

PUBLIC ACCOUNTS COMMITTEE

(1968-69)

(FOURTH LOK SABHA)

(SIXTY-SEVENTH REPORT)

**[Action Taken by Government on the recommendations of
the Public Accounts Committee contained in their
60th Report (Third Lok Sabha) relating to
Excess Payment and Avoidable Expenditure.]**



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1969/Vaisakha, 1891 (Saka)

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CORRIGENDA TO SIXTY-SEVENTH REPORT OF
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ON 29TH APRIL, 1969.

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9	-	10	contracts	contract
10	-	15	transcrips	transcripts
10	-	16	proof	proof of
12	1.15	-	printed in thin type	to be treated as printed in thick type
13	-	37	poss	post
20	-	16	varifica- tion	vetification
28	-	6	that	the
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PUBLIC ACCOUNTS COMMITTEE
(1968-69)

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Shri Avtar Singh Rikhy—*Joint Secretary*

Shri K. Seshadri—*Under Secretary.*

*Declared elected on 19th August, 1968 vice Shri M. M. Dharia, who resigned from the Committee.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this 67th Report on the Action Taken by Government on the recommendations of the Public Accounts Committee contained in their 60th Report (Third Lok Sabha) relating to excess payment and available expenditure.

2. On 12th June, 1968, an "Action Taken" Sub-Committee was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Committee in their earlier Reports. The Sub-Committee was constituted with following Members :

1. Shri D. K. Kunte—*Convener*
2. Shri C. K. Bhattacharyya
3. Shri K. K. Nayar
4. Shri Narendra Kumar Salve
5. Shrimati Tarkeshwari Sinha
6. Shri N. R. M. Swamy.

3. The draft Report was considered and adopted by the Sub-Committee at their sitting held on 10th and 23rd April 1969 and finally adopted by the Public Accounts Committee on 28th April 1969.

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

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.

M. R. MASANI,
Chairman,
Public Accounts Committee.

NEW DELHI;
April 28, 1969/Vaisakha 8, 1891 (S).

CHAPTER I

REPORT

1.1. This Report of the Committee deals with action taken by Government on the recommendations/observations contained in their 60th Report (Third Lok Sabha) on paragraph 57 of Audit Report (Civil), 1966 relating to excess payment and avoidable expenditure for air-lifting/air-dropping of stores in North East Frontier Agency and NEFA and Naga Hills—Tuensang areas, which was presented to the House on 15th November, 1966.

1.2. Out of 42 recommendations contained in the Report, action taken notes have been received in respect of 41 recommendations. A reply is outstanding from the Ministry of Tourism and Civil Aviation in respect of the recommendation at S. No. 1.

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

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

S. Nos. 2, 5, 6, 7, 8, 9, 10, 13, 14, 16, 17, 19, 20, 22, 23, 25, 27, 30, 31, 32, 34, 36, 37, 38, 39, 40, 41 and 42.

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

S. Nos. 3, 4, 11, 12 and 35.

(iii) *Recommendations/observations in respect of which Government have furnished interim replies :*

S. Nos. 15, 18, 21, 24, 26, 28, 29 and 33.

Unsatisfactory features of the agreements and lapses in their implementation (Para No. 5.1)

1.4. In their 60th Report (Third Lok Sabha), the Committee had commented upon certain unsatisfactory features of a contract entered into with a private company for air-lifting and air-dropping of stores in North East Frontier Agency and N.H.T.A. areas. The Committee had also drawn attention to various lapses in the implementation of the contracts. The original contract entered into for 3 years from 1st May, 1960, was followed by a second contract for 1 year from 1st May, 1963 and a third one for 3 years from 1st July, 1964. The third contract expired on 30th June, 1967 and it was not renewed.

1.5. In para 5.1 of the Report, the Committee made the following observations :

“Examination of the working of the contract for air-dropping operations in NEFA and NHTA area with a private air company has revealed the following unsatisfactory features :

- (a) Contract was given to the private company even though I.A.C. with I.A.F. was willing to undertake the task;
- (b) the contract to the company was awarded ignoring certain basic principles of the tender system and without making essential enquiries about the financial capacity etc. of the company;
- (c) the Agreement was drafted in a haphazard and not unambiguous manner;
- (d) contract has been renewed or extended from time to time without following the normal procedure of inviting tenders;
- (e) the execution of the contract lacked proper supervision and effective control;
- (f) an amount exceeding a crore of rupees has been paid to the company provisionally and no attempt has been made to finalise the payments even after the lapse of a number of years and renewal of contract twice;
- (g) several cases of over-payments based on wrong calculations have been detected;
- (h) the recovery of nearly Rs. 32 lakhs from the company on account of stores lost, has not been initiated so far; and
- (i) 985 air-dropping sorties, valuing Rs. 19,05,987 have remained unacknowledged till the end of year 1965-66. Yet provisional payments in respect of these sorties have been made.

In the circumstances, the Committee are of the view that there is an immediate need for the appointment of a Committee, consisting of the senior representatives of Ministry of Finance, the Auditor-General and the Central Bureau of Investigation which should make a thorough probe into the working of the Agreement to assess the extent of loss to Government and undue advantage to the Company. The Inquiry Committee should also fix responsibility for the unsatisfactory implementation of the various provisions of the Agreements.”

1.6. In their reply dated the 3rd July, 1968, the Ministry of Home Affairs stated :

“In pursuance of the Public Accounts Committee’s recommendations above, a Committee consisting of Financial Adviser (Defence) as Chairman, and Chief Auditor, Northern Railway and DIG of Police, Central

Bureau of Investigation as Members, has been constituted on 30-12-1966 with the following terms of reference :

- (a) To study the contracts entered into with the company in 1960, 1963 and 1964 and examine the extent to which there were lapses in implementing the various provisions of the contracts.
- (b) To assess the extent of losses to the Government resulting from non-implementation of the various provisions of the contract or from errors and omissions while making payments to the company for the work done by them during the currency of the contract.
- (c) To assess the extent to which any undue advantage accrued to the company as a result of the working of the agreements with it.
- (d) To fix responsibility for the unsatisfactory implementation of the various provisions of the agreements with the company.
- (e) To investigate to what extent, if any, the instructions regarding inspection of stores dropped at dropping zones by a Board consisting of local officers with a view to assessing the causes of losses in supply dropping, have been properly followed.
- (f) To suggest remedial measures that should be taken to prevent the recurrence of the irregularities and lapses in the implementation of the agreement in future, including the augmentation and the reorganisation, if any, of the executive and accounting organisation at present available under the NEFA Administration for this purpose.

The Committee submitted its Report on the 23rd March, 1968. Action is being taken in the light of the Committee's findings. Findings of the Enquiry Committee and action taken thereon by Government will be intimated to the Public Accounts Committee."

1.7. The Ministry of Home Affairs furnished a copy of the Report of the High Level Committee with their Office Memorandum dated the 10th July, 1968. The Ministry have also furnished a statement (Appendix I) showing action taken on the recommendations of the departmental Committee with their reply dated the 18th December, 1968.

1.8. The main findings of the High Level Committee are summarised below :—

(i) *Unsatisfactory features of the contracts :*

The three agreements executed with the company "were not drafted with clarity and precision" in the following respects :

- (a) The remuneration to the company was to be based on the average timings for the flights, but the agreements did "not provide for the exact mode of calculating the average timings."

"It has been reported that during the period May, 1960 to December, 1966, the Company had been able to reduce the actual flying time as compared to the average timings originally fixed, by about 23%. As payments to the company were made on the basis of the average timings fixed, the company made an estimated gain of Rs. 91 lakhs during the above period on account of the reduction achieved in actual flying time. This estimate is related to the average timings originally fixed in 1961. With reference to the average timings as revised in December, 1966 and January, 1967, this gain works out to about Rs. 80 lakhs."

- (b) The first two contracts did not provide for the mode of determination of average flying timings in respect of those sectors where neither I.A.C. nor I.A.F. or Indamer Company (a former contractor) had flown earlier. In the third contract there was no provision for determination of average flying timings in those sectors which were opened for the first time. Payments in respect of these flights were made provisionally but "these provisional payments would require to be adjusted finally on some basis that would have to be decided upon by Government."
- (c) (i) "The clauses providing for calculation and recovery of dropping losses are not precise regarding the mode of calculation of losses."
- (ii) "Clause 10 of the contracts has not been drafted with clarity and precision, and because of this different views can be had as to how exactly the percentage of loss referred to therein should be worked out."
- (iii) "Apart from the ambiguity regarding the method of calculating the percentage of losses, another difficulty which the Committee came across is as to whether for purposes of the calculations of the percentage of loss, the gross weight of the stores or the net weight of the stores should be taken into account."
- (iv) "Clauses 10 of the first two contracts and clause 10(a) of the third contract stipulate that the Government would provide the Company with a copy of the Schedule of rates as far as practicable of the different commodities air-dropped on the basis of which the losses are to be calculated. The Committee was informed by the Administration that no such copy of Schedule of rates was furnished to the Company. In view of the absence of any specific provision in the agreement for the mode of pricing of the stores lost in excess of four per cent and also in view of

the fact that no copy of Schedule of rates was furnished to the Company, the exact pricing of loss would become a matter of argument."

- (d) "The clauses providing for revision of rate of payment to the Company on account of any change in operating cost do not specify the elements of cost that should be taken into account for determining the operating cost."
- (e) The agreements did "not provide for periodical review of the average timings once fixed."
- (f) The rate of payments for flights was "not related to the actual pay load carried."

"In the agreements entered into by the Administration with M/s. Indamer Company Limited in 1957 and with the Indian Airlines Corporation in 1959 and 1960, the remuneration for the services was fixed at so much per flying hour for a definite pay-load and for any increase or decrease in the pay-load, the flying hour rate was proportionately increased or decreased."

"In the case of the three contracts entered into by the Administration with M/s. Kalinga Airlines (P) Limited, there is no provision for relating the flying hour rate to the pay-load carried. "Non-carrying of full pay-loads in those sectors where the Company was to be paid on the basis of average timings would result in some advantage to the Company in that the actual time taken in flying might be less than when the full load were to be carried, and even the time taken in dropping supplies might be less. In view of these possibilities the Administration should have related the flying hour rate payable to the company in some manner to the actual pay-load carried as was done in their earlier agreements with M/s. Indamer Company and Indian Airlines. Such a provision would have acted as a check on the Company's Pilots refusing to carry, without sufficient justification, appropriate loads and thereby could have eliminated advantages to the Company of the kind referred to above."

- (g) "There is no specific provision in any of the agreements for dealing with losses in landing sorties."

(ii) Lapses in implementation of the contract :

"On account of the incorrect determination of the average timings in May and December, 1961, and delay in determination of average timings in some sectors, the following amounts were overpaid to the Company during the first two contract periods :

- | | |
|-----------------------------|-----------------|
| (i) First contract period | .. Rs. 4,16,905 |
| (ii) Second Contract period | .. Rs. 2,97,391 |

"Due to the incorrect average timings determined in May and December, 1961 being made a Schedule to the third contract, an extra expenditure of Rs. 4,35,284 was incurred by the Government during the period 1-7-1964 to 31-12-1966."

"The average timings in respect of landing sectors which were originally fixed in May and December, 1961 were revised in January, 1967. In special audit it was found that even the revised average timings are not wholly correct. The Committee had advised the Director to further revise the average timings in those sectors and calculate the overpayments on this basis."

"In the case of landing sorties from Mohanbari to Inking certain amounts were overpaid to the Company due to the payments having been made for flights to these places on the basis of their being dropping sorties instead of landing sorties. The amounts so overpaid during the first two contract period are as under :

(i) First contract period	..	Rs. 22,151
(ii) Second contract period	..	Rs. 39,721

"The extra expenditure on account of the inclusion of the incorrect timing for this sector in the Schedule to the third contract would be Rs. 83,780 of which an expenditure of Rs. 38,998 had already been incurred."

"There was avoidable delay in determining average timings under clause 7(b) of the third contract. This lapse, however, did not result in any overpayments to the Company."

"Losses recoverable from the Company under clauses 10 of the various agreements were not calculated in time and recovered from the Company so far. The amounts of losses recoverable from the Company, according to the basis of calculation adopted by the Committee are as under :

(i) First contract period	..	Rs. 9,74,443
(ii) Second contract period	..	Rs. 5,20,081
(iii) Third contract period (from 1-7-64 to 31-12-66).	..	Rs. 20,48,216"

"The above losses do not include losses in respect of certain sorties like 'Operation Onkar' etc. These figures include losses in respect of unacknowledged sorties."

"While working out the above losses, Central Procurement Organisation stores have been valued at the C.P.O. selling rates, i.e., the cost of procurement plus 15% for overheads, while the non-CPO stores have"

been valued at only the cost of procurement. If overheads at 15% are to be charged for non-CPO stores, the further amounts of losses recoverable from the Company are estimated as under :

(i) First contract period	.. Rs. 48,722
(ii) Second contract period	.. Rs. 26,004
(iii) <u>Third contract period</u> (1-7-64 to 31-12-66)	.. Rs. 1,02,411

Certain discrepancies in the quantities of stores despatched appearing in different copies of the same load manifest were noticed. These discrepancies should be investigated by the Administration."

"Monthly phased-programmes of airlifting and dropping were not furnished to the Company till September, 1965."

"The Company's accounts for the first two contract periods which should have been settled under clause 11 of these contracts were not settled by the due dates."

(iii) *Undue advantage derived by the Company.*

"All the overpayments made to the Company and referred to above remained with the company for long periods resulting in undue financial benefit to it."

"The additional security deposit of Rs. 2.30 lakhs realised under the first contract was refunded to the Company before finalisation of accounts under that contract. Even the security deposit of Rs. 4 lakhs to be kept under the three contracts was found to have diminished to Rs. 3.40 lakhs. The refund of the additional security deposit and the shortfall in the security deposit of Rs. 4 lakhs resulted in undue financial benefit to the Company."

In regard to the losses under clause 10 of the agreement commented upon by the High Level Committee, the Committee note the following position from the reply of Government to para 3.53 of the 60th Report of the P.A.C. :

"The opinion of the Solicitor-General of India was obtained on the interpretation of Clause 10(a) of the Agreement with the Company. According to his advise, the contractor is liable to make good the losses in respect of each item of stores in a load manifest, if in respect of that item the deficiency is over 4%. The NEFA Administration have been advised accordingly and they have re-calculated the losses accordingly. The amount of the losses works out to be Rs. 38,89,777.35. A claim for this amount has been filed before the Arbitrator under Clause 10(a) of the Agreement. The Company has, however, disputed the

basis of calculation of dropping losses and this point is under reference to arbitration. The results of arbitration will be intimated to the P.A.C."

1.9. In regard to excess payments made to the Company on the basis of incorrect average timings, the Committee observe from the reply of Government to para 3.15 of the Report that the excess payments (except for one item) have been disputed by the Company and one under reference to an arbitrator.

1.10. The overall position in regard to the claims under arbitration has been indicated as under by Government in reply to para 3.45 of the 60th Report :

"The NEFA Administration have worked out the amounts (Rs. 52,16,392.35 p.) due from the Company for the period covered by the three contracts. The Company has, however, not accepted the claims filed with the Arbitrator on the basis of these calculations. They have also preferred some counter claims amounting to Rs. 98,10,355.22 against Government. The disputed points have, therefore, been referred to the Arbitrator, who was appointed on 5th September, 1967 in terms of the contracts. The results of the arbitration will be intimated to the P.A.C."

1.11. In regard to the other findings of the High Level Committee, Government have taken the following action :

- (i) The unsatisfactory features of the three contracts have been noted.
- (ii) The various lapses in the implementation of the contracts have been noted for future guidance. Explanations of the concerned officers named by the High Level Committee have been called for and are being examined. Necessary claims for recovery of losses in dropping and over-payments were filed before the Arbitrator in December, 1967. The Arbitrator's award is awaited.
- (iii) The findings of the High Level Committee regarding undue advantage derived by the Company have been noted.
- (iv) Instructions have been issued to the various outposts to the effect that the names of the officers who inspect the stores at the dropping zones are invariably mentioned in the acknowledgement reports.

1.12. The Committee have since been informed that the arbitrator gave his award on the case on 20th January, 1969. From a copy of the award furnished by Government, the Committee note that the arbitrator has reject-

ed all the claims made against the company by Government and upheld some of the claims preferred by the company against Government as shown below :

1. **GOVERNMENT'S CLAIMS :**

Claim 1—Losses in Dropping :

Amount of claim—Rs. 38,89,777.35

Whether admitted or rejected by arbitrator—Rejected

Reasons for rejection

The principal reasons given are :—

- (a) Clause 10 of the contracts under which the claim has been preferred "has been so badly drafted—and this is admitted by learned Counsel of both parties—that a proper calculation cannot be made strictly in accordance with the provisions contained in that clause. No method has been put forward before me by either side which will give due weight to all the terms and conditions found in that clause. Before the Government can fasten liability on the contractor, they must prove the quantity of loss for which the contractor has to make good, calculated strictly in accordance with the terms of Clause 10. The Government have failed to discharge this burden of proof."
- (b) "Even assuming that it is possible to ascertain the quantity of the loss in excess of 4% in accordance with the proper interpretation of Clause 10, there is another difficulty in determining the exact amount in which the contractor will be liable to reimburse the Government. Clause 10 provides that the excess over 4% in case of each item should be priced at rates relative thereto and that the Government will provide the contractor with a copy of the Schedule of Rates as far as practicable of different commodities air-dropped on the basis of which the losses will be calculated. It was conceded on behalf of the Government, that no copy of any Schedule of Rates was ever furnished to the Contractor. In calculating the amounts, that the Government took the figures furnished by the contractors, supplying the stores to Government, and the Central Purchase Organisation Figures, and added 15% as handling and administration charges. Rates submitted that the fact that the contractor was not supplied with a copy of the Schedule of Rates does not preclude calculation on the basis of rates available with the Government. To say the least, I do not think it is a fair implementation of the provisions of Clause 10 of the contract."

- (c) "For the purpose of calculating the loss, one of the essential data is the total gross weight of the stores acknowledged as having been received by the Political Officer or his representative at the dropping zone. The question is how is such acknowledgement to be proved. In respect of several sorties, all that the Government are able to place before me are the wireless messages purporting to have been sent from the dropping zones to the Director of Supply and Transport. Loose slips of paper containing decoded wireless messages have been produced. In certain cases, wireless messages are followed up by written acknowledgements from the Political Officer or his representative. I hold that such written acknowledgements will be prima facie proof of the total gross weight of the stores received at the dropping zones. In the absence of such written acknowledgements, I hold that the mere transcripts of wireless messages will not be sufficient proof the total gross weight received. A register has been produced in which there are entries both of the wireless messages and the written acknowledgements. The entries in the register by themselves cannot be adequate proof without the production of the written acknowledgements."

Claim II—Overpayments to the Contractor :

Amount of claim

- (a) Due to revision of average flying time for flights—
Rs. 2,80,725.71.
- (b) Adjustments due on account of determination of average time for flights for which payments were originally made provisionally—Rs. 8,290.53.
- (c) Payments wrongly made on the basis of contractor's timings—
Rs. 4,21,847.71.
- (d) Payments for landing sorties made as for dropping sorties—
Rs. 1,28,747.59.

Whether claims were accepted or rejected—Rejected.

Reasons for rejection :

The main reasons given are : —

- (a) The method adopted by Government in calculating timings "is not in accordance with the provisions" of the relevant clause of the contract, as that clause, which is "certainly not well drafted", was "not intended to give absolute discretion to Government." "The timings originally fixed and notified will prevail except of course where patent error is proved."
- (b) "Average timings fixed by Government on the basis of the flights of the contractor must stand" and cannot be revised.

- (c) Timings in respect of some of the flights which formed the basis of payment, were notified by Government and "form part" of two of the three contracts. "It will not be open to Government to revise the timings."
- (d) In respect of landing sorties for which payment are stated to have been made as for dropping sorties, "there is nothing on record to show that the timing fixed was on the assumption that it was for a dropping sortie I see no reason why the timings which had been fixed and consistently taken as fixed, should be altered long after and relief granted to Government."

Claim III—Other overpayments

On account of payments for taxiing time for flights to sectors for which flying time has not been fixed—Rs. 4,87,003.50.

Whether accepted or rejected—Rejected.

Reasons for rejection :

The arbitrator has given the following reasons *inter alia* :—

- (a) "I have come to the conclusion that on the basis of *quantum meruit*, the contractor is entitled to be paid for the time from take-off to touch-down plus the taxiing time in respect of sectors for which average timings cannot be fixed by Government under Clause 7(a)."
- (b) "It so happens that the Government have not been able to or cannot fix the average timings The result is that the so-called provisional payments will stay. I fail to see how a claim for refund of any part of such payment can be sustained."

(2) *Company's claims*

claims admitted by arbitrator

(a) Due to increased landing and mooring charges.	Rs. 1,06,949.77
(b) Due to increased cost of fuel	Rs. 6,113.04
(c) Due to increased insurance premium consequent on devaluation.	To be calculated in accordance with specified formula.
(d) Due to increased cost of spare parts consequent on devaluation.	Do.
(e) On account of special flights undertaken by the contractor.	Rs. 19,865.
(f) Claims arising out of determination of flight timings originally paid for on a provisional basis, pending determination of timings.	Rs. 9,82,154.22
(g) Supplementary claims due to revised timings.	Rs. 23,462.70
(h) Claims in respect of other flights during the currency of the third contract.	Rs. 5,24,401.22 Rs. 44,007.29

(i) Interest @ 6% on award

.. From date of award (except in respect of items (f) to (h) above in respect of which interest will be payable from 1st July, 1967 i.e., date of expiry of the third contract).

1.13. The Committee note that the arbitrator rejected all the claims amounting to Rs. 52.16 lakhs preferred by Government against the company on account of losses in air-droppings and excess payments made for various flights. The Committee would like Government to study the award carefully and decide, after taking appropriate legal advice, what the further course of action should be.

1.14. The Committee observe that the arbitrator held the clause in the contracts bearing on the determination of losses in air-droppings to be "so badly drafted" as to make calculation of losses difficult. Besides, he held that losses in respect of "several sorties" could not be considered to have been established just by "loose slips of paper containing decoded wireless messages" from outposts, which were produced by Government as proof of loss. In regard to the clause in the contracts relating to the determination of flight timings, the view expressed by the arbitrator was that it was "so badly drafted" as to leave room for ambiguity. Similar views were also expressed by the Hariharan Committee which pointed out that several provisions in the contract "were not drafted with clarity and precision."

That Committee also pointed out various lapses in "the implementation of the contracts", notably "delay in determination of average timings" and "incorrect determination of average timings" for flights. The Committee would like Government to consider, in the light of the arbitrator's award as well as the findings of the Hariharan Committee, what action is called for against the officials responsible for the drafting and implementation of the contract.

1.15. The Committee would like Government to draw a lesson from the experience in this case and take steps to ensure that all *ad-hoc* contracts involving substantial amounts for which standard forms are not adopted are drafted with appropriate legal advice, so that the terms of the contracts are precise and unambiguous in all respects and Government's position is fully safeguarded.

Remedial Measures

1.16. The High Level Committee has made the following general observation on the various lapses in the implementation of the agreements :

“The various lapses in the implementation of the agreements were mainly due to lack of awareness of the importance of timely and proper action on the part of those who were responsible for operating the agreements. Certain lacunae and unsatisfactory features in the agreements which have been mentioned earlier in this report, obviously added to the difficulties of all concerned. With better and stricter control over the various officials concerned with implementation of contracts of this nature, it should be possible to avoid irregularities or lapses of this type in future.”

1.17. The High Level Committee have also suggested some specific remedial measures, as mentioned below:—

- (1) An examination should be made of the need for preparing a large number of copies of load manifests.
- (2) “In view of the discrepancies in the quantities of stores despatched appearing in different copies of the same load manifest, the possibility of malpractices at the despatching depots cannot be ruled out. To prevent any such malpractices the Director should arrange for periodical surprise test inspections of the quantities of stores packed for despatch and comparing them with the quantities noted in the load manifest. He should also arrange for periodical verification of stores by an independent body of stock verifiers under his control and reconciliation of the quantities of stores as per the ledger with the ground balances.”
- (3) As and when the Director finds that the quantities of stores despatched according to the acknowledgement reports are found to be different from those shown in the copies of the load manifests in the Directorate, he should take prompt steps for reconciliation.
- (4) “In the course of its enquiry, the Committee has found that in a majority of cases, post copies of acknowledgement reports were not received by the Director. The officials at the dropping zones should be given strict instructions to send the post copies of acknowledgement reports to the Director in all cases and these instructions should strictly be enforced.”
- (5) “The Director should take prompt steps for obtaining acknowledgement reports and posts copies whenever they are not received in time. As the various officials at the dropping zones are not under the administrative control of the Director, he should report to the Administration, monthly, all lapses in this respect on the part of various outposts to enable the Administration to take timely remedial action for expeditious despatch of such wanting acknowledgement reports.”

- (6) "The Committee has been informed by the present Director that one of the reasons for the delay in receipt of wireless acknowledgement reports is the low priority given by the officials in charge of the wireless sets to the acknowledgement reports. Appropriate arrangements should be made for ensuring timely transmission of these reports."
- (7) "Instructions should be issued to ensure that all the claims and supporting documents are scrutinised carefully by the executive and accounts authorities before the claims are admitted for payment."
- (8) "The flights to various outposts should be planned well in advance and the outposts should as far as possible be kept informed of these flights so that they would be having necessary advance information."
- (9) "In the course of working of agreements of this type, several practical difficulties and snags are bound to be noticed. The Director should periodically send reports to the Administration highlighting these difficulties so that appropriate remedial action can be taken in time."

The comments of Government on these suggestions are given below seriatim :

- "(1) This suggestion has been carefully examined and it is found that it is not possible to reduce the number of copies of load-manifests below the present number (*viz.* 18).
- (2) Surprise checks are being carried out from time to time to ensure correctness of loads despatched as per load manifests. Further, officers from other branches are detailed as duty officers each for a period of one week at a time to check the loading and to verify the weighments of loads. The Committee also recommended that Director, Supply and Transport should arrange periodical verifications of stores by an independent body of stock verifiers under his direct control and reconciliation of the quantities of stores as per ledger with the ground balances. A system of quarterly verification of stores in various depots by officers from other depots has been introduced by NEFA Administration in addition to the usual annual verification of stores.
- (3) Prompt steps are being taken for reconciliation as and when such discrepancies are noticed.
- (4) Director of Supply and Transport has already issued instructions to the outposts to send post copies of the acknowledgement report in all cases. NEFA Administration has also been direct-

ed to issue suitable instructions in this regard to various officers at the outposts.

- (5) NEFA Administration have been directed to issue necessary instructions in this regard.
- (6) NEFA Administration have requested Inspector General, Assam Rifles, to issue necessary instructions to various wireless stations to give high priority to wireless acknowledgement reports.
- (7) Instructions in this regard already exist in the 'Hand Book of Supply Accounts' compiled by NEFA Administration. The observations of the Committee are noted.
- (8) It is not possible to plan the flights well in advance and keep the outposts informed in view of weather conditions in NEFA. Further, the present carriers, viz., I.A.F., intimate the Director of the availability of aircraft only a day earlier.
- (9) NEFA Administration have been requested to prescribe quarterly reports which should be sent to the Administration by the Director reviewing the working of supply dropping operations in that quarter and highlighting any difficulties which he might be experiencing."

1.18. The Ministry of Home Affairs have also furnished a copy of the instructions issued by the NEFA Administration on 6th January, 1969 (Appendix II).

1.19. The Committee hope that the remedial measures suggested in the Report by Hariharan Committee which reviewed the working of the agreements would be strictly implemented. In particular, it would be necessary for Government to ensure that flights to various outposts for dropping operations are planned in advance and that the outposts are given advance intimation of the flights to the maximum extent possible. To prevent malpractices at the despatching depots, surprise checks should be conducted of stores packed for despatch, as shown in the load manifests. Acknowledgements of stores should be promptly obtained from outposts, and discrepancies between load manifests and acknowledgements should be quickly investigated.

Future arrangements for air-dropping (para 5.2—S. No. 42)

1.20. In paragraph 5.2, the Committee had made the following observations regarding future arrangements for air-dropping :

"The review of the working of the agreement with the private company also has indicated that the agreement has not worked to the best advantage of the exchequer. Though the private company has played a useful role in air-lifting the cargo in the strategic area, the Committee cannot ignore the following important factors :

- (i) The strong views held by the Defence Minister in October, 1962, which have great validity even today.
- (ii) The administrative Ministry in charge *viz.*, the Ministry of Home Affairs have been urging that a proper unit in the State Sector should be brought into operation as soon as possible; and
- (iii) The following provision in the Industrial Policy Resolution of 1956 :—

'In the first category will be industries the future development of which will be the exclusive responsibility of the State... Railways and air transport arms and ammunition and atomic energy will, however, be developed as Central Government monopolies. Whenever cooperation with private enterprise is necessary, the State will ensure that it has the requisite powers to guide the policy and control the operations of the undertaking.'

Keeping these factors in view and taking into account the heavy amount paid to the Company for this contract (Rs. 4.42 crores upto 31st October, 1965), the Committee are of the opinion that this task of air-lifting of stores in NEFA and NHTA areas should be taken up by a suitable Government agency. They are also of the opinion that such an agency should be set up well in time to undertake after June, 1967."

1.21. In their reply dated the 3rd July, 1968, the Ministry of Home Affairs have stated :

"The contract with the Company has expired and the nature of the permanent arrangements for airlift of stores in NEFA is engaging the attention of Government at the highest level. Pending the creation of a permanent organisation, the task has been entrusted to I.A.F. with effect from 1-7-1967."

1.22. In a further reply dated the 10th July, 1968, the Ministry of Home Affairs stated :

"It has since been decided that the present arrangements for the supply of Dropping Operations by the I.A.F. should continue until a decision to the contrary is taken."

1.23. The Committee note that Government have not renewed the agreement with the private company on its expiry and have entrusted to the Air Force the air-dropping of stores in NEFA and NHTA areas.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Committee are not happy with the manner in which the Government of India dealt with the matter. When Indian Airlines Corporation and Indian Air Force had agreed in February 1960 to meet the immediate requirements, perhaps it would not have been difficult to persuade the Indian Airlines Corporation to continue the operations with the assistance of Indian Air Force, which the Chief of Air Staff had already promised. The Committee are also of the view that the problem of airlifting/air-dropping of stores in the NEFA and NHTA area could and should have been sorted out by proper co-ordination of the Ministries concerned instead of allowing the matter to drift.

[Sl. No. 2, Para 2.11, Appendix II of the 60th Report of the P.A.C.
(Third Lok Sabha)]

Action taken

The Committee's conclusions have been noted by Government.
[Ministry of Home Affairs O.M. No. 45/47/66-AC.II, dated the 3-7-1968]

Recommendation

The Committee cannot but observe that the selection of an air company for air-dropping operations, was done in a haphazard manner and the other two companies which were willing to undertake the work, were given a summary disposal. Their letters were filed without giving them due consideration. They were not even asked whether they were agreeable to undertake the work and what their rates would be if the contract was for a period of three years, instead of one year as originally advertised.

[S. No. 5, Appendix II, para 2.36 of the 60th Report of the P.A.C.
(Third Lok Sabha)]

Action taken

The above observation of the Public Accounts Committee have been communicated to NEFA Administration for their information and future guidance, *vide* copy of this Ministry's letter dated 21st June, 1968 (attached) Annexure I.

[Ministry of Home Affairs O.M. No. 45/47/66-AC.II, dated the 3-7-1968]

Recommendation

The Committee are also not convinced of the arguments put forth for signing the contract for three years when the tender notice stipulated only

one year. If the intention was to give a contract for three years, this point should have been clarified at the time of inviting tenders, in fairness to other competitors. Alternatively as accepted by the Secretary (U.T.), the Administration could as well have entered into a contract for one year and later on in the light of subsequent development have asked for a long range tender, if absolutely necessary. This point assumes special importance because even the Airlines Corporation and the I.A.F. were asking for a longer term contract. Also another Company had stated in their reply to the tender notice that they would be willing to undertake the work if the contract period was a longer one.

[S. No. 6, Para 2.37, Appendix II of the 60th Report of the P.A.C.
(Third Lok Sabha)]

Action taken

The conclusion of the Committee has been noted. It is admitted that the procedure adopted by the NEFA Administration was certainly objectionable. It is unfortunate that the contract was entered into for three years, instead of one year, as stipulated in the tender notice.

The NEFA Administration has been advised to ensure that irregularities of this type do not recur in future *vide* this Ministry's letter No. 45/47/66-AC.II, dated 21-6-68 (Annexure I).

[Ministry of Home Affairs O.M. No. 45/47/66-AC.II, dated the 3-7-1968]

Recommendation

It is significant that even though the Government knew that the need for air-lifting supplies to NEFA etc., would remain with them for years to come they, for reasons best known to themselves, invited tenders only for one year. In the opinion of the Committee this attitude of the Government lacked both imagination and justification. Further the decision on the part of the Administration to award the contract for three years instead of one year, was a violation of the sanctity of the tender system.

[S. No. 7, Para 2.38, Appendix II of the 60th Report of the P.A.C.
(Third Lok Sabha)]

Action taken

The Committee's observation is noted. This is covered by the reply to paragraph 2.37 (S. No. 6).

[Ministry of Home Affairs O.M. No. F. 45/47/66-AC.II dated 3-7-1968]

IMMEDIATE

ANNEXURE I

No. 45/47/66-AC.II

GOVERNMENT OF INDIA

MINISTRY OF HOME AFFAIRS

To

The Adviser to the Governor of Assam,
NEFA, Shillong.

New Delhi-1, the 21st June, 1968.

SUBJECT :—*Sixtieth Report of PAC regarding para 57 of Audit Report (Civil) 1966—Excess payment and avoidable expenditure.*

Sir,

In paras 2.36, 2.37 and 2.38 of their Sixtieth Report (Third Lok Sabha) the Public Accounts Committee have made the following observations :—

“The Committee cannot but observe that the selection of an air company for air-dropping operations, was done in a haphazard manner and the other two companies which were willing to undertake the work, were given a summary disposal. Their letters were filed without giving them due consideration. They were not even asked whether they were agreeable to undertake the work and what their rates would be if the contract was for a period of three years, instead of one year as originally advertised.”

“The Committee are also not convinced of the arguments put forth for signing the contract for three years when the tender notice stipulated only one year. If the intention was to give a contract for three years, this point should have been clarified at the time of inviting tenders, in fairness to other competitors. Alternatively as accepted by the Secretary (UT) the Administration could as well have entered into a contract for one year and later on in the light of subsequent development have asked for a long range tender, if absolutely necessary. This point assumes special importance because even the Airlines Corporation and the I.A.F. were asking for a longer term contract. Also another Company had stated in their reply to the tender notice that they would be willing to undertake the work if the contract period was a longer one.”

“It is significant that even though the Government knew that the need for air-lifting supplies to NEFA etc., would remain with them for years to come they, for reasons best known to themselves, invited

tenders only for one year. In the opinion of the Committee this attitude of the Government lacked both imagination and justification. Further the decision on the part of Administration to award the contract for three years instead of one year, was a violation of the sanctity of the tender system."

The above observations of the Public Accounts Committee are brought to the notice of the NEFA Administration for information and guidance. Necessary instructions may be issued to the concerned officers of the Administration, so as to ensure that the irregularities of this type do not recur in future.

Yours faithfully,
Sd./-

Deputy Secretary to the Govt. of India.

Recommendation

It appears that the most important aspect of selecting a private company for operating a contract involving crores of rupees viz., verification of financial stability and suitability of the company had thus been ignored in this case. The Committee are unable to find sufficient justification for such action on the part of the Administration.

[S. No. 8, Para 2.42, Appendix II of the 60th Report of the Public Accounts Committee (Third Lok Sabha)]

Action taken

The conclusion of the Public Accounts Commission is noted. It is admitted that the NEFA Administration did not verify the financial stability or standing of the company before awarding the contract. The tenders had been considered by the Supply Advisory Board on which the Director General Civil Aviation was represented. The Administration had experience of the performance of two companies, in addition to the one to whom the contract was awarded. On the technical capacity of the selected company they were guided by the opinion of the D.G.C.A.'s representative. [Ministry of Home Affairs O.M. No. F. 45/47/66-AC-II dated 3rd July 1968]

Recommendation

The Committee are unable to comprehend the reasons which led the Government to sign the contract with the private air company initially for undertaking work connected mainly with defence and the civilian population of the Border areas. It is all the more regrettable that such a contract was signed without —

- (i) verifying the capacity, capability and financial condition and stability of the company;

- (ii) obtaining advice of the D.G.C.A. on the working of the company;
- (iii) making any comparative study of the rates quoted by the company with those paid to other companies who had either worked or were working for the NEFA Administration;
- (iv) having a final consultation with the IAC and IAF who had informed the authorities much ahead of the opening of tenders and awarding the contract, their willingness to undertake the job;
- (v) giving an opportunity to the other two companies who had responded to the tender notice, to requote if they desired, when a decision to award the contract for a longer period (3 years instead of one year) had been taken.

[Sl. No. 9, Para 2.43, Appendix II of the 60th Report of the P.A.C.
(Third Lok Sabha)]

Action taken

The conclusions of the Committee are noted. It may, however, be mentioned that the IAC and IAF were both not in a position to do the work and the other two companies, who had responded to the tender notice, had not submitted any regular tender.

[Ministry of Home Affairs O.M. No. 45/47/66-Ac II dated 1st January 1969]

Recommendation

The Committee feel that the opinion held by the NEFA Administration about the working and capacity of the I.A.C and I.A.F. was most unfortunate. The I.A.C. being a public undertaking and I.A.F. being in-charge of the security of the country should have been relied upon for such a strategic job, more than any private company. Even assuming that the I.A.C. were experiencing certain insuperable difficulties in the matter, the best course would have been to give a short term contract to a private party for six months or at the most a year, by which time a firm and satisfactory arrangement should have been arrived at with the I.A.C. in consultation with the I.A.F. or in the alternative looking to the longer period need, the Government should have bought the required number of planes and created a special organisation for this important task.

[S. No. 10, Para 2.44, Appendix II of the 60th Report of the P.A.C.
(Third Lok Sabha)]

Action taken

The conclusions of the Committee are noted. The contract with the private company expired on the 30th June, 1967 and the work was entrusted to the Indian Air Force, pending creation of a special organisation.

It has since been decided that the present arrangements for supply dropping operations by the I.A.F. should continue until any decision was taken to the contrary.

[Ministry of Home Affairs OM No. F. 45/47/66-AC II dated 3-7-1968]

Recommendation

The Committee are not aware of the reasons for which no proper provision for a security deposit or earnest money had been made in the contract. They feel that a security deposit or earnest money for a contract of this nature involving transactions worth crores of rupees and one relating to supplies to important border areas should have been made from the very beginning, particularly when they were dealing with a Company with small paid up capital and meagre financial resources.

[S. No. 13, para 3.3, Appendix II of the 60th Report of the P.A.C.]

(Third Lok Sabha)]

Action taken

The conclusion of the Committee is noted by Government. Although there was no provision in the contract for advance deposit, of security deposit as is usual in similar contracts, the contract did provide that 'on account' payment would be made to the contractor to the extent of 90% of the amount of the bills and that the balance of 10% would be allowed to accumulate to Rs. 4 lakhs or higher figure according to the additional tonnage to be lifted or dropped. This amount of Rs. 4 lakhs was to be held by the Director of Supply and Transport, NEFA, as security and was actually so withheld. In other words, the contract did contain a provision for security although the security amount in this case was not required to be deposited in advance by the contractor as is usual in other cases.

Attention of the NEFA Administration has, however, been drawn to the provisions of Para 273 of the G.F.R., which are relevant in this connection and the Administration has been asked to ensure that these provisions are complied with while entering into agreements with private parties in future *vide* attached copy of this Ministry's letter dated 21st June, 1968 (Annexure II).

[Ministry of Home Affairs OM No. F. 45/47/66-AC II dated 3-7-1968]

ANNEXURE II
No. 45/47/66-AC.II
GOVERNMENT OF INDIA
MINISTRY OF HOME AFFAIRS

To

The Adviser to Governor of Assam,
NEFA, *SHILLONG*.

New Delhi-1, the 21st June, 1968
31st Jyaistha, 1890.

SUB :—*Sixtieth Report of P.A.C. regarding para 57 of the Audit Report (Civil) 1966—excess payment and avoidable expenditure.*

Sir,

In para 3.3 of their 60th Report (Third Lok Sabha) the Public Accounts Committee has made the following observation :—

“The Committee are not aware of the reason for which no proper provision for a security deposit or earnest money had been made in the contract. They feel that a security deposit or earnest money for a contract of this nature involving transactions worth crores of rupees and one relating to supplies to important border areas should have been made from the very beginning, particularly when they were dealing with a company with small paid up capital and meagre financial resources.”

The above observation of the Public Accounts Committee is brought to the notice of NEFA Administration for information and future guidance. In this connection, attention is invited to para 273 of G.F.Rs. which lays down that a private person or a firm contracting with Government to supply stores or to execute a work, shall unless exempted by orders issued with the prior consent of the Finance Ministry, be required to furnish security for the due fulfilment of the contract. It may kindly be ensured that provisions of para 273 of the G.F.Rs. are complied with while entering into agreements with private parties in future.

Sd/-

Yours faithfully,

Under Secretary to the Government of India.

Recommendation

The Committee feel that there has been avoidable delay in fixing the average timing in a large number of sectors. They would stress that expeditious steps should be taken to complete the fixing of the average timing for the remaining sectors.

[Sl. No. 14, Para 3.10, Appendix II of the 60th Report of the P.A.C.
(Third Lok Sabha)]

Action taken

The average flying timings have since been fixed in respect of all those sectors where such timings can be determined under clauses 7(a) of the First two contracts and clause 7(b) of the Third Contract. (Extracts of the clauses are enclosed. See Annexure III.)

[Ministry of Home Affairs O.M. No. F. 45/47 66-Act II dated the 22nd
February 1969]

ANNEXURE III

Extract from Contract with the Air Company

Clause 7(a) of the 1st Contract (1960) with the Air Company.

7. (a) The Government shall pay to the Contractor as his remuneration for the landing and dropping sorties at the rate of the 750/- (Rupees seven hundred fifty) per flying hour on the basis of average timings for flights from Jorhat or Mohanbari, as the case may be, to the landing grounds or dropping zones, and back, as may be recorded by the Air Traffic Control, in respect of Indian Air Lines, Indian Air Force and Indamer Company flights to such dropping zones and landing grounds. Such average timings which are not to include the time spent on landing grounds, are to be determined by the Government who may accept the average timings of Indian Air Lines, Indian Air Force or Indamer Company for their flights to any particular dropping zones or landing grounds.

Clause 7(a) of the 2nd Contract (1963) with the Air Company.

7. (a) The Government shall pay to the Contractor as his remuneration for landing and dropping sorties at the rate of Rs. 750/- (Rupees seven hundred fifty) per flying hour on the basis of average timings for flights from Mohanbari or Jorhat, as the case may be, to the landing grounds or dropping zones and back, as may be recorded by the Air Traffic Control, in respect of Indian Airlines, Indian Air Force and Indamer Company flights to such dropping zones and landing grounds. Such average timings which are not to include the time spent on landing grounds, are to be determined by the Government who may accept the average timings of Indian Airlines, Indian Air Force or Indamer Company for their flights to any particular dropping zones or landing grounds. Average timings established between Mohanbari/Jorhat to various Dropping Zones/Landing Ground and as already agreed to *vide* Assistant Adviser to the Governor of Assam letter Nos. SUP(AG)-4/9/60, dated the 12th May, 1961 and SUP(AG)-4/9/60-Vol. II, dated the 7th December, 1961, will apply to this Contract.

Clause 7(b) of the Third Contract (1964) with the Air Company.

7. (b) In the case of landing grounds and dropping zones for which no average flying timing has been specified the Government shall pay the contractor as his remuneration for landing and dropping sorties at the rate of Rs. 828.10P (Rupees eight hundred and twentyeight and ten paise only) per flying hour on the basis of average timings for flights from Mohanbari or Jorhat as the case may be to the landing grounds or dropping zones and back as may be recorded by the Air Traffic Control (or the Director

or his representative where there is no Air Traffic Control) in respect of Kalinga Air Lines (Private) Ltd. flights to such landing grounds or dropping zones during their airlifting or air-dropping operations under their contract with the Government dated 10th May, 1960 or their contract with the Government dated the 16th March, 1963, whichever is less.

Recommendation

The Committee are also of the view that the first available opportunity should have been utilised to effect the recoveries of over payments from the Company instead of allowing to collect its subsequent bills in full, before adjusting overpayments.

[Sl. No. 16, para 3.16, Appendix II of the Sixtieth Report of the P.A.C. (Third Lok Sabha)]

Action taken

The observations of the Committee have been noted.

[Ministry of Home Affairs O.M. No. F45/47/66-AC II dated 3-7-1968]

Recommendation

To the Committee, it appears that special efforts and vigilance are needed on the part of the NEFA Administration to correct the matters and ensure that such lapses do not recur.

[Sl. No. 17, Para 3.17 Appendix II of the Sixtieth Report of the P.A.C. (Third Lok Sabha)]

Action taken

This recommendation of the Committee has been brought to the notice of the NEFA Administration who have issued necessary instructions to the Deputy Commissioners, Heads of Departments, etc. to ensure that similar lapses do not recur.

[Ministry of Home Affairs OM No. F45/47/66-AC II dated the 1st January 1969]

Recommendation

The Committee feel that there was a noticeable and unfortunate lacuna in the contract in regard to fixing of flight time to various sectors and this gave an undue advantage of about Rs. 10 lakhs to the Company in 74 sectors alone in three years. Time taken by the Company to places, for which no previous timings were available, should have been reviewed on the basis of first year's experience and averages fixed for the purposes of payment.

[Sl. No. 19, para 3.24, Appendix II of the Sixtieth Report of the P.A.C. (Third Lok Sabha)]

Action taken

The observation of the Committee is noted.

[Ministry of Home Affairs OM No. F. 45/47/66-Act II dated 3-7-1968]

Recommendation

The Committee feel that there should have been arrangement under the timings of air flights could be reviewed periodically and the averages fixed revised downward or upward, as the case may be.

(Sl. No. 20, Para 3.25, Appendix II of the Sixtieth Report of the P.A.C.
(Third Lok Sabha)]

Action taken

The observation of the Committee is noted. As mentioned earlier in reply to Sl. No. 10, para 2.44, the contract with the Air Company expired on the 30th June, 1967.

[Ministry of Home Affairs OM No. F. 45/47/66-AC II dated 3-7-1968]

Recommendation

It is most unfortunate that, as admitted by the witness, there was a lacuna in the 1960 contract in regard to the determination of the final payments. To the Committee, it is all the more surprising that during the four years period the lacuna in the contract did not come to anyone's notice nor when notice were any immediate steps taken to rectify the position. This, in the opinion of the Committee is yet another instance of the special treatment given to this company.

(Sl. No. 22, para 3.32, Appendix II of the Sixtieth Report of the P.A.C.
(Third Lok Sabha)]

Action taken

The conclusions of the Public Accounts Committee in the above paragraph are noted.

[Ministry of Home Affairs OM No. F. 45/47/66-AC II dated 3-7-1968]

Recommendation

The Committee regret to note that despite a clear provision in the Agreement that the Contractors' amount should be drawn up for final settlement at the end of each financial year this was not done and there was an accumulation of the number of "unacknowledged sorties".

(Sl. No. 23, para 3.42, Appendix II of the Sixtieth Report of the P.A.C.
(Third Lok Sabha)]

Action taken

The observation of the Committee is noted.

[Ministry of Home Affairs OM No. F45/47/66-AC II dated 3-7-1968]

Recommendation

The Committee cannot appreciate the argument that because of certain difficulties of staff etc. that acknowledgements could not be received even after few years. The stipulation in the Rules to send the acknowledgement within 48 hours is very significant. The Committee are not at all convinced of the reasons for the failure to observe these rules.

[Sl. No. 25, para 3.44 Appendix II of the Sixtieth Report of the P.A.C. (Third Lok Sabha)]

Action taken

The conclusion of the Committee in the above paragraph is noted.

2. The latest position in regard to settlement of unacknowledged load-mainfiests is given in reply to para 3.43 above.

3. Necessary instructions were issued in June 1968 to the NEFA Administration in the matter to prevent the recurrence of such irregularities in future (copy enclosed. See Annexure IV.)

[Ministry of Home Affairs OM No. F45/47/66-AC II dated 1-1-1969]

IMMEDIATE

ANNEXURE IV
(COPY)

No. 45/47/66-AC-II

GOVERNMENT OF INDIA

MINISTRY OF HOME AFFAIRS

To

The Adviser to Governor of Assam,
NEFA, SHILLONG.New Delhi-1, the 21st June, 1968
31st Jyaistha, 1890.SUB :—Sixtieth Report of P.A.C. regarding para 57 of *Audit Report*
(Civil) 1966—*excess payment and avoidable expenditure.*

Sir,

In para 3.44 of their Sixtieth Report (Third Lok Sabha) the Public Accounts Committee have made the following observations :—

“The Committee cannot appreciate the argument that because of certain difficulties of staff etc. the acknowledgements could not be received even after few years. The stipulation in the Rules to send the acknowledgement within 48 hours is very significant. The Committee are not at all convinced of the reasons for the failure to observe these rules.”

The above observation of the Public Accounts Committee is brought in the notice of N.E.F.A. Administration for future guidance. They may issue suitable instructions to all concerned to send the acknowledgement reports within 48 hours of the dropping of supplies.

Sd./-^

*Under Secretary to the Government of India.***Recommendation**

The Committee would like the Ministry of Home Affairs to investigate to what extent, if any, the instructions regarding inspection of stores dropped at dropping zones by a Board consisting of local officers, have been properly followed.

[Sl. No. 27, para 3.50, Appendix II of the Sixtieth Report of the P.A.C. (Third Lok Sabha)]

Action taken

The above recommendation was included as one of the terms of reference of the High Level Committee constituted in pursuance of the P.A.C.'s recommendations contained in Sl. No. 41, para 5.1 of their Sixtieth Report. The Committee submitted its report on the 23rd March, 1968 and action on its findings is being taken.

[Ministry of Home Affairs OM No. F. 45/47/66 AC II dated
3rd July 1968]

Recommendation

The Committee feel that the payment of more than Rs. 1.25 lakhs on an average in a year for 'abortive sorties' is on the high side. They would like this to be looked into and the payment on this account to be brought down.

[Sl. No. 30, Para 3.55, Appendix II of the Sixtieth Report of the P.A.C. (Third Lok Sabha)]

Action taken

The above recommendation was brought to the notice of the N.E.F.A. Administration who issued instructions on 17-1-1967 to the Director of Supply and Transport to ensure that as far as practicable, "abortive" sorties were reduced to the minimum.

With a view to reducing the number of "abortive" sorties, alternative Dropping Zones are always offered to the Pilots. The success of a sortie would depend on weather conditions. To be specific, a sortie is flown only when, according to the weather report, conditions are favourable both at the starting point and at the destination.

[Ministry of Home Affairs O.M. No. F. 45/47/66-Ac.II. dated 1-1-1969]

Recommendation

The Committee are surprised on the reported statement of the NEFA Administration. As stated earlier, the Administration had no complete record of supplies received at the other end and there were a large number of unacknowledged sorties. In the absence of complete information with the NEFA Authorities, they were obviously not in a position to vouch safe for the correct receipt of stores at the receiving ends.

[Sl. No. 31, Para 3.60, Appendix II of the Sixtieth Report of the P.A.C. (Third Lok Sabha)]

Action taken

The above observations of the Public Accounts Committee have been noted.

[Ministry of Home Affairs O.M. No. F. 45/47/66-Ac.II. dated 1-1-1969]

Recommendation

The Committee are not happy over the treatment given to the complaints from Press and Public. The Committee feel that the mere fact that the NEFA authorities had not made any report to the S.P.E. should not have been considered enough to assume that there was no basis of the complaints. They expect that such complaints are taken with greater seriousness and that they are looked into more thoroughly and intensively.

[Sl. No. 32, Para 3.61, Appendix II of the Sixtieth Report of the P.A.C. (Third Lok Sabha)]

Action taken

The Committee's recommendation has been noted for future guidance. Necessary instructions have been issued to the Chief Vigilance Officers of all Ministries/Departments of the Government of India, vide this Ministry's O.M. No. 378/3/68-AVD(III) dated 23-12-1968 for prompt and thorough investigation of such complaints in future.

[Ministry of Home Affairs O.M. No. F. 45/47/66-Ac.II. dated 1-1-1969]

Recommendation

The Committee would like to draw attention to the following facts : (i) the Defence Ministry was not in favour of renewal of the contract expiring on the 30th April, 1963; (ii) he was of the opinion that the work was connected with defence operations and should be done by the Air Force by acquiring extra aircraft and they (Air Force) should also deal with supplies for Civil Administration; (iii) he (the Defence Minister) was of the view that apart from security considerations a private company should not be depended upon as it might create a difficult situation in an emergency; (iv) he (the Defence Minister) wanted that the Indian Air Force should be relied upon completely for the job; and (v) the Defence Minister reluctantly agreed to the extension of the contract by one year.

[Sl. No. 34, Para 4.12, Appendix II of the Sixtieth Report of the P.A.C. (Third Lok Sabha)]

Action taken

The above conclusion of the Public Accounts Committee is noted.

[Ministry of Home Affairs O.M. No. F. 45/47/66-Ac.II. dt. 3-7-1968]

Recommendation

The Committee note with surprise that a further contract was concluded for three years without calling for fresh tenders for imaginary fear that the contracted company might increase its rates. The Committee cannot appreciate the argument that mere calling of fresh tenders would have altered the conditions of the existing contract i.e., invalidate the condition or commitment covering extension of the existing contract.

[Sl. No. 36, Para 4.13, Appendix II of the Sixtieth Report of the P.A.C. (Third Lok Sabha)]

Action taken

The observations of the Public Accounts Committee in the above paragraph are noted.

[Ministry of Home Affairs O.M. No. F. 45/47/66-Ac.II. dt. 3-7-1968]

Recommendation

The Committee note that the representation from the Company for the increase in the rate was with the authorities before the contract was actually renewed from 1st May, 1963. The Committee are of the view that the fact that the company had asked for enhanced rates was an additional reason for calling fresh tenders instead of renewing the contract at the old rate and then enhancing the rates with retrospective effect.

[Sl. No. 37, Para 4.18, Appendix II of the Sixtieth Report of the P.A.C.
(Third Lok Sabha)]

Action taken

The Committee's conclusion is noted.

[Ministry of Home Affairs O.M. No. F. 45/47/66-Ac.II. dt. 3-7-1968]

Recommendation

The Committee are sorry to learn that neither the Ministry of Transport & Communications sent any reply to the communication dated 4th April, 1961 of the Ministry of External Affairs nor the letter pursued the matter further. It is most unfortunate that a proposal to meet the long term needs of airlifts to border areas was given such a discouraging treatment.

[Sl. No. 38, Para 4.23, Appendix II of the Sixtieth Report of the P.A.C.
(Third Lok Sabha)]

Action taken

The Committee's observations are noted.

[Ministry of Home Affairs O.M. No. F. 45/47/66-Ac.II. dt. 3-7-1968]

Recommendation

The Committee regret to observe that due to lack of proper co-ordination at the Ministry level, the public cause has suffered. This shows the need for remedial steps and clear-cut definition of responsibilities of respective ministries in a case like this.

[Sl. No. 39, Para 4.24, Appendix II of the Sixtieth Report of the P.A.C.
(Third Lok Sabha)]

Action taken

Necessary instructions have been issued by the Cabinet Secretariat to all the Ministries/Departments of the Government of India to ensure proper co-ordination at the Ministry level in future (*vide* their Circular No. 71/33/CF-68, dated the 24th July, 1968—copy enclosed. See Appendix V.)

[Ministry of Home Affairs O.M. No. F. 45/47/66-Ac.II. dt. 3-7-1968]

ANNEXURE

(COPY)

No. 71/33/CF-68

GOVERNMENT OF INDIA

CABINET SECRETARIAT

(DEPARTMENT OF CABINET AFFAIRS)

New Delhi, the 24th July, 1968

2nd Sravana, 1890

Subject :—Allocation of subjects to various Ministries.

The undersigned is directed to state that the Public Accounts Committee in its Sixtieth Report (Third Lok Sabha) has made the following observations :—

“4.24.—The Committee regret to observe that due to lack of proper co-ordination at the Ministry level, the public cause has suffered. This shows the need for remedial steps and clear-cut definition of responsibilities of respective ministries in a case like this.”

2. The Government of India (Allocation of Business) Rules, 1961 (as amended from time to time) clearly define the functions of various Ministries/Departments. Further the Government of India (Transaction of Business) Rules, 1961, require that where any subject relates to more than one Ministry or Department, final orders will be issued by the administrative Ministry in consultation with the other Ministries/Departments and if there is an unresolved difference of opinion, the matter shall be placed before the Cabinet for decision.

3. Ministry of Home Affairs etc. are again requested to ensure that, if there is any unresolved difference of opinion between two Ministries or Departments on the question of the handling of a particular subject or on any question of the handling of a particular subject or on any matter of importance, it is quickly brought to the notice of the Cabinet Secretariat for arranging inter-ministerial/inter-departmental discussions. If an agreement is still not possible, the matter ought to be placed before the Cabinet without further delay.

Sd/-

Joint Secretary to the Cabinet.

To

All Ministries etc. of the Government of India.

Recommendation

Explanation of the Ministry does not seem to indicate that the importance and urgency of setting up a suitable Government agency for the airlifting of supplies of NEFA and NHTA area have been fully realised.

[Sl. No. 40, Para 4.27, Appendix II of the Sixtieth Report of the P.A.C.
(Third Lok Sabha)]

Action taken

With the expiry of the contract with the Company, the work of airlifting of supplies of NEFA was temporarily undertaken by the I.A.F. from 1-7-1967. The question of setting up a Government agency for this work as a long-term measure or of continuing the operations by the I.A.F. received Government's attention at the highest level and in any case the needs of the area will not be left uncared for.

[Ministry of Home Affairs O.M. No. 45/47/66-AC II dated 3-7-1968]

Recommendation

Examination of the working of the contract for airdropping operations in NEFA and NHTA area with a private air company has revealed the following unsatisfactory features :—

- (a) Contract was given to the private company even though I.A.C. with I.A.F. was willing to undertake the task;
- (b) the contract to the Company was awarded ignoring certain basic principles of the tender system and without making essential enquiries about the financial capacity etc. of the Company;
- (c) the Agreement was drafted in a haphazard and not unambiguous manner;
- (d) contract has been renewed or extended from time to time without following the normal procedure of inviting tenders;
- (e) the execution of the contract lacked proper supervision and effective control;
- (f) an amount exceeding a crore of rupees has been paid to the Company provisionally and no attempt has been made to finalise the payments even after the lapse of a number of years and renewal of contract twice;
- (g) several cases of over-payments based on wrong calculations have been detected;
- (h) the recovery of nearly Rs. 32 lakhs from the Company on account of stores lost, has not been initiated so far; and
- (i) 985 air-dropping sorties, valuing Rs. 19,05,987 have remained unacknowledged till the end of year 1965-66. Yet provisional payments in respect of these sorties have been made.

In the circumstances, the Committee are of the view that there is an immediate need for the appointment of a Committee, consisting of the senior representatives of Ministry of Finance, the Auditor-General and the Central Bureau of Investigation which should make a thorough probe into the working of the Agreement to assess the extent of loss to Government and undue advantage to the Company. The Inquiry Committee should also fix responsibility for the unsatisfactory implementation of the various provisions of the Agreements.

[Sl. No. 41, Para 5.1, Appendix II of the Sixtieth Report of the P.A.C. (Third Lok Sabha)]

Action taken

In pursuance of the Public Accounts Committee's recommendations above, a Committee consisting of Financial Adviser (Defence) as Chairman, and Chief Auditor, Northern Railway and DIG of Police, Central Bureau of Investigation as Members, has been constituted on 30-12-1966 with the following terms of reference :—

- (a) To study the contracts entered into with the company in 1960, 1963 and 1964 and examine the extent to which there were lapses in implementing the various provisions of the contracts.
- (b) To assess the extent of losses to the Government resulting from non-implementation of the various provisions of the contract or from errors and omissions while making payments to the company for the work done by them during the currency of the contract.
- (c) To assess the extent to which any undue advantage accrued to the company as a result of the working of the agreements with it.
- (d) To fix responsibility for the unsatisfactory implementation of the various provisions of the agreements with the Company.
- (e) To investigate to what extent, if any, the instructions regarding inspection of stores dropped at dropping zones by a Board consisting of local officers with a view to assessing the causes of losses in supply dropping, have been properly followed.
- (f) To suggest remedial measures that should be taken to prevent the recurrence of the irregularities and lapses in the implementation of the agreement in future, including the augmentation and the reorganisation, if any, of the executive and accounting organisation at present available under the NEFA Administration for this purpose.

2. The Committee submitted its Report on the 23rd March, 1968. Action is being taken in the light of the Committee's findings. Findings of

the Enquiry Committee and action taken thereon by Government will be intimated to the Public Accounts Committee.

[Ministry of Home Affairs O.M. No. 45/47/66-Ac II dt. 3-7-1968]

Recommendation

The review of the working of the agreement with the private company also has indicated that the agreement has not worked to the best advantage of the exchequer. Though the private company has played a useful role in air-lifting the cargo in the strategic area, the Committee cannot ignore the following important factors :—

- (i) The strong views held by the Defence Minister in October, 1962, which have great validity even today.
- (ii) The administration Ministry in charge *viz.*, the Ministry of Home Affairs have been urging that a proper unit in the State Sector should be brought into operation as soon as possible; and
- (iii) The following provision in the Industrial Policy Resolution of 1956 :—

“In the first category will be industries the future development of which will be the exclusive responsibility of the State Railways and air transport arms and ammunition and atomic energy will, however, be developed as Central Government monopolies. Whenever co-operation with private enterprise is necessary, the State will ensure, that it has the requisite powers to guide the policy and control the operations of the undertaking.”

Keeping these factors in view and taking into account the heavy amount paid to the Company for this contract (Rs. 4.42 crores upto 31st October, 1965), the Committee are of the opinion that this task of air-lifting of stores in NEFA and NHTA areas should be taken up by a suitable Government agency. They are also of the opinion that such an agency should be set up well in time to undertake the work on the expiry of the present contract after June, 1967.

[Sl. No. 42, Para 5.2, Appendix II of the Sixtieth Report of the P.A.C. (Third Lok Sabha)]

Action taken

As stated in reply to Sl. No. 40 (para 4.27) of the Sixtieth Report, the contract with the Company has expired and the nature of the permanent arrangements for airlift of stores in NEFA is engaging the attention of Government at the highest level. Pending the creation of a permanent organisation, the task has been entrusted to I.A.F. with effect from 1-7-1967.

[Ministry of Home Affairs O.M. No. 45/47/66-Ac II dated 3-7-1968]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES BY GOVERNMENT

Recommendation

The Committee are surprised to note that there was no proper system of recording the incoming dak in NEFA Administration, even in regard to the receipt of important documents like tenders. The Committee feel that it is necessary to introduce a proper system in this matter. If a system had been prescribed already, the lapse in the present case needs investigation.

[Sl. No. 3, para 2.16, Appendix II of the 60th Report of the P.A.C.
(Third Lok Sabha)]

Action taken

The system of registration of incoming dak did exist in the NEFA Administration, but the particular letter could not be registered as it was received in a sealed cover and was opened only on the 2nd May, 1960, the day fixed for the opening of tenders.

2. According to the practice then existing, tenders were actually received by the Assistant Secretary, Supply and Transport Department of the NEFA Administration, who used immediately to note the date and time of receipt on the envelope and sign it. On the date appointed for the opening of these tenders, all such collected tenders were produced before the Supply Advisory Board. All members of the Supply Advisory Board scrutinised the actual date and time of receipt of the tender as noted and initialled by the Assistant Secretary (Supply & Transport) on the outer cover. The members of the Supply Advisory Board also used to scrutinise the seals on the closed covers to ensure that they were not tampered with.

3. Necessary instructions have since been issued to the NEFA Administration *vide* this Ministry's letter No. 45/47/66-AC.II, dated 20th December 1968 (copy enclosed (See Annexure VI.) to ensure that all tenders are registered in a tender register as and when they are received in the office of the Director, Supply and Transport.

[Ministry of Home Affairs O.M. No. 45/47/66-Ac.II, dated the 1-1-69]

ANNEXURE VI

No. 45/47/66-Ac.II

**GOVERNMENT OF INDIA
MINISTRY OF HOME AFFAIRS**

To

**The Adviser to the
Governor of Assam,
N.E.F.A., SHILLONG.**

New Delhi-1, the 20th December, 1968.

**SUBJECT :—Para 2.16 of the 60th Report of the Public Accounts Committee
(Third Lok Sabha).**

Sir,

I am directed to refer to your letter No. SUP 6/306/66, dated the 23rd September, 1968, and to say that in reply to Sl. No. 3—para 2.16 it has been stated that the system of having a tender register has since been introduced in the office of Director of Supply & Transport who receives the tenders. But according to the present system, the tenders are diarised only after they are opened before a Board of Officers in the presence of tenderers. This system appears to be unsatisfactory. It has now been decided that all the tenders should be entered in a tender register as and when they are received in the office of the Director of Supply & Transport. Action may kindly be taken accordingly.

Yours faithfully,

Sd/-

Under Secretary to the Government of India.

Recommendation

The Air Company in their letter of 23rd April, 1960 written only one day after the publication of the tender notice in the newspapers, had mentioned of a discussion they had with the Administration's official. But the fact of the discussion had neither been accepted by the Administration nor had the statement of the Company about it been contradicted. The Committee are thus unable to understand the reference to a discussion. It is not clear by whom it was held and with whom. The Committee are, however surprised that the representative of the Company had a discussion on this subject. This seems to indicate that the Company had a prior knowledge of this tender which the other parties did not have.

[Sl. No. 4, Para 2.19, Appendix II of the 60th Report of the P.A.C.
(Third Lok Sabha)]

Action taken

The above observation of the Public Accounts Committee was brought to the notice of the NEFA Administration. The then Secretary (Supply and Transport), whose comments on the above observation were invited by the Administration, does not recall any discussion with the Air Company, nor is he aware of any such discussion with any other officer of the Administration.

[Ministry of Home Affairs O.M. No. 45/47/66-Ac.II, dated the 1-1-1969]

Recommendation

The Committee are surprised that the Kathju Committee Report which had mentioned about the 'incomplete test flight reports', honouring of instructions more in the breach than in the observance both by the pilots and engineers; non-maintenance of stores to the 'normally accepted aviation standards,' lack of vigilance on the part of company's management over the flying activities of the pilots in their employ; submission of incorrect load manifests with forged signatures, etc., had missed Government's notice at the time of awarding contract to the Company in 1960, and at its subsequent renewals.

[Sl. No. 11, para 2.47, Appendix I of the 60th Report of the P.A.C. (Third Lok Sabha)]

Action taken

The above observation of the P.A.C. was brought to the notice of the North East Frontier Agency Administration who made enquiries from the then Secretary, Supply and Transport, North East Frontier Agency. The latter was not aware of any Kathju Committee or its report. The Kathju Committee held meetings at Mohanbari on the 10th and 11th December, 1959. There is no record to show that these meetings came to the notice of the North East Frontier Agency Administration. The Committee submitted its report to the D.G.C.A. on the 19th February, 1960; a copy of this report was also not sent by the D.G.C.A. to the North East Frontier Agency Administration. The records, however, reveal that the fact of the Air Company's facing an enquiry had been brought to the notice of the then Adviser by Shri Kathju on the 1st May, 1960. The position was subsequently clarified by the Adviser, who informed the Government that although Shri Kathju had mentioned to him that certain matters regarding the Air Company were under investigation, he (Shri Kathju) had, on further enquiry by him (the Advisor), stated that these matters might not be so serious as to involve the cancellation of the Company's licence and that the Company might have, at the most, to suspend their operations for a week to ten days. This subject appears to have been discussed by Shri Kathju in a casual

manner inasmuch as he does not seem to have specifically mentioned about his having already conducted an enquiry and having submitted a detailed report to the Government.

[Ministry of Home Affairs O.M. No. 45/47/66-Ac.II, dt. 22-2-1969]

Recommendation

The Committee regret to note that the estimated tonnage did not actually materialise despite the fact that it represented the actual requirements as claimed by the Ministry. This seems to indicate that the requirements of the areas were not adequately met. The Committee are also unable to appreciate the reason given for non-procurement of the estimated supplies in time.

[Sl. No. 12, Para 2.49, Appendix II of 60th Report of P.A.C. (Third Lok Sabha)]

Action taken

The above observations were brought to the notice of the NEFA Administration, who have explained that estimates of this nature, which involve supplies to 126 dropping zones/landing grounds, can at best be anticipated in terms of past years' actuals; current year's requirements and tempo of development to be achieved in the year under consideration. The stores that were airlifted included not only essential commodities, such as rice, dal, atta, etc., but also engineering stores, building materials, tools and implements of various Departments such as Agriculture, Community Development, etc. and medicines, besides ordnance stores of the Assam Rifles.

The estimated tonnage of food-stuffs caters for 3 months' reserve stock for the Assam Rifles and Police personnel. Similarly, the estimates tonnage in respect of development stores also includes an element of reserve. The actual tonnage air-lifted during the years 1961-62 to 1965-66 met the requirements of rations in full except for the reserve stock. As regards other development stores also no serious consequences resulted due to short-fall in the actual tonnage achieved.

At the beginning of the year, it is also not possible for the Administration to know precisely what places would be connected by road in the course of the year. So, in the estimated plan, the figures for airlifting of stores pertaining to those places are also included, though in actual fact as soon as certain places are connected by road, the supplies are sent there by road. In fact the movement of stores by road from 1960-61 has progressively increased year by year and some of the stores, which were planned to be airlifted at the beginning of the year, were later transported by road.

[Ministry of Home Affairs O.M. No. F. 45/47/66-AC.II dated 3-7-1968]

Recommendation

"The thinking in the Ministry of Defence apparently underwent a radical change subsequently, for reasons not easy to understand, because sometime in Oct. 1963 when the question of future airlift arrangements was examined, and the Ministry of Defence were approached, they not only expressed inability of the Indian Air Force to undertake the job, but also desired that the private airlift capacity be maintained."

[Serial No. 35 of Appendix II to P.A.C's 60th Report (Third Lok Sabha)—1966-67]

Action taken

The question of airlift of supplies to forward posts in NEFA and Nagaland was discussed at a meeting held on 6th September 1962 under the chairmanship of the then Defence Minister. It was decided that the forward out-posts would be supplied by the IAF from the forthcoming winter and that the IAF should also work out plans to take over the entire airlift of NEFA and Nagaland Administrations on the expiry of the contract with Kalinga Airlines in April 1963. This decision was taken as it was felt that if the job was done by the IAF, it would guarantee security and continuity of supplies. However, soon after taking this decision, the situation on Indo-China border suddenly started worsening and it finally conflagrated on 20th October 1962. This major development on the borders necessitated heavy air maintenance for the Army by the IAF. Therefore, the question of making further use of M/s. Kalinga Airlines came up for serious consideration and it was decided to extend the contract with Kalingas for a further period of one year in the first instance so that there was no let down in air maintenance, particularly in view of the worsening border situation when the IAF was not in a position to undertake air-dropping of supplies for NEFA and Nagaland Administrations in view of the heavy commitments for Army.

In August 1963, the Ministry of External Affairs, who was then the Ministry concerned, for NEFA Administration, enquired whether the Ministry of Defence could take over airlift requirements of NEFA Administration on the expiry of the contract with Kalinga Airlines in April 1964. The airlift capacity of the Indian Air Force in relation to the demands of the Armed Forces, including sister organisations like the Border Roads Development Board, was examined by the Ministry of Defence in consultation with the Chief of the Air Staff and the Chief of the Army Staff. It transpired that it would be possible for the Indian Air Force to undertake the airlift required by the NEFA Administration in peace time when the Caribou aircraft on order have been received, i.e. by the time the contract with Kalinga Airlines expired in April 1964. It was, however, felt that difficulties would arise in the event of outbreak of hostilities. In such an

event, Army demands for airlifts would increase and it would not be possible for the Indian Air Force to meet the airlift requirements of the NEFA Administration. It was also likely that by that time the airlift requirements of NEFA Administration would increase and it would not be possible for the Indian Air Force to augment its capacity, except to a limited extent. It was considered desirable to keep a margin of capacity in the Indian Air Force to meet sudden additional demands on behalf of the Armed Forces and, therefore, the capacity of the Indian Air Force should not be fully used up in peace time.

Having regard to the above mentioned considerations, it was decided in October 1963, with the approval of the Defence Minister, that :—

- (a) It was undesirable to utilise the IAF transport capacity to the hilt in peace-time;
- (b) as long as the present uncertain frontier situation continued, it is desirable to keep any existing private airlift capacity in being, as it would assist in better utilisation of the IAF airlift;
- (c) the demand for airlift by the Army was not likely to decrease materially until the road communications in the forward areas improved and this was not likely to happen for another year or two;
- (d) therefore, such private airlift capacity as the External Affairs Ministry could secure without involving any additional expenditure on import of aircraft on private account should be preserved and maintained. If External Affairs Ministry required any help over and above that in moving supplies into NEFA, the IAF would help to the extent capacity was available; and
- (e) any proposal to spend foreign exchange to procure more aircraft should be to augment the IAF fleet. As far as NEFA was concerned, the best value for money would be secured by investing in more Caribou aircraft.

From the position stated above, it would appear that when the decision was taken in September 1962 to entrust the work of airdropping of supplies to the IAF on the expiry of the contract with Kalingas in April 1963, the situation on the Indo-China border was normal. However, soon thereafter the position on the Indo-China borders began to worsen and due to the subsequent changed circumstances, the earlier decision had to be revised in October 1962. Vetted by the A.G.C.R.

[Ministry of Defence O.M. 11(8)/62/D (Budget) dt. 8-1-1968]

CHAPTER IV

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

NIL

CHAPTER V

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

Recommendation

The Committee are surprised that the over payments made from the public exchequer to the Company did not come to the notice of Government till they were brought out by the Audit. When noticed no effort was made to inquire into them and investigate the reasons behind them. The Committee feel that there has been a remissness on the part of the Administration in regard to the financial aspects of the contract. The Committee also feel that the action of the Company in charging at higher rates than prescribed was not proper. It is strange to note that the Administration took a lenient view of such over charges and also those arising out of erroneous destinations. They also feel that the system under which this contract was working was faulty and further that the Company had no difficulty at any stage in enlisting the sympathy and co-operation of the authorities concerned even if it meant loss of public revenues.

[Sl. No. 15, Para 3.15, Appendix II of the Sixtieth Report of the P.A.C.
(Third Lok Sabha)]

Action taken

The above recommendation of the Committee pertains to three specific over-payments. The position with regard to these three excess payments is indicated below :—

(i) Excess payment of Rs. 75,000/-

This relates to payment made to the Company on the basis of average flying time already fixed by the Administration for flights to a place called Yinkyong.

The average timing to this place was based on flights by IAC, IAF and Indamer Coy prior to 1960 and as at that time no landing ground had been commissioned at the place, this related to air-dropping flights. The payment to the Company was made on the basis of this average timing even though with effect from April 1961, a landing ground was commissioned at Yinkyong. This was a mistake which unfortunately could not be detected earlier. As soon as audit pointed this out, further payment to the Company for this sector on the basis of existing average timing was stopped on 25-4-1965. Average timing for this sector on the basis of the current contract, i.e., lower of the two average timings for flights to Yinkyong by the Company under the first and second contracts, has now been determined and notified. Adjustment of the overpayments already made was proposed

to be made on the basis of the revised bills to be submitted by the Company. However, the Company have not accepted the timing notified by the Administration and this is one of the items referred to the Arbitrator in December 1967. Result of arbitration will be intimated to the P.A.C. in due course.

(ii) Excess payment of Rs. 2.48 lakhs

This excess payment is due to incorrect notification of average timings made in May and December 1961 in respect of 337 sectors when the Administration based their calculation on the timings as obtained from the agencies themselves instead of basing the calculation on timings as recorded by the Air Traffic Control. This omission, too, could not be detected by the Administration till it was pointed out by the audit in March 1965. This omission has since been rectified and average timings in respect of all these sectors have now been notified correctly on the basis of the timings as recorded in the Air Traffic Control for flights of IAC, IAF and Indamer Coy prior to May 1960. The Company have, however, not accepted these revised average timings and the matter has been referred for arbitration. Result of arbitration will be intimated to the P.A.C.

(iii) Excess payment of Rs. 22,000/-

This over-payment was detected by the Director of Supply and Transport in December, 1963. The over-payment was recovered from the Company's bills and credited to Government's account on 8th September, 1966. [Ministry of Home Affairs O.M. No. F45/47/66-Ac.II, dated the 1-1-69]

Recommendation

The Committee would recommend that a special enquiry into all past transactions, under the contract, be conducted forthwith, any mistakes committed brought to light and those found responsible for them suitably dealt with.

[Sl. No. 18, para 3.18, Appendix II of the 60th Report of the P.A.C. (Third Lok Sabha)]

Action taken

In pursuance of the Public Accounts Committee's recommendations contained in paragraph 5.1 (Sl. No. 41) of their 60th Report, a Committee of senior representatives of the Ministry of Finance, Comptroller and Auditor General, and C.B.I. was constituted on 30-12-1966 to make a thorough probe into the working of the agreements with the Air Company to assess the extent of loss to Government and undue advantage to the Company. This Committee was required to go into all past transactions under the contract. The Committee has since submitted its Report and

follow up action thereon is being taken. Results of the enquiry and action taken or proposed to be taken against the persons responsible for the unsatisfactory implementation of the agreement will be intimated to the P.A.C. [Ministry of Home Affairs O.M. No. F45/47/66-Ac.II, dt. 3-7-1968]

Recommendation

The Committee regard that even after the lapse of 6 years' period no serious effort had been made to determine the actual flight timings in regard to a number of sectors and payments on account of them are still being made provisionally.

[Sl. No. 21, Para 3.28, Appendix II of the 60th Report of the P.A.C. (Third Lok Sabha)]

Action taken

The average flying timings have since been fixed in respect of all those sectors where such timings can be determined under clauses 7(a) of the First two contracts and clause 7(b) of the Third Contract. The whole question was referred for Arbitration in December, 1967 and the Public Accounts Committee will be informed of the final result of arbitration shortly.

[Ministry of Home Affairs O.M. No. F45/47/66-Ac.II, dated 22-2-1969]

Recommendation

The Committee, however, note that assurance given to them during evidence that it had been 'laid down' that the account of unacknowledged sorties would be settled by the end of September, 1966. The Committee would like to be informed of result achieved. Considering the inordinate delay in the matter, they cannot refrain from observing that the most important provision of the Agreement had been ignored.

[Sl. No. 24, Para 3.43 Appendix II of the Sixtieth Report of the P.A.C. (Third Lok Sabha)]

Action taken

The N.E.F.A. Administration have been making all possible efforts to reconcile the unacknowledged load manifests. According to the information received from the NEFA Administration in October, 1968, out of about 40,000 load manifests, there are 143 load manifests pertaining to the Air Company's operation for which acknowledgement reports have not been received from the out-posts. The total value of the stores involved in these sorties is Rs. 2,42,945.13P. Forty-five of them involving an amount of Rs. 32,406.81P relate to the period prior to the Chinese aggression, relevant records in respect of which are reported to have been destroyed/lost. The original records of all acknowledgements

at the receiving end are being obtained by the Administration when a further scrutiny about unacknowledged sorties would be made. Final results of reconciliation will be intimated to the P.A.C. in due course.

[Ministry of Home Affairs O.M. No. 45/47/66-Ac.II, dt. 1-1-69]

Recommendation

The Committee are at a loss to understand how in the absence of such an account the Administration was able to know the extent to which it had met the demand for stores and supplies of the remote areas. Final settlement of the account at the end of each year, the Committee feel, is vital part of the Agreement, which they hope would now at least be brought up to date.

[Sl. No. 26, Para No. 3.45, Appendix II of the Sixtieth Report of the P.A.C. (Third Lok Sabha)]

Action taken

The NEFA Administration have worked out the amounts (Rs. 52,16,392.35P due from the Company for the period covered by the three contracts. The Company has, however, not accepted the claims filed with the Arbitrator on the basis of the these calculations. They have also preferred some counter claims amounting to Rs. 98,10,355.22 against Government. The disputed points have, therefore, been referred to the Arbitrator, who was appointed on 5th September, 1967 in terms of the contracts. The results of the arbitration will be intimated to the P.A.C.

[Ministry of Home Affairs O.M. No. of 45/47/66-Ac.II
dt. 3-7-1968]

Recommendation

The Committee find that the tonnage lost during 1960-61 to 1965-66 in respect of the acknowledged dropping sorties came to 2,973, its value being Rs. 31,16,250. The Committee also observe that the value of stores lost had increased substantially year after year. In the year 1960-61, the value of the stores lost was Rs. 2,82,873 whereas in 1965-66 it rose to Rs. 9,50,622.

[Sl. No. 28, Paras 3.51 and 3.52, Appendix II of the Sixtieth Report of the P.A.C. (Third Lok Sabha)]

Action taken

The above conclusions of the Committee have been noted.

2. It may not be possible at this distant date to make an enquiry into the abnormal increase in the loss of stores from year to year. It may, however, be mentioned that all losses exceeding 4% are recoverable from the Company. A claim for an amount of Rs. 38,89,777.35 has accordingly been

made against the company in December 1967 which is now before the Arbitrator. The result of the arbitration will be intimated to the P.A.C. in due course.

[Ministry of Home Affairs O.M. No. of 45/47/66-Act II
dt. 1-1-1967]

Recommendation

It is most unfortunate that the account is not kept sortie-wise and due to some misunderstanding these 4% are calculated on the annual turnover. The Committee feel that 4% margin of loss given was in respect of each sortie and not for the whole year. This has caused a very serious and avoidable loss to the public exchequer. The Committee suggest that special check should be conducted to calculate the loss sortie-wise and then make the necessary recoveries from the company where due.

[Sl. No. 29, Para 3.53, Appendix II of the Sixtieth Report of the P.A.C.
(Third Lok Sabha)]

Action taken

The opinion of the Solicitor-General of India was obtained on the interpretation of Clause 10(a) of the Agreement with the Company. According to his advice, the contractor is liable to make good the losses in respect of each item of stores in a loadmanifest, if in respect of the item the deficiency is over 4%. The NEFA Administration have been advised accordingly and they have re-calculated the losses accordingly. The amount of the losses works out to be Rs. 38,89,777.35. A claim for this amount has been filed before the Arbitrator under Clause 10(a) of the Agreement. The Company has, however, disputed the basis of calculation of dropping losses and this point is under reference to arbitration. The results of arbitration will be intimated to the P.A.C.

[Ministry of Home Affairs O.M. No. of 45/47/66-Act II
dt. 3-7-1968]

Recommendation

The Committee regret to note that the contract for air supplies to NEFA had neither been drafted carefully nor had it been implemented properly. There has been lack of care and supervision in the execution of the contract from the very beginning. Instances of over-payments were neither detected nor promptly investigated. Provisional payments have been made to the company from year to year, and the accounts with the company have not been settled finally at the end of the financial year, as stipulated in the Agreement.

[Sl. No. 33, Para 3.64 Appendix II of the Sixtieth Report of the P.A.C.
(Third Lok Sabha)]

Action taken

The Committee appointed to probe into the working of the Agreements with the Air Company submitted their Report in March 1968 in which they have made recommendations as to the remedial measures to prevent recurrence of irregularities and lapses in implementation of the Agreements, in future. Follow-up action on the recommendations of the Committee is in progress and a final reply will be submitted to the P.A.C.

As regards settlement of accounts with the Company, the matter is now before the Arbitrator and the P.A.C. will be informed of the final results.

[Ministry of Home Affairs O.M. No. of 45/47/66-Act II
dt. 1-1-1969

NEW DELHI;

April 28th/Vaisaka 8, 1891(s)

M. R. MASANI,
Chairman,
Public Accounts Committee

APPENDIX I

Statement showing progress of action on each of the recommendations of Hariharan Committee enumerated in Chapter XIV of their Report.

Para 77—Unsatisfactory features of the contracts.

In this para, the Committee pointed out several unsatisfactory features of the three contracts. These have been noted for future guidance.

Para 78—Lapses in implementation of the contracts.

In this para the Committee pointed out the lapses in the implementation of the contracts and the amounts of losses in dropping recoverable from the company as well as certain over-payments made to it. Necessary claims for recovery of these losses in dropping and overpayments were filed before the Arbitrator in December, 1967. The Arbitrator's award is awaited. The various lapses pointed out in the para have been noted for future guidance.

Para 79—Undue advantage derived by the Company.

The findings of the Committee have been noted.

Para 80.

In this para, names of officers responsible for unsatisfactory implementation of the contracts have been referred to. Explanations of these officers have been called for and are being examined.

Para 81—Inspection of stores dropped at the dropping zones by Boards of Local Officers.

Instructions have been issued to the various outposts to the effect that the names of the officers who inspect the stores at the dropping zones are invariably mentioned in the acknowledgement reports.

Para 82—Remedial Measures.

These have been explained in Chapter XII and referred to briefly in para 82 in Chapter XIV of the Report. The Committee in para 75 of its report have observed as follows :—

“The various lapses in the implementation of the agreements were mainly due to lack of awareness of the importance of timely and proper action on the part of those who were responsible for operating the agreements. Certain lacunae and unsatisfactory features in the agreements which have been mentioned earlier in this Report, obviously added to the difficulties of all concerned. With better and stricter control over the various officials concerned with implementation of contracts of this nature, it should be possible to avoid irregularities or lapses of this type in future”.

The Committee have, however, made some specific suggestions which are dealt with in Annexure to this statement.

ANNEXURE

Action taken on the remedial measures suggested by Hariharan Committee.

S.No.	Recommendation	Action taken by Government
(a)	The unsatisfactory features in the contracts and the lapses in implementing the same should be noted for avoidance, in future. Para 82(a).	The recommendation has been noted.
1. (b)	An examination should be made of the need for preparing a large number of copies of load manifests. Para 82(c).	This suggestion has been carefully examined and it is found that it is not possible to reduce the number of copies of load-manifestes below the present number (viz. 18).
2. (c)	Periodical surprise inspections of stores packed for dispatches should be arranged by the Director, Independent verification of stores in the Depots should also be arranged Para 82(d).	Surprise checks are being carried out from time to time to insure correctness of loads despatched as per load manifests. Further, officers from other branches are detailed as duty officers each for a period of one week at a time to check the loading and to verify the weighments of loads. The Committee also recommended that Director, Supply ; Transport should arrange periodical verification of stores by an independent body of stock verifiers under his direct control and reconciliation of the quantities of stores as per ledger with the ground balances. A system of quarterly verification of stores in various depots by officers from other depots has been introduced by NEFA Admn. in addition to the usual annual verification of stores.
3. (d)	As and when the Director finds that the quantities of stores despatched according to the acknowledgement reports are found to be different from those shown in the copies of the load manifests in the Directorate, he should take prompt steps for reconciliation. Para 75(c).	Prompt steps are being taken for reconciliation as and when such discrepancies are noticed.
4. (e)	In the course of its enquiry, the Committee has found that in a majority of cases, post copies of acknowledgement reports were not received by the Director. The officials at the dropping zones should be given strict instructions to send	Director of Supply & Transport has already issued instructions to the outposts to send post copies of the acknowledgement reports in all cases. NEFA Admn. has also been directed to issue suitable instructions

Sl. No.	Recommendation	Action taken by Gover
	the post copies of acknowledgement reports to the Director in all cases and these instructions should strictly be enforced. Para 75(d).	in this regard to various officers at the outputs.
5. (f)	The Director should take prompt steps for obtaining acknowledgement reports and post copies when ever they are not received in time. As the various officials at the dropping zones are not under the administrative control of the Director, he should report to the Administration, monthly, all lapses in this respect on the part of the various outposts to enable the Admn. to take timely remedial action for expeditious despatch of such wanting acknowledgement reports. Para 75(a).	NEFA Administration have been directed to issue necessary instructions in this regard.
6. (g)	The Committee has been informed by the present Director that one of the reasons for the daily in receipt of wireless acknowledgement reports is the low priority given by the officials incharge of the wireless sets to the acknowledgement reports. Appropriate arrangements should be made for ensuring timely transmission of these reports. Para 75(f)	NEFA Administration have requested Inspector General, Assam Rifles, to issue necessary instructions to various wireless stations to give high priority to wireless acknowledgement reports.
7. (h)	Instructions should be issued to ensure that all the claims and supporting documents are scrutinised carefully by the executive and accounts authorities before the claims are admitted for payment. Para 75(g).	Instructions in this regard already exit in the "Hand Book of Supply Accounts" compiled by NEFA Administration. The observations of the Committee are noted.
8. (f)	The flights to various outposts should be planned well in advance and the outposts should as far as possible be kept informed of these flights so that they would be having necessary advance information. Para 75(h).	It is not possible to plan the flights well in advance and keep the outposts informed in view of weather conditions in NEFA. Further the present carriers, viz. I.A.F., intimate the director of the availability of air-craft only a day earlier.
(f)	In the course of working of agreements of this type, several practical difficulties and snags are bound to be noticed. The Director should periodical send reports to the Administration high-lighting these difficulties so that appropriate remedial action can be taken in time. Para 75(i).	NEFA Administration have been requested to prescribe quarterly reports which should be sent to the Administration by the Director reviewing the working of supply dropping operations in that quarter and high-lighting any difficulties which he might be experiencing.

APPENDIX II

REGISTERED

GOVERNMENT OF INDIA

NORTH EAST FRONTIER AGENCY

No. SUP. 6/128/68

Dated Shillong, the 6th Jan. 1969.

To

- (1) The Inspector General of Assam Rifles, Shillong.
- (2) All Deputy Commissioners, NEFA.
- (3) All Addl. Deputy Commissioners, NEFA.
- (4) All Director of Supply & Transport, Nefa Jorhat-5.
- (5) All Commandants of Police Battalions deployed in NEFA.
- (6) The Deputy Director, SIB, Tazpur.

SUBJECT :—*Acknowledgement Report of Stores Despatched by Air.*

Sir,

I am directed to state that according to the existing procedure, acknowledgment reports of stores air-dropped or air-landed are to be sent to the Director of Supply & Transport within 24 hours of the receipt of the stores. The detailed procedure is laid down in Administration's Wireless eMessage No. SP. 178534 dated the 26th August, 1963 and Inspector General of Assam Rifles' signal No. C/AD/53/881 dated the 18th August, 1953. The procedure has also been incorporated in Chapters VI and VII of the Handbook of Supply Accounts. There were also followed by a series of instructions from the Director of Supply and Transport, NEFA and the following are the latest ones :

1. FR/67-LOSS/1 dated 21-1-67.
2. STF/LOSS/1 dated 5-5-67.
3. FR/LOSS/9/33 dated 17-2-69.
4. FR/LOSS/1/125 dated 14-5-68.
5. FR/LOSS/1 dated 29-5-68.

2. It needs no emphasis that these Acknowledgement Reports are vital documents for the purpose of ascertaining dropping or transit losses for effecting recovery from the contractor or the flying agencies if such losses exceed the permissible ceiling limit. This information is equally important for drawal of proper accounts by the Director of Supply and Transport in respect of the CPO Scheme.

3. It has been noticed of late that in many cases these instructions are not scrupulously followed through ignorance of the existence of such

instructions or carelessness on the part of the Reporting Officers. This is most unsatisfactory and cannot be allowed to continue. With a view to removing any confusion in this regard, it is expedient that consolidated comprehensive instructions should be issued for the guidance of all concerned. The following procedure should be followed in the matter of sending Acknowledgement Reports of stores despatched by the Director of Supply and Transport NEFA, by air :

- (i) Immediately after a sortie of stores is dropped or landed, these should be inspected by a local Board of officers, composed of two or three officers locally available—one representative from each Department, e.g., a representative of the Deputy Commissioner of the District, a representative of Assam Rifles or Police Battalion, a representative of the SIB etc. This Board should preferably be a standing one.
- (ii) The members should be present at the Dropping Zone or Landing Ground immediately after each dropping or landing. The stores received should be inspected and physically verified by the Board after proper counting, weighment etc as may be necessary. The result of the inspection/verification should be recorded in the form of formal proceedings with the following details :
 - (a) Number and date of Load Manifest;
 - (b) details of stores manifested in the Load Manifest in quantity, itemwise;
 - (c) details of stores received intact in quantity, itemwise;
 - (d) details of SDEs and packing materials manifested;
 - (e) details of SDEs and packing materials received;
 - (f) details of losses, itemwise;
 - (g) reasons for loss, itemwise, e.g. bursting of bags, breaking of packages/containers, non-opening or detachment/tearing of parachutes, mis-dropping, bad dropping etc.

These proceedings should be signed by each member of the Board and carefully preserved for record. A copy of the proceeding should be sent to the DST along with the post copy of the acknowledgement report, vide sub-para (iv) below.

Acknowledgement report by telegram/wireless message.

- (iii) An acknowledgement Report in the form of a telegram or wireless message should be drawn up on the basis of the aforesaid findings of the Board and despatched to the Director of Supply & Transport, NEFA, within 24 hours and in no case

later than 48 hours of the dropping/landing. The wireless messages should be allotted "OP Immediate" priority and the telegrams should be allotted the priority "Express". In this connection Signal No. Q5152 dated the 12th October, 1968 from the Inspector General of Assam Rifles to the AR Range HQs may be referred to (copy enclosed at Appendix 'A'. Page—). In these Acknowledgement Reports the details of stores manifested and received intact and the losses as indicated in para 3(ii) above, should be clearly mentioned. In addition, the names and designation of the officers composing the Inspection Board should also be indicated.

Post copies of acknowledgement reports

- (iv) Immediately after the despatch of the telegrams or wireless messages, post copies or confirmatory copies thereof, *duly signed by the officer concerned*, along with a copy of the proceedings of Local Inspection Board (*vide* sub-para (ii) above), should be sent to the Director of Supply & Transport, NEFA *by the next available mail*. This procedure is also laid down in para 66(v) of the Manual of Office Procedure, 1964 (extract at Appendix 'B'. Page—),

Monthly Report to DST

- (v) A monthly consolidated report in the proforma as at Appendix 'C' Page— should be sent to the Director of Supply & Transport NEFA so as to reach him by the 10th of the following month showing the details of all the stores air-dropped/landed, losses etc. during the preceding month, loadmanifest-wise with copy to the Deputy Commissioner or the Addl. Deputy Commissioner concerned.

Monthly Report to Administration

- (vi) A monthly report should be sent *by the DST* so as to reach the Admn by the 10th of each month regarding unacknowledged sorties and post copies of acknowledgement reports showing the position up to the month before last, *vis.* report for March should indicate the position as in January. This report should indicate the position for each district, AR/Police Battalion, SIB Unit etc.

Quarterly Report to Administration

- (vii) A quarterly report should be sent *by the DST* so as to reach Admn by the 10th of *March, June, September and December* regarding the working of the Supply dropping operation and highlighting the salient features, *e.g.* dropping losses, whether reasons therefor have been investigated, especially for those

attributable to the despatching sections and if so, with what result; any precise difficulty encountered etc. Any suggestions for improvement or remedial measures would be welcome.

4. It is requested that these instructions be circulated to all concerned or your office and to Outpost Officers or Assam Rifles/Police Units etc. as the case may be, for strict adherence to the procedure. It may also please be brought home to all concerned that failure to follow these instructions will constitute a lapse or even delinquency for which proper action will be taken.

5. A copy of these instructions may be kept in the standing Instructions File of each office and should be specifically mentioned in the handing over notes at the time of relinquishing charge of the office on transfer, leave, retirement etc.

6. Please acknowledge receipt of this communication in the form enclosed at Annexure ('D' page 59).

Yours faithfully,

Sd/-

*Adviser to the Governor of Assam,
Shillong.*

Encls :—Annexures 'A', 'B', 'C' & 'D'.

ANNEXURE 'A'

Copy of HQ IGAR Signal No. 5152 dated 12 Oct. 1968 addressed to Nagaland and Range, NEFA Range.

Ack report (.) Admn intimated that ack report of stores reported by receiving centres received by DST very late (.) Hence instr unit under your demand to use op immediate priority (.) copy Admn. SUP.6/128/68 dated Sep 26 being sent by post.

ANNEXURE 'B'

Extract from the MANUAL OF OFFICE PROCEDURE 1964, First Edition.

CHAPTER X

Para 66(v)

(v) *Post copies*: All Telegrams and Wireless messages, except those sent in Cypher or Code, should be followed by post copies. Post copies of messages sent in 'Cypher' or 'Code' should never be sent to the addressees as in the case of enclair messages. Paraphrased versions of such code messages may, however, be sent to the addressee, if necessary.

ANNEXURE 'C'

STATEMENT OF ACKNOWLEDGEMENT REPORTS OF STORES AIR-DROPPED/LANDED AT _____ (NAME OF CENTRE)

for the month of _____-196

[Para 3(iv) of Administration letter No. SUP. 6/128/68 dated. 6th January, 1969]

Number and date of LM	2	3	4	5	6	7	8
Details of stores manifested in quantity item-wise	Details of stores received intact in quantity item-wise	Details of SDEs and packing materials manifested	Details of SDEs and packing materials received	Details of loss of stores in quantity item-wise	Specific reasons for loss, item-wise, e.g. bursting of bags breaking of packages/containers, non-opening of parachutes etc.	Remarks	
1							8

ANNEXURE 'D'

No. Dated the Jany '69

From

To

The Adviser to the Governor of Assam,

Shillong.

SUBJECT :—*Acknowledgement Report of Stores Despatched by Air.*

Sir,

This is to acknowledge receipt of Administration letter No. SUP. 6/128/68 dated the 6th January, 1969, which is receiving attention.

Yours faithfully,

Sd/-

(*Designation*).

APPENDIX III

Summary of Main Conclusions/Recommendations

S. Para No. No. of Report	Ministry/Department concerned	Recommendation
1	2	3
1. 1-13	Home Affairs	The Committee note that the arbitrator rejected all the claims amounting to Rs. 52.16 lakhs preferred by Government against the company on account of losses in air-droppings and excess payments made for various flights. The Committee would like Government to study the award carefully and decide, after taking appropriate legal advice, what the further course of action should be.
2. 1-14	Do.	The Committee observe that the arbitrator held the clause in the contracts bearing on the determination of losses in air-droppings to be "so badly drafted" as to make calculation of losses difficult. Besides, he held that losses in respect of "several sorties" could not be considered to have been established just by "loose slips of paper containing decoded wireless messages" from outposts, which were produced by Government as proof of loss. In regard to the clause in the contracts relating to the determination of flight timings, the view expressed by the arbitrator was that it was "so badly drafted" as to leave room for ambiguity. Similar views were also expressed by the Hariharan Committee which pointed out that several provisions in the contract "were not drafted with clarity and precision." That Committee also pointed out various lapses in "the implementation of the contracts", notably "delay in determination of average timings" and "incorrect determination of average timings" for flights. The Committee would like Government to consider in the light of the arbitrators' award as well as the findings of the Hariharan Committee what action is called for against the officials responsible for the drafting and implementation of the contracts.
3. 1-15	Do.	The Committee would like Government to draw a lesson from the experience in this case and take steps to ensure that all <i>ad hoc</i> contracts involving substantial amounts for which standard forms are not adopted are drafted with appropriate legal advice, so that the terms of the contracts are precise and unambiguous in all respects and Government's position is fully safeguarded.

1	2	3	4
4.	1-19	Home Affairs	<p>The Committee hope that the remedial measures suggested in the Report by Hariharan Committee which reviewed the working of the agreements would be strictly implemented. In particular, it would be necessary for Government to ensure that flights to various outposts for dropping operations are planned in advance and that the outposts are given advance intimation of the flights to the maximum extent possible. To prevent malpractices at the despatching depots, surprise checks should be conducted of stores packed for despatch, as shown in the load manifests. Acknowledgements of stores should be promptly obtained from outposts, and discrepancies between load manifests and acknowledgements should be got quickly investigated.</p>
5.	1-23	Do.	<p>The Committee note that Government have not renewed the agreement with the private company on its expiry on 30th June, 1967, and have entrusted to the Air Force the air-dropping of stores in NEFA and NHTA areas.</p>

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
DELHI			33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi—1.	68
24.	Jain Book Agency, Connaught Place, New Delhi.	11	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3	35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	36.	Hind Book House 82, Janpath, New Delhi.	95
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	37.	Bookwell 4, Sant Narakari Colony, Kingsway Camp, Delhi-9.	96
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15	MANIPUR		
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20	38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe. Imphal.	77
30.	Lakahmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	AGENTS IN FOREIGN COUNTRIES		
31.	Bahree Brothers, 188 Lajpatrai Market, Delhi-6.	27	39.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.-2.	59
32.	Jayana Book Depot, Chaparwala Kuan, Karol Bagh, New Delhi.	66			

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