2.
- 6. Brooms Sweeper.
- 7. Rags for cleaning purposes (Navy).
- 8. Stockinette Material.
- 9. Tape Measuring Tailors.
- 10. Cloth Spnge.
- 11. Taper Drawstring Undyed.
- 12. Acid Nitric Commercial.
- 13. Acid Hydrochloric Commercial.
- 14. Acid Oleic Commercial.
- 15. Acid Cresylic Commercial.
- 16. Acid Sulphuric Commercial.
- 17. Alumina Forric (Sulphate of Alumina).

The AHSP duties and testing of samples will, however, continue to be exercised by the DGI Organisation, Ministry of Defence.

The items may be added as additional items to Appendix 'C' of O.O. No. 19 dated 1-1-1969.

All Purchase Officers are requested to specify inspection by the DGS & D Inspecting Officers in the contracts they conclude from 1-1-1970, onwards in respect of Defence demands for the above mentioned items.

Sd/- (S. K. JOSHI),
Deputy Director (CS-II).

Standard Distribution

[File No. CDN-4|24(7)|67-69].

Copy to:—

1. Inspection Wing, with reference to their note dated 4-12-1969, in their file No. 56(1)/67/IC-1.50 copies.

2. D.G. (Inspection) Ministry of Defence, New Delhi. Ref. D.O. No. 02501/30/TD20 dated 16-9-1969 from Joint Secretary, Department of Defence Production to Joint Secretary, Ministry of Supply.
3. Ministry of Supply, New Delhi, Reference endorsement on D.O. No. 50(17)/62-PH dated 23-11-1969.

COPY

D.G.S. & D.

Reference D.O. No. 02501/30/TD-20 dated 20th March, 1970 from Brig. Bhupinder Singh, Director of Inspection (GS), Ministry of Defence, addressed to D.G. placed below, I have discussed this matter with the D.G. personally and with Brig. Bhupinder Singh on telephone. It is true that we do not yet have adequate inspection staff for the inspection of the wooden items involved. Director of Inspection, N.I. Circle, has expressed his difficulty to carry out the inspection and stamping these items on 100 per cent basis as required in certain specifications governing these stores. In view of this difficulty, I would really welcome this suggestion of Brig. Bhupinder Singh to take back this inspection.

T.W.L. Directorate are requested to amend the inspection clause for the A.Ts. mentioned in the enclosures immediately with copies to all concerned. For other similar stores which are still to be covered or have been covered but not inspected, similar action may be taken. In due course, I shall discuss this matter with D.G. (Inspn.) (Gen. Williams) and come to some suitable working arrangement.

Sd/- (G. K. AHUJA),
DDG(I) 26-3-1971.

Sd/- (V. B. ESWARAN)

D.G.

D.S. (TWL)

Sd/- (C. B. GULATI) 27-3-1971

DG/2561/71 27-3-1971.

DDG(I)'s Office

Dy. No. 362 26-3-1971

Sd/- (P. NATH) 29/3

Sd/- (B. A. SHENOY) 29/3

AD (TWL-8)

COPY**IMMEDIATE/BY SPECIAL MESSENGER**

V. B. Eswaran,
Director General S & D.

DG/MISC/71

Poorti Vibhag.
18th December, 1971.

Dear Brig. Bhupinder Singh,

Please refer to your D.O. letter No. 02501/30/TD-20 dated the 16th December, 1971 which has come to me late this afternoon. I have carefully considered whether we can take over inspection of tent poles immediately. I am afraid, that the current load of work of emergent nature on DDG(I)'s Organisation is such that it will be physically impossible to find the men for inspection of tent poles also. We shall be glad if inspection of this store is continued to be done by your organisation for some more time.

Yours sincerely,
Sd/- (V. B. ESWARAN).

Brig. Bhupinder Singh,
Director of Inspection (GS),
Ministry of Defence,
Department of Defence Production,
Dte. General of Inspection,
DHQ, P.O., New Delhi.

Copy to DDG(I) through DDG(N), DGS & D, New Delhi.

Recommendation

"The Committee note that there was a delay of over 3 months in finalising of purchase proposals in this case which involved calculation of destination prices of a number of items and tenders. In order to avoid unnecessary delays the Committee would suggest that as far as possible tenders should be invited on f.o.r. basis rather than on ex-factory basis."

[S. No. 20 (Para 1.87) of Appendix IV to Thirty-Eighth Report (Fifth Lok Sabha)].

Action Taken

The recommendation of the Committee has been noted.

The instructions contained under para 4(c) of Form DGS & D 100C, attached to the tender enquiries reads as under:—

“Prices quoted should be invariably for delivery F.O.R. Station of destination (or of station of despatch) in India and inclusive of charges such as packing, forwarding, customs duty, octroi, etc., etc. where applicable.”

It will be seen that the prices are called for on FOR basis in all cases.

[Deptt. of Supply O.M. No. PIII-19(4)/70 dated 21-10-1972].

CHAPTER V

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

Recommendation

"Strangely enough there was a delay of over one month in considering the representations of the firm received in June, 1968. That this delay did not have effect as the extended delivery period from November, 1968 to June 1969, as required by firm 'A' was in fact fixed in November, 1968 cannot be accepted as a satisfactory excuse by the Committee as it has been held by the Law Ministry that as intimation to the firm was sent belatedly after the season was spent it was difficult to impute breach to the firm. The Committee accordingly desire that responsibility of officials for delay should be fixed."

[S. No. 5(Para 1.31) of Appendix IV to Thirty Eighth Report (Fifth Lok Sabha)].

Action Taken

The matter is under investigation and the result thereof, would be communicated to the Committee, in due course.

[Deptt. of Supply OM No. P III—19(18)/70 dated 2-12-72].

Recommendation

"The performance of the firms under the repurchase contract was none too good. It is significant to note that the stores supplied by them were seized by the CBI at the consignee's end. The Committee would like to know the circumstances under which the seizure was made and the outcome of the investigation. In view of all this the Committee further wish that the desirability of entering into any further business deals with these firms should be examined and the result intimated to the Committee."

[Sl. No 9 (Para 1.35) of Appendix IV to Thirty Eighth Report (Fifth Lok Sabha)].

Action Taken

The circumstances under which the stores supplied by the firms 'A' & 'B' were seized by the C.B.I. are explained in Annexure 'A' which has been furnished by the C.B.I.

The C.B.I. has intimated that investigations have since been completed and a report has been sent to the Ministry of Defence on 20-9-1972. That Ministry has been requested to intimate the outcome of the investigations to the Committee. The question of taking action against the firms will also be examined as soon as a copy of the report is received by this Ministry.

[Deptt. of Supply O.M. No. PIII—19(18)/70 dated 2-12-72].

ANNEXURE A

Note in P.E. 35/dated 21-9-1971 registered against a Chargeman and a Supervisor Technical, Ministry of Defence, New Delhi.

On 21-9-71 P.E. No. 35 was registered in Delhi Branch of the SPE against a Chargeman and a Supervisor Technical, Grade II of IGS, N.I., Circle, Ministry of Defence, New Delhi. The allegations were that Firm 'A' and Firm 'B' were awarded contracts for the supply of Tent Poles against A/T Nos. (1) TWL-8|101|68|264|II|324|474|PAOD dated 23-12-69 placed on firm 'B', (2) No. TWL-8|101|68|264|II|225|466|PAOD dated 2-12-69 placed on firm 'A' and (3) No. TWL-8|101|68|264|II|225|465|PAOD dated 2-12-69 placed on firm 'A'. The stores were inspected by the Chargeman and the Supervisor, Grade II of I.G.S., N.I. Circle, New Delhi before despatch and they had failed to inspect them thoroughly with the result that they were found to be below specification by the COD, Kanpur, the consignee and were later on found defective to the extent of non-permissible limits of acceptance by CIGS, Kanpur.

The enquiries so far made have revealed that in July, 1970 on receipt of a complaint an officer of the CBI, Lucknow Branch assisted by some officers of the I.G.S., Kanpur arranged a joint check of Tent Poles on 14-7-70 and drew some samples out of the supplies received against A/T Nos. (1) TWL-8|101|68|264|II|225|465-PAOD dated 2-12-69 and (2) TWL-8|101|68|264|II|225|466|PAOD dated 2-12-69 from 'A' and 'B'.

The Chief Inspector, C.I.G.S., Ministry of Defence, Kanpur was requested to get the samples in question tested and intimate if the same were as per specifications laid down in the said A/T. He was further requested that in case the samples were defective, could the defect be detected during visual inspection and also whether the supplies could have been accepted with price reduction. The Chief Inspectorate of General Stores, Kanpur inspected the stores and informed SP/SPE, Lucknow that the samples were sub-standard and listed as many as 10 defects in them. He further mentioned that 4 of these

defects could be detected during visual inspection provided these were present at that time and 11 100 per cent supplies were checked in this respect. In respect of 3 other defects he was of the view that these could not be detected during visual examination. The main defects found by CIGs, Kanpur were that these contained profuse active ghoon infestation and that the gauge of MS sheets used for cap and band was 20 and 21 BG against 16+1BG specified.

On receipt of this result from CIGS, Kanpur the matter was taken up with the Director of Inspection (General Stores), New Delhi who was advised to have the supplies against the relevant AS/T immediately reinspected in the presence of the representatives of the suppliers, inspecting staff who accepted the stores, consignee and a representative of the C.B.I. In May, 1971 the Director of Inspection (GS) informed this office that re-inspection was stopped by COD, Kanpur as the firm was unwilling for the re-inspection. Since the legal issue involved was whether the firms could be asked to appear for re-inspection, the opinion of Law Ministry in this regard was obtained which was received on 21-7-1969. The Ministry of Law advised that re-inspection could not be binding on the firms as the stores had already been accepted by the Ministry of Defence. The matter was examined further and ultimately it was decided to register the present P.E. against the Chargeman and the Technical Supervisor Grade II of the Ministry of Defence, for having accepted sub-standard and below specification stores. The scope of our enquiries therefore, is limited to the extent that the aforesaid officers had by abuse of their official position shown undue favour to the two firms by accepting sub-standard stores. Enquiries in this regard are, almost complete except that the records of the two firms are to be examined. It has been established that the Chargeman and the Technical Supervisor had accepted sub-standard stores and firms 'A' & 'B' were responsible for supplying these below specification and sub-standard Tent Poles, suitable recommendations against the officers and the firms will be made as soon as the enquiries are completed.

It may also be mentioned that during war with Pakistan in December, 1971, the stores were released after keeping representative samples, since the stores in question were required on emergent basis for war purposes.

If during the course of further enquiries it is revealed that the Chargeman and the Technical Supervisor Grade II are in possession of assets disproportionate to the known sources of their income and/or have accepted illegal gratification by abusing their official position a separate R.C. under the Prevention of Corruption Act will be registered for investigation.

Recommendation

"The Committee deeply regret to learn the unsatisfactory arrangement for the procurement of paper to meet essential Government requirements after the decontrol in May, 1968. Against the rate contracts entered into with the Paper Mills for the year 1968-69, 1969-70 and 1970-71, Government could receive only 79 per cent, 46 per cent and 60 per cent respectively of the quantities ordered for, despite the fact that substantial price increases had been given from time to time and this resulted in resorting to local purchases entailing considerable inconvenience and extra expenditure. The Committee, however, note that the mills are committed to supply the backlog at the rates applicable to the relevant rate contracts and that it is expected to be cleared by 31st March, 1972. The Committee would like to know the progress made in this regard."

[Sl. No. 10 (Para 1.71) of Appendix IV to Thirty-Eighth Report
(Fifth Lok Sabha)]

Action taken

The Joint Committee on Paper Industry reported that on 1-7-71, in respect of orders received by the mills against rate contracts taining to the years 1969-70 and 1970-71 stood at 3,680 M. Tonnes. The position was reviewed on 1-10-71 and it was stated by the mills that on the date, the backlog stood at 45,035 M. Tonnes. The industry promised to liquidate the backlog by 31-3-72. They failed to achieve this target and reported that as on 1-4-72, the backlog pertaining to the years 1969-70 and 1970-71 stood at 3,680 M. Tonnes and 10,184 M. Tonnes respectively. The paper industry also stated that the backlog for the year 1968-69 and earlier was comparatively very small.

In so far as the supply outstanding in regard to the year 1968-69 and earlier is concerned, the Direct Demanding Officers had given a figure of 10,815 M. Tonnes as the backlog as on 1-8-1972. The paper industry had been disputing some of the figures given by the Direct Demanding Officers in this regard and reconciliation is still in progress.

The main reason advanced by the industry for not being able to liquidate the backlog by 31-3-72 as promised by them earlier was the difficulty in the movement of raw materials and finished goods due to the emergency created by the situation in Bangla Desh in the latter part of 1971 and early months of 1972. The matter was

discussed in a meeting held with the industry on 30-4-72 and their request for a further extension of 6 months for clearing the backlog was granted. According to this decision, the industry was committed to liquidate the entire backlog by 30-9-72, over and above the supplies to be made against the current rate contract. The present position in this regard is being ascertained and will be reported to the Committee.

In the Lok Sabha Secretariat letter No. 2|1|3|6|71|PAC dated 4th July, 1972, attention has been drawn to the differences in the figures as furnished to the Committee by this Department and the figures given by the Joint Committee on Paper Industry. The differences in figures would seem to have arisen because of the reason that the actual supplies made during a year include the supplies made against the current rate contract as well as supplies against the rate contracts which had already expired but against which supplies had not been completed earlier. The Joint Committee on Paper Industry had apparently taken the total supplies made during a year for the purpose of working out the figures, while the DGS&D had taken into consideration only the supplies made by each mill against each Rate Contract for that particular year. The paper industry has been addressed to intimate the supplies made by each mill year-wise against each rate contract for the years 1968-69 to 1970-71 and this information will be furnished to the Committee in due course.

[Deptt. of Supply O.M. No. P III—19(20)/70 dated 30-12-72].

NEW DELHI;
12th February, 1973.

23rd Magha, 1894 (S).

ERA SEZHIYAN,
Chairman,
Public Accounts Committee.

APPENDIX

Summary of main Conclusions/Recommendations

S.No.	Para No.	Ministry/Dept. concerned	Conclusion/Recommendation
1	2	3	4
1.	1.4	Supply	The Committee hope that final replies in regard to 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	Defence	Referring to the failure of the Defence Inspectorate to inform the Purchase Officer about the reasons for the delay in inspection, the Committee had desired the Ministry of Defence to investigate the matter with a view to fixing responsibility. The reply of the Ministry does not meet the point raised by the Committee. The Committee would, therefore, like the Ministry of Defence to take appropriate action to fix responsibility for the lapse.
3.	1.11	Supply	The Committee had observed that there was no proper progress of the contract. The Department has merely noted the observation. The Committee wish that the Department should examine why the contract was not progressed properly and take necessary action.

The Committee had desired that Government should consider whether it might not be desirable to entrust also inspection of at least all the non-sophisticated items to the DGS&D, as under ideal conditions, purchase and inspection should vest in one authority. As per an office order issued prior to the examination of the matter by the Committee, inspection in respect of 17 common user items was taken over from the Ministry of Defence and transferred to the DGS&D. The Committee would like to know whether, in addition to these 17 items, there are any other non-sophisticated items, inspection of which could be transferred to the DGS&D and if so, whether their suggestion was considered with reference to such items.

The Committee had desired Government to lay down suitable guidelines as regards placing repurchase orders on the same firms, which had earlier defaulted in supplying and whose original contracts were cancelled without financial repercussions. The Department have forwarded a copy of the instructions issued before the presentation of the Thirty-Eighth Report (Fifth Lok Sabha). The Committee find that instructions, however, do not cover the case specifically referred to by them. They, therefore, wish that the Department should issue comprehensive instructions in the matter.

The Committee had been given to understand that in addition to setting up new mills in the public sector, an additional tonnage of 80,000 tonnes of paper per annum was expected to be manufactured by the end of 1972 or early 1973. The reply of the Ministry does

not indicate whether this expectation had materialised. The Committee desire that the position in this regard may be intimated to them.

Supply

1.23

As regards enforcing ISI specifications for paper, the Committee had been informed by the representative of the ISI that it was for the user organisation to enforce specifications whereas the representative of the Ministry of Supply had stated that it was for the D.G.I.S.I. to enforce specifications and that the purchase authority had no powers. As there were conflicting views regarding the power to enforce specifications, the Committee had wished that this question should be examined and settled to guard against sub-standard supplies. It has been intimated that the question of ensuring some sort of compulsory adoption is being gone into in depth by the Government. The Committee would like to know the manner in which it is proposed to be ensured.

1.26

D

Considering the delay in finalising purchase proposals involving calculations of destination prices of tenders, the Committee had suggested that as far as possible tenders should be invited on f.o.r. basis rather than on ex-factory basis. The Ministry referred to existing instructions that prices quoted should be invariably for

delivery on f.o.r. station of destination or station of despatch. As the rates for f.o.r. station of despatch will not obviate time consuming calculation of destination prices, the Committee wish to reiterate that tenders should be called for on f.o.r. destination basis as far as possible.
