

PUBLIC ACCOUNTS COMMITTEE
(1973-74)

(FIFTH LOK SABHA)

HUNDRED AND TWELFTH REPORT

[Action Taken by Government on the recommendations of the Public Accounts Committee contained in their 82nd Report (Fifth Lok Sabha) on paragraphs contained in the Audit Report (Defence Services) 1970 and Report of the Comptroller and Auditor General of India for the year 1969-70, Central Government (Defence Services)].



LOK SABHA SECRETARIAT
NEW DELHI

March, 1974/Chaitra, 1896(S)

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TO LOK SABHA ON 26.4.1974**

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1	1.3	5	23-25	23
3	1.9	Heading	Encouragements	Encroachments
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PUBLIC ACCOUNTS COMMITTEE
(1973-74)

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Shri M. S. Sundaresan—*Deputy Secretary.*
Shri T. R. Krishnamachari—*Under Secretary.*

*Elected on 29-11-73 vice Shri D. S. Afzalpurkar died.

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Hundred and Twelfth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 82nd Report (Fifth Lok Sabha) relating to Ministry of Defence.

2. On the 26th May, 1973 an 'Action Taken' Sub-Committee was appointed to scrutinise the replies from Government in pursuance of the recommendations made by the Committee in their earlier Reports. The Sub-Committee was constituted with the following Members:

Shri H. N. Mukerjee—Convener.

2. Shri Sunder Lal	} Members
3. Shri Biswanarayan Shastri	
4. Shri M. Anandam	
5. Shri Nawal Kishore	
6. Shri H. M. Patel	

3. The Action Taken Sub-Committee of the Public Accounts Committee (1973-74) considered and adopted this Report at their sitting held on 1st March, 1974. The Report was finally adopted by the Public Accounts Committee on the 25th March, 1974.

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).

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

NEW DELHI;

March 26, 1974.

Chaitra 5, 1896 (S).

JYOTIRMOY BOSU,
Chairman,
Public Accounts Committee

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by Government on the recommendations contained in their 82nd Report (Fifth Lok Sabha) on paragraphs contained in Audit Report (Defence Services) 1970 and Report of Comptroller and Auditor General for the year 1969-70, Central Government (Defence Services), which was presented to Lok Sabha on the 30th April, 1973.

1.2. Action Taken Notes have been received in respect of all the 37 recommendations in the Report.

1.3. The Action Taken Notes/Statements on the recommendations have been categorised under the following heads:—

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

S. Nos. 3—7, 9, 11—18, 20, 21, 23—25, 27, 29—32, 34, 37.

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

S. Nos. 1, 8, 10.

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

S. Nos. 19, 24, 25.

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

S. Nos. 2, 22, 26, 28, 33, 35, 36.

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

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

Delay in execution of a project—(Paragraph 1.17—S. No. 2).

1.6. Dealing with the defects in the construction of a transmitter building, the Committee in paragraph 1.17 had observed as follows:—

“As a result of bad workmanship and substandard materials, improper ratios of cement and steel and poor supervision, cracks had developed in the portal and subsidiary beams in the main transmitter building. The SPE which investigated this case has, besides recommending suspension of business dealings with the contractor concerned, suggested departmental action against certain officers and subordinates. A technical board appointed to go into the question had also found supervision faulty. The case is stated to have been handed over to the Commissioner of Departmental enquiries. The Committee may be informed of the disciplinary action taken against the persons concerned as a result of enquiry as also the steps taken to plug the loopholes, if any, in the works execution procedures. The Committee regret that although the defects in the construction was noticed as early as May, 1968 conclusive departmental action is yet to be taken. They desire that there should be no further delay in the matter.”

1.7. In their reply dated the 17th December, 1973, the Ministry of Defence have stated:—

“Three Service and three Civilian Officers were involved in the case.

Of the three Service Officers, one had retired from service before the completion of Central Bureau of Intelligence's investigation. Further, Central Bureau of Investigation did not recommend any action against him. No action was, therefore, taken against him. Regarding another officer, it was decided to impose a ban on his re-employment for a period of 3 years after his retirement from service. Subsequently, however, this decision was reviewed and, in consultation with the Central Vigilance Commission, the ban imposed on his re-employment was lifted after two years had elapsed from the imposition of the ban. As regards the third officer, “Severe Displeasure” of the General Officer Commanding-in-Chief, Central Command, was conveyed to him on 15th September, 1971. With regard to the disciplinary action against the three

Civilian Officers, the Report of the Commissioner for Enquiries, together with the advice of the Central Vigilance Commission, has been received towards the end of August, 1973. The same is under examination in the Ministry and the Committee will be apprised of the disciplinary action taken in due course.

Remedial Measures.

In order to plug the loopholes in the works execution procedure, the following instructions have been issued:—

- (a) Technical instruction No. 15 of 1971 in respect of reinforcement in RCC beams.
- (b) QMG's Branch, Army HQ. letter No. 61279/Q3W (Policy) dated 24th October, 1969—Plg. and Progressing of Army Works Projects.
- (c) EinC's Branch, Army HQ letter No. 39349/E2A dated 15 March, 1971 Time Schedule for completion of works."

1.8. The Committee had observed that although the defects in the construction of the main transmitter building were noticed as early as May, 1968, conclusive departmental action was yet to be taken and had desired that there should be no further delay in the matter. However, from the reply of the Ministry sent on the 17th December, 1973, the Committee very much regret to note that in regards disciplinary action against the three Civilian Officers, the advice of the Central Vigilance Commission, which has been received in August, 1973, is still under examination. No further communication has been received from the Ministry. The Committee take a serious note of the delay in taking departmental action despite their specific observations. Normally it should not take so long to take a decision on the advice of the Central Vigilance Commission unless there are some specific reasons. The Committee would therefore require that the disciplinary action should be taken forthwith under intimation to the Committee.

Encouragements on requisitioned land (Paragraph 1.53—S. No.

1.9. Referring to a case of encroachment by unauthorised persons on lands requisitioned by the Ministry of Defence, the Committee in paragraph 1.53 of the Report had observed:—

"The case dealt with above is admittedly not an isolated one. There are other cases also where requisitioned lands

in unauthorised occupation. Although it was stated in December, 1970, that the details of such cases were under collection, the Ministry have not as yet furnished the details to the Committee. This shows that all these years no attempts have been made to review the position comprehensively with a view to taking suitable action. The Committee consider this to be highly unsatisfactory. They trust that necessary data in this regard would be collected without any further delay and reported to them. They would also be interested in knowing the action taken or proposed to be taken by Government to put such lands to effective use or to derequisition them after evicting the unauthorised persons."

1.10. In their reply, dated the 6th December, 1973, the Ministry of Defence have stated:—

"Cases of encroachments have been reviewed by the concerned authorities and action initiated to remove the encroachments. In a number of cases encroachments have been removed in the recent past. In cases where lands are not needed for defence purposes, the authorities have been advised to de-requisition such lands. A statement in the prescribed proforma showing the particulars of requisitioned lands which are at present under encroachment is furnished in the Annexure*.

1.11. From the details furnished by the Ministry (Annexure)* the Committee note that in as many as 23 cases large areas of land requisitioned for defence purposes on payment of considerable compensation in various States are in unauthorised occupation extending over a period of 10 years in a number of cases. That the details of such cases which were stated to be under collection in December, 1970, could be intimated only in December, 1973, shows that there has been no effective centralised watch over the manner in which the requisitioned lands are not to use. Strangely enough 225 Bighas and 9 Biswas of land requisitioned for military training purposes at Bharatpur (Rajasthan) has been encroached upon by an agricultural farm of Rajasthan Government since 1965 and although the Collector has been requested to remove the encroachment there has been no response from him. The Committee desire that all these cases should be vigorously pursued of Government level with the authorities concerned. The Committee further suggest that there should be a centralised watch over the position in future.

*Vide page 29.

Slow progress in the disposal of unwanted stores—Paragraph 1.90—S. No. 13).

1.12. With regard to the slow progress in the disposal of the unwanted stores, the Committee, in paragraph 1.90 of the Report, had observed:—

“At the end of April, 1972, stores of the value of Rs. 100.95 crores have been disposed of as against Rs. 82.15 crores till July, 1970. Thus, the progress in the disposal of these unwanted stores, which occupy valuable storage space, has been slow. The Committee had earlier in their 19th Report (Fourth Lok Sabha) 1967-68 stressed the need to keep a close watch on the rates of disposal of surplus and obsolete stores. As the bulk of these stores are stated to have been procured during the pre-Independence period, the Committee are unable to appreciate the undue delay in their disposal. The Committee understand that a study team has been constituted in September, 1971, to go into the existing disposal procedures to identify the areas which impede expeditious disposal and that it is expected to submit report shortly. They trust that action on the basis of this study, would help in the disposal of these surplus and obsolete stores expeditiously.”

1.13. In their reply, dated the 19th November, 1973, the Ministry of Defence have stated:—

“The observations of the PAC are note for compliance.

The details of the stores put up for examination to the Technical Team, those actually examined by the Team and the balance awaiting examination, separately for the periods upto July, 1970 and upto July, 1972 are as under:—

Stores reported to the Technical Team	Stores examined by the Technical Team	Balance stores awaiting examination by the Technical Team
(Value in Crores of Rupees)		
128.87	115.70	13.17
(upto end of July, 70)	(at the end of July, 70)	(at the end of July, 70)
155.68	148.49	5.99
(upto end of July, 72)	(at the end of July, 72)	(at the end of July, 72)

From the above it will be seen that the Technical Team examined stores worth Rs. 32.79 crores (Rs. 148.49—Rs. 115.70) during the period July, 1970—July, 1972. The value of stores awaiting examination by the Technical Team at the end of the period July 1964—July, 1970 was Rs. 13.17 crores and that of the stores awaiting examination at the end of the period July, 1964—July, 1972 was Rs. 5.98 crores. As on 31st May, 1972 stores worth Rs. 5.29 crores were outstanding awaiting scrutiny by the Technical Team. Thus the stores of the value of Rs. 7.98 crores (Rs. 13.17—Rs. 5.29) formed only a part of Rs. 32.79 crores worth of stores examined by the Technical Team during July, 1970—July, 1972.

The Study Team for streamlining the existing procedures for assessment of surpluses and disposal thereof has since submitted its report to Government on 11th May, 1973 and the report is under examination of the Government. In the meantime a special drive has been undertaken for disposal of surplus ferrous items pertaining to A & B vehicles and also surplus A vehicles. Negotiations are in progress with the Steel Authority of India Limited for lifting ferrous items for smelting and rerolling purposes. About 20,700 tons of ferrous items/A vehicles are likely to be cleared shortly.”

1.14. The Committee regret that the progress made in regard to disposal of unwanted stores since April, 1972 has not been intimated. Further, although the report of the Study Team constituted in September, 1971 for streamlining the existing procedures for assessment of surpluses and disposal thereof was submitted in May, 1973, it is stated to be still under examination. It should be noted that the Study Team had taken 20 months to report on such a limited question and its report is pending with the Government for about 10 months. The Committee are extremely displeased that unconscionable delay has already taken place and would require that suitable action on the recommendations of the Study Team should be taken forthwith.

Hiring of private residential accommodation—(Paragraph 1.100—S. No. 17).

1.15. Commenting on the heavy rent liability in respect of the

private accommodation hired by the Department, the Committee in paragraph 1.100 of the Report had observed as follows:—

“Incidentally, the Committee find that buildings were hired at an average rent of about Rs. 345 per month. On this basis the rent payable for the 212 hired buildings by the Defence Department to the owners works out to about Rs. 8.78 lakhs per annum. The Committee would suggest that the necessity for hiring private accommodation with the attendant heavy rent liability should be carefully gone into by Government with a view to seeing whether it will be economical for Defence Department to put up their own buildings on the lands that may be available with them, especially when they have the necessary organisation for the purpose. The position in this regard in stations other than Delhi would also require similar examination. The results of such comprehensive examination should be reported to the Committee.”

1.16. In their reply, dated the 18th December, 1973, the Ministry of Defence have stated:—

“The economics of construction of residential accommodation *vis-a-vis* hiring of private accommodation in Delhi and other stations, where there is shortage of Government accommodation resulting in hiring of private accommodation has been examined and the position is given in succeeding paras.

A decision was taken by the Emergency Committee of the Cabinet on the 9th December, 1965 that the deficiencies of married/separated families accommodation in the Defence Services should be made up in a phased programme over a period of 15 to 20 years. The cost of making up the deficiencies was then estimated at Rs. 289 crores for the Army, Rs. 57.22 crores for the Air Force and Rs. 7.16 crores for the Navy.

In pursuance of this policy, a phased programme of construction was drawn up and from the beginning of the programme in 1966-67 upto 31st March, 1972, an expenditure of about Rs. 126 crores has been incurred on the provision of married accommodation in the three Services. As a result of construction of more accommodation the percentage of satisfaction of entitled officers and others has

A reassessment of the requirement of funds

for the purpose of completing the entitled married accommodation upto 1985 indicated that taking into consideration escalation in prices approx. Rs. 780 crores would be required to be spent for this purpose also during the years 1973-74 to 1984-85.

In the Budget of 1973-74, there exists a provision of Rs. 67 crores only for Capital Works of the Army, Navy and Air Force. In the past substantial portion of the Capital Works Budget was spent on married accommodation but in this year only married accommodation amounting to Rs. 2 crores have been released.

In an effort to contain the expenditure on Defence Capital Works strictly within the provision made in the Budget 1973-74, the Apex Planning Group has directed that all domestic, storage and admin. accommodation of the Defence Services which has progressed below plinth level may be suspended. It has also been decided that construction of non-functional buildings which are yet to be taken up or which have not proceeded beyond the plinth level should be stopped and that construction referred for the current financial year.

In an effort to contain the expenditure within budget allocation as mentioned above, it has been decided to suspend upto 31st January, 1974 the Works already in progress costing above 20 lakhs each and also others provided they had not reached beyond 75 per cent and 60 per cent respectively on the physical completion stage. An exception was made in the case of the Navy on the condition that re-appropriation is made from other Capital Heads to the extent required. As the availability of funds for Defence Capital Works will seem to be at about the same level at 1973-74 for some time to come, the progress of making good deficiencies in married accommodation may remain at lower ebb. The possibilities are, however, being explored to obtain loan from L.I.C. for the construction purposes. There is also a proposal to utilise Defence lands to trigger off construction activity so that a fair return comes to Defence Ministry in the terms of constructed residential accommodation.

Further progress on the provision of married accommodation for the Armed Forces personnel will depend on the provision of funds for this purpose in the Budget Estimates of

the ensuing years and the success of the schemes mentioned in the preceding paragraphs."

1.17. The Committee had suggested that the necessity for hiring private residential accommodation should be carefully gone into by the Government with a view to seeing whether it would be economical for the Defence Department to put up their own buildings on the lands that might be available with them especially when they had the necessary organisation for the purpose. Mentioning a general decision taken in December, 1965 that the deficiencies of accommodation in the Defence Services should be made up in a phased manner, the Ministry have brought out that the limited availability of funds stands in the way. In view, however, of heavy rent liability for hired accommodation in places like Delhi and the undesirability of Government being involved in transactions, necessarily extravagant, with private real property interests, the Committee would suggest that priority should be given for construction of cheap and utility oriented accommodation in such places where the Defence lands are available.

Manufacture of a weapon (Paragraph 2.30—S. No. 19)

1.18. Commenting on the bottlenecks in achieving the rated capacity for the production of a weapon, the Committee in paragraph 2.30 of the Report had observed:—

"The main bottleneck in achieving the rated capacity was with the HEC (Public Sector Undertaking) which was to supply a part of the weapon required for matching the production of the other part of the Ordnance Factory. As against the expected supply of 15 parts per month, the undertaking could at the rate of only one part per month as late as 1970. It is unfortunate that there was some confusion about meeting the requirement of forgings and castings for the production of this part by the undertaking. It was only in 1968 that it became clear that the Public Sector Undertaking must develop its own castings and forgings. Further, according to the Ministry of Steel and Mines, the Undertaking's capacity to supply the part of the weapon was only 5 per month and frequent changes in the drawings had partly accounted for the lower rate of production. All these require to be gone into to find out as to what went wrong. Considering the present capacity of the undertaking, steps have also to be taken to augment the production of the part of the weapon to reach the production capacity of 25 weapons per month."

1.19. In their reply, dated the 17th December, 1973, the Ministry of Defence stated:—

“While the HEC was under the impression that the Ordnance Factories would supply the required castings and forgings to them for the Carriages ordered on HEC, the fact was that an agreement had been reached in December, 1965 with the Chairman, HEC that the Ordnance Factories would supply only 10 sets of castings and forgings for the first 10 Carriages. Thereafter the HEC were to develop these castings/forgings and meet their requirements. The DGOF had completed supply of these 10 carriages to HEC in December, 1968.

As regards frequent changes in the drawings, it is a fact that some changes were made at the instance of the Development Team. HEC had been kept informed of these changes which were of minor nature.

Since 1969, Ordnance Factories have been supplying the required accessories and equipments but HEC's production rate is still below 5 sets per month.”

1.20. The Ministry of Heavy Industry, in their reply, dated the 12th February, 1974, have stated:—

“According to the assessment of the capability of the Heavy Engineering Corporation made by Shri L. C. Kotwal, Deputy General Manager Gun Carriage Factory Jabalpur in his report dated 4th December, 1968 to manufacture Carriages the Corporation had a capacity for manufacture of not exceeding 5 carriages per month from June, 1969 onwards. The supply of 15 Nos. of per month was envisaged only in the letter of intent issued by DGOF to HEC in April, 1966. This figure was not based on realistic estimates.

As regards increase in the rate of production of the weapon to reach the production capacity of 25 weapons per month in HEC, it may be mentioned that there is no likelihood of further orders of similar Gun Carriages being received from Ministry of Defence. The question of increasing of the rate of production, therefore, does not arise at this stage.”

1.21. The Committee had noticed that there was some confusion about meeting the requirement of forgings and castings for the production of a part of the weapon by the HEC. It was only in 1968

that it became clear that HEC must develop its own castings and forgings. The Ministry of Defence have stated that an agreement had been reached in 1965 with the Chairman, HEC that the Ordnance Factories would supply only 10 sets of castings and forgings for the first 10 carriages. It is regrettable that the reply of the Ministry of Heavy Industry is silent on this point. Further, the Committee had been informed that the capacity of the HEC to supply part of the weapon was only 5 per month although Defence had expected from them 15 parts per month. According to the information now given by the Ministry of Heavy Industry the capacity had been assessed in December, 1968 by the Deputy General Manager of the Ordnance Factory himself as not exceeding 5 per month from June, 1969 onwards. That Ministry have further stated that the figure of 15 per month mentioned in the letter of intent issued by the DGOF to HEC in April, 1966 was not based on realistic estimates. All this goes to show that there has been no coordination between the DGOF and the Public Sector Undertaking. Although the Committee had desired that the matter should be gone into to find out what went wrong, the replies from the Ministries concerned not only do not throw any light but also contradict each other. The Committee deprecate this and reiterate that the matter should be investigated and responsibility fixed.

Cost of Production in Ordnance Factories (Paragraphs 2.31 and 2.88—S. Nos. 20 and 27 respectively).

1.22. In paragraphs 2.31 and 2.88 of the Report, the Committee had raised the issue of high cost of production in the Ordnance Factories and Public Sector Undertakings. The Committee had observed:—

2.31—S. No. 20: "One more aspect which the Committee would like to refer to is the high cost of production of the part of the weapon by the Public Sector Undertaking. The cost of production by the undertaking is Rs. 2.32 lakhs per part as against the ordnance factory cost of Rs. 0.53 lakh. The difference to the extent of about 340 per cent is obviously unjustified. Efforts should, therefore, be made first to ascertain why there is this big difference and then to take steps to bring down the cost of production in the Public Sector Undertaking."

2.88—S. No. 27: "The Committee find that the additional capacity built up and labour employed for production of garments in the three ordnance clothing factories following the Chinese Aggression proved to be far in excess

of normal requirements after 1965. Consequently despite steps taken to diversify production and absorbing some labour, about 3,000 workers had to be retained without any work. The idle time wages paid to such workers during August, 1969 to June, 1971, amounting to Rs. 69.16 lakhs. In this connection, the following suggestions are made:—

- (i) As admittedly the cost of production of clothing items in the ordnance factories is higher than the cost of procurement from trade, there is a need to go into the cost structure in a scientific manner with a view to bringing down the overheads. The products turned out by the ordnance factories should not only be good in quality but also be competitive in rates."

1.23. In their reply, dated the 12th February, 1974, and the 17th December, 1973, the Ministries of Heavy Industry and Defence respectively have stated as under seriatim:—

2.31—S. No. 20: "The cost of production of the weapon by HEC cannot be compared with that of Ordnance Factories for the following reasons:—

- (i) HEC have much higher overheads than Ordnance Factories, as most of the equipment used by the Ordnance Factories are old.
- (ii) Ordnance Factories have specialised equipment for manufacture of major components required for Guns and Carriages while HEC has had to manufacture these weapons using general engineering methods.
- (iii) Ordnance Factories have got decades of experience in the manufacture of guns and carriages whilst this is the first order to be executed by HEC for manufacture of Gun.
- (iv) Ordnance Factories do not pay interest on Capital and Working Capital while HEC has to pay interest.

In view of the above factors the cost of production in HEC is bound to be higher.

As already mentioned it is not likely that the DGOF would place more orders on HEC for similar equipment. In

view of the increased utilisation of production capacity in HEC, the cost of production will no doubt be more reasonable in comparison to prices quoted previously."

2.88—S. No. 27: "The observation of the PAC that there is need to go into cost structure in a scientific manner with a view to bringing down the overheads have been noted. It may, however, be mentioned that overheads incurred in the Ordnance Factories include cost of such social liabilities as housing, education, medical care, security and many other welfare measures.

A part time high level committee and a whole time working group have been constituted to review the cost and management accounting system in ordnance factories. One of the terms of the reference of the group is to suggest improvements in the overheads controls."

1.24. Explaining the difference in the cost of production between the HEC and the Ordnance Factories the Ministry of Heavy Industry have inter-alia stated that the Ordnance Factories do not pay interest on capital and working capital while HEC has to pay interest. As regards clothing items the Committee had mentioned in paragraph 2.88 of the Report that the cost of production in the Ordnance Factories was higher than the cost of procurement from trade. The gap will be wider still if the interest overhead is taken into account. In order that a comparison of costs may not be vitiated, it is necessary that the cost of the Ordnance Factories should also be computed taking into account the interest on capital. Now that a part time high level Committee and a whole-time working group have been constituted to review the cost and management accounting system in Ordnance Factories, the Committee stress that the necessity for including in the cost of production the interest on capital also should be taken into account while reviewing the matter.

1.25. The Committee find it difficult to appreciate an apparent position where the HEC production costs of a specified item are 340 per cent higher than in Ordnance Factories. The reasons given for such difference seem inadequate and in any case reveal a potentially perilous situation in respect of strategic public sector production.

Purchase of a defective Salt Bath Furnace (Paragraph 2.41—S. No. 22)

1.26. Dealing with a purchase of a defective furnace for which

full payment has been made after the defects came to notice, the Committee in paragraph 2.41 of the Report had observed:—

“The non-establishment of gear box line in one of the Ordnance factories is explained as due partly to the delay in getting complete set of machines. The Committee deprecate the delay in placing orders for the machines. They find that a salt bath Furnace which was found to be defective is yet to be repaired. It is surprising that although it was found defective in February, 1966, the firm's bill was settled in full in June, 1966. The responsibility for this lapse needs to be fixed. The progress in regard to either getting the replacement from the supplier or recovering the cost from them may be reported to the Committee. The time taken to settle matter has been long. Further, the committee are at a loss to understand how the Director of Inspection could pass the defective furnace. His responsibility in the matter should be examined.”

1.27. In their reply, dated the 15th December, 1973, the Ministry of Defence have stated as under:—

“The question of fixing responsibility for making the balance payment for the Salt Bath Furnace to the supplier firm was examined in consultation with the Director General, Ordnance Factories. Calcutta DGOF is of the view that as there was no provision in the Purchase Contract for making full payment only after commissioning of the furnace and so long as the supplier has effected the repairs, it was not possible to withhold the balance payment. The matter has, however, been taken up with DGOF for reconsideration and fixing up of responsibility.

In regard to the replacement for the Furnace, DGOF is considering an offer from the firm alongwith other firms.

Further development with regard to the above will be informed to the PAC shortly.

As regards the examination of the responsibility of Director of Inspection Ministry of Supply have since informed that the case relating to inspection of furnace, in question has been destroyed and that the Director General of Supplies and Disposals has instructed the Director of Inspection, Bombay to depute an Inspecting Officer urgently to Machine Tool Prototype Factory, Ambernath to collect the necessary data and furnish the information to DGS&D to

examine the matter further. PAC would be advised of the position in this respect also shortly.”.

1.28. The Committee were surprised to note that although the salt bath furnace was found defective in February, 1966 the firm's bill was settled in full in June, 1966. The lack of provision in the purchase contract for making full payment only after commissioning of the furnace pointed out by the DGOF is not relevant to the point raised by the Committee. They accordingly stress that the responsibility for the lack of care should be fixed without further delay.

1.29. As regards fixation of responsibility for the failure to detect during inspection the defect in the furnace, the Committee regret to learn that the record relating to inspection has been destroyed. They would like to know whether the destruction of the record was not done prematurely especially because the defects in supply had come to notice as early as February, 1966 and it was necessary to preserve it. The matter, therefore, require thorough investigation. The Committee would also urge that such information as may be necessary should be obtained from the Ordnance Factory and the responsibility fixed forthwith for the failure of inspection under advice to them.

The need to provide for suitable safeguards in the Collaboration Agreements (Paragraph 2.42—S. No. 23)

1.30. Commenting on the delay in establishing the axle line in an Ordnance Factory, the Committee in paragraph 2.42 of the Report had observed:—

“The delay in establishing the axle line in the other ordnance factory is attributed to delays in getting the castings and forgings partly from the collaborators. The Committee find that there is no provision in the collaboration agreement for imposition of any penalty for delayed supplies. This is stated to be a general feature of all the collaboration agreements. Thus, there is a lacuna which may encourage dilatory tactics on the part of the collaborators. The Committee desire that Government should examine as to what safeguards can be written into collaboration agreements so that the collaborator acquires a stake in establishing production in India in time.”

1.31. In their reply, dated the 15th December, 1973, the Ministry of Defence have stated:—

“The recommendations of the Committee have been noted for future guidance.”

1.32. The Committee had suggested that Government should examine as to what safeguards could be written into collaboration agreements so that the collaborators acquire a stake in establishing production in India in time. The Ministry have merely noted it for future guidance. They have not spelt out the safeguards that they propose to provide. The Committee, therefore, stress that general instructions be issued forthwith to all the Ministries/Departments suggesting incorporation of necessary safeguards in such agreements in future.

Lapses in purchase of parts of AVRO aircraft (Paragraph 2.74—S. No. 24-25A)

1.33. Commenting on the lapses occurred in the purchase of parts of AVRO aircraft from a foreign company, the Committee in paragraph 2.74 had observed:—

“The Committee regret that in the purchase of parts of 16 AVRO aircraft of which 5 were to be modified to VVIP version and to executive version, between 1963 and 1965 from a foreign company various lapses occurred as detailed below:

- (1) The sanction issued by the Government for the purchase was strangely enough on the basis of a more ‘guess work’, as admitted by the Secretary, Defence Production.
- (2) Although under the agreement concluded in July, 1959 the company was to furnish a complete list of all the components within 12 months, the itemised price list was received only in October, 1964 for series I and in October, 1965 for series II of the aircraft. No action appears to have been taken against the company for this delay.
- (3) At the time when the agreement was executed the aircraft was only at the design stage. The company’s promise regarding the supply of itemised price was thus admittedly unrealistic.
- (4) As against the sanctioned amount of £2,502,282, the amount claimed by the company was £3,413,633. No further approval of Government was obtained sanctioning this increase.
- (5) The difference in cost of modifications alone was £4,56,321. Even a rough indication of the cost of modifications was not obtained for series II of the aircraft (i.e. 12 out of 16) from the company.

- (6) A committee appointed by Government (Sen Committee) had reported in December, 1966 that there had been a failure of procedure in the Ministry of Defence in that the issues involved had not been brought to a focus and orders of appropriate authorities obtained in time.
- (7) As regards the additional and optional equipments for the aircraft the basis of sanction was an indication of £2,000 per aircraft. An IAF team had pointed out that the figure would be around £9,300. Clarification had been sought by Air Headquarters and the IAF team had intimated that detailed lists were being worked out by the company. This had not been brought to the notice of Government. According to the Sen Committee, it was clearly incumbent on Air Headquarters to have brought this major change in the estimates to the pointed notice of Government and the omission in this regard is to be taken as a lapse for which the Headquarters have to bear the blame.
- (8) The Defence Accounts Department had not, regrettably, detected the irregularities in the course of audit. The Controller General of Defence Accounts accepted that there was failure in his organisation.

This is hardly the way to process the purchase proposals involving crores of rupees in foreign exchange. All that the Government has done in the matter so far has been to caution one ex-Air forces Officer and to issue a simple circular and that too in December, 1969 to the effect that "it should be ensured that where a particular sanction is proposed to be exceeded the matter is brought to the notice of authorities concerned at the earliest opportunity". The explanation given for the delay in taking follow-up action on the Sen Committee report is not convincing. The Committee are also not satisfied with the perfunctory nature of the action taken. They desire that the case should be reviewed in all its aspects and comprehensive instructions issued besides taking appropriate disciplinary action against the officers concerned for the various lapses and failures including those of the Accounts organisation."

1.34. In reply to the last portion of the recommendation, dated the 9th January, 1974, the Ministry of Defence have stated:—

"Noted. In view of the fact that the importance of preparing detailed project report has been realised by HAL and Government and for all new projects detailed work is being

done before proposals are put up to the Board of Directors of the Company and Government, similar lapses are not likely to occur again.

The Sen Committee Report was submitted to Government in December, 1966. No follow up action was taken on this report till April, 1969. Secretary (DP) has already deposed before the PAC that the delay was due to the fact that the concerned Joint Secretary desired to deal with the case personally but could not do so on account of his pre-occupation with the Aeronautics Committee's proceedings. The officer had explained that the delay was not on purpose but due to inadvertance only. The Minister for Defence Production to whose notice the matter was brought had accepted that the delay was inadvertant. The question of reviewing the case with a view to taking disciplinary action against the officer has again been considered and orders of RUM have been obtained. In view of the fact already explained a fresh review of the case is not likely to throw further evidence or establish any *mala fide* intention, the Government after careful consideration, have decided that no disciplinary action against this officer is considered called for.

2. With regard to the processing of the HS-748 project, as already explained before the PAC there were only two officers who could be hold responsible for the lapses. Firstly, Gp/Capt. who was the AVRO Project Officer. The Sen Committee has considered him responsible for not bringing to the notice of the Government the budgetary price of optional modification an indication of which was given by the IAF team. Unfortunately, at this stage, no action can be taken against him because he has already retired from the Air force. The second officer in question is Gp. Capt. who has also retired from the IAF but is now working as General Manager of the Kanpur Division of HAL. He was the leader of the IAF team in UK and he had considered certain modifications indicated by M/s HAL to the series 2 aircraft as minor. As a matter of fact he had already indicated in a separate enquiry that the report he made was based on the discussion with the Avro manufacturers. It may be stated here that M/s. HSAL had clearly indicated that they would not be in a position to quote any firm price. Under the circumstances it is doubtful whether he could have done anything

better. In fact the Chakravorty Commission which had gone into the price aspects of the aircraft also corroborated his opinion. There is no evidence of any kind which could point to any *mala fide* intentions. At the worst, this was a case of an error in judgement. !

3. The recommendations of the PAC that the case should be reviewed has been considered. In the circumstances explained above, Government have come to the conclusion that no further action is called for.
4. The recommendation of the PAC that comprehensive instructions should be issued in the matter has also been considered. It may be emphasised, as admitted before the PAC, that the variation in prices has mainly occurred due to want of a Project Report. This lacuna has since been set right as detailed instructions are already available for preparing project report before undertaking any projects involving substantial financial investments. Copies of the following instructions are attached for perusal.

(i) *M. of D. u.o. No. 17 (203) |66|D (PS) dt. 22.12.1966*

This stresses the need for very careful and complete assessment of the various aspects involved before setting up of important projects.

(ii) *Letter No. 16 (2) |67|D (HAL-II) dt. 1.12.1969*

This enjoined upon HAL the necessity to avoid recurrence of similar cases in future.

(iii) *M. of D. u.o.No. 17 (336) |D (PS) dt. 19.12.69.*

This indicated the necessity of bringing to the notice of Government the change in the budgetary price, if any, made by the collaborators/manufacturers.

(iv) *Ministry of Supply O.M. No. P-II-I/II|70 dt. 18.8.70*

This lays down that the Indian side should provide in the Agreement with foreign collaborators suitable price verification clause, so that in respect of finished and semi-finished components to be imported from the collaborators only reasonable and fair prices are paid to them.

(v) *M. of D. u.o. No. 17(352)70D(PS) dt. 31.12.70*

This provides that the Ministry of Finance (Department of Economic Affairs) should be associated even at the Planning stage of New Projects.

5. This importance of preparing detailed Project Report has been realised since then by HAL and by Government and for all new projects detailed work is being done before proposals are put up to the Board of Directors of HAL Government for approval. In the circumstances, it is hoped that a lapse similar to the one which has occurred in this case will not recur and further instructions covering the same aspect may not be called for.
6. The disciplinary aspects in so far as Defence Accounts Officers are concerned is still under the consideration of the CGDA and the final views would be submitted to the PAC separately."

1.35. The Committee take a very serious view of the perfunctory manner in which their detailed observations have been treated by Government. It is particularly perturbing that the delay in taking action for the criminal squandering of our scarce foreign exchange resources is again sought to be explained by the apparant remissness of a Joint Secretary to act in an expeditious manner. The Committee are pained to note the peculiar decision of Government practically to draw a veil over the matter. Since the seemingly avoidable foreign exchange expenditure was so large and enquiry has been clearly of a slipshod nature, presumably to shield somebody, the Committee would put stress on their observations made earlier and ask Government in all seriousness to re-examine the position in consultation with the Ministry of Finance at the highest level and send the Committee a report on further action taken as a result thereof.

Recovery in respect of use of aircraft for unofficial purposes (Paragraph 2.76—S. No. 26)

1.36. While examining the utilisation of aircraft for unofficial purposes, the Committee in paragraph 2.76 of the Report had observed:—

"While examining the utilisation of aircraft, the Committee have found that a sum of Rs. 25,211 is outstanding for recovery from persons who were not entitled to use the aircraft but used them for official purposes during the years 1969-70 to 1971-72. Further a sum of Rs. 468 is outstanding for recovery in respect of the use of aircraft by

the Prime Minister for unofficial purposes. The progress of the recoveries may be reported to the Committee."

1.37. In their reply, dated the 9th January, 1974, the Ministry of Defence have stated:—

"On further examination it has transpired that the outstanding amount of Rs. 25,211.70 would stand reduced by Rs. 908.70. This is because that Shri T. A. Pai Chairman, LIC and Shri Kalayaraman, Zonal Secretary, LIC travelled on way only between Palam and Raipur whereas the bill had been raised earlier for both ways. Out of the amount of Rs. 24,303 thus outstanding recovery, a sum of Rs. 23,803 has since been recovered leaving a balance of Rs. 500 only for the recovery of which expeditious action is being taken.

2. The question of recovering Rs. 468 in respect of airlift provided to the Prime Minister and party during 1971-72, election will be considered as soon as certain information called for from the Prime Minister's Secretariat is received."

1.38. It is to be very much regretted that the recovery of a sum of money (Rs. 468/-) in respect of the use of aircraft by the Prime Minister for unofficial purposes has not yet been made.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

"The Committee are concerned to note the irregularities in the requisition of the land including 2540 acres forming part of a tea estate for Defence requirements during 1964-65 through the Government of West Bengal. Although the annual compensation payable for the portion of the tea estate was Rs. 0.74 lakh, 'on account' payments of Rs. 13.97 lakhs were made by the State Government to the owner of the estate during November, 1964—November, 1965. It is of interest to note in this connection that the tea estate was purchased in 1960 for Rs. 4.41 lakhs and a tea factory established at a cost of Rs. 3.40 lakhs only. An enquiry committee constituted to go into the alleged excess payments and other allied issues arising out of the requisitioning of the tea garden lands has held that under Section 30(iii) of the Defence of India Act, 1962 initial compensation was payable for the damages done to the tea bushes at the time of entry. The Ministry of Defence are, however, not in agreement with this view. According to them if initial compensation has been paid to compensate for the alleged damage done to tea bushes, no recurring compensation would be payable under Section 30(iii) of the Defence of India Act, 1962. The committee would urge that this should be settled soon to avoid further complication. Because of lack of care and irregularities committed it should be noted that the Public Exchequer has suffered financial loss. But what is surprising is that when a decision has been taken to requisition the land as a matter of urgency, the same sense of urgency has not been displayed in completing the transaction".

[Serial No. 3 (Para No. 1.32) Appendix VI of 82nd Report of the PAC|5th Lok Sabha).]

Action Taken

As ordered by the High Court of Calcutta in February, 1973, the Government of West Bengal completed in April, 1973 the proceedings under Section 6(3) of the West Bengal Estates Acquisition Act, 1953. The State Government have declared the land which is required for the purpose of the tea garden and the possession of which

tea garden may retain in accordance with the provisions of Law. The State Government have also passed orders declaring the lands which are surplus to the requirements of the Tea Estate the possession of which tea garden is not entitled to retain. The entire area of the tea estate which was requisitioned for Defence purposes is included in the area declared surplus to the requirements of the tea garden. This area had already vested in the State free from encumbrances with effect from 15th April, 1955. It is understood that formal possession of the surplus land has been taken over by the State Government. Therefore, for the lands under the occupation of the Military authorities, the Ministry of Defence is not liable to pay any compensation to the owners of the Tea Estate. However, the Ministry is liable to pay rent to the State Government from the date of occupation till the date of transfer of ownership rights to the Ministry of Defence. The Ministry of Defence is also liable to pay to the State Government the transfer value of the land for transfer of ownership rights on the land to the Ministry of Defence. The amount of Rs. 13.57 lakhs already paid by the Civil authorities to the owners of the tea estate will have to be adjusted by the State Government against the compensation payable to the owners of the tea estate consequent on vesting of the estate in the State Government in 1955 and other claims, if any, under the West Bengal Estates Acquisition Act, 1955 or otherwise. The Chief Secretary to the Government of West Bengal has been requested (August, 1973) to confirm the above position.

DADS has seen.

[Ministry of Defence O.M. No. 11(14)/73/D (Budget), dated 23-10-1973.]

Recommendation

“According to the Defence Secretary, the tea estate stands vested in the West Bengal Government by a notification dated 11th November, 1954, under Section 4 of West Bengal Estates Acquisition Act, 1953 and once this notification is issued, under Section 5 of the Act all transfers can be declared *malafide*. Hence the Committee are given to understand that the transfer which took place in favour of the present ‘owner’ in 1960 is not *bonafide* and he will not be entitled to any compensation. The Committee would like to be informed of the final decision taken in the matter”.

[Serial No. 4 (Para No. 1.33) Appendix VI of 82nd Report of PAC (5th Lok Sabha).]

Action Taken

As stated by the Defence Secretary, the estate stood vested in the West Bengal Government with effect from 15th April, 1955. But

this was subject to the fact that the erstwhile intermediary had a right to seek a lease of the area required for bonafide tea garden purposes under Section 6(3) of the West Bengal Estate Acquisition Act, 1953. The tea garden authorities had moved the High Court of Calcutta and obtained an injunction restraining the State Government from taking any action in this regard. As ordered by the High Court, the State Government have now completed the proceedings under Section 6(3) of the West Bengal Estates Acquisition Act, 1953. The State Government have passed orders declaring the area required for *bonafide* tea garden purposes and the area which is surplus to the requirements of the tea garden. The entire requisitioned land under the occupation of the Ministry of Defence is included in the area declared as surplus to the requirements of the tea garden. The tea garden authorities are, therefore, not entitled to receive any compensation from the Ministry of Defence on account of requisitioning of the land. The State Government have been requested to transfer the ownership rights over the requisitioned land to the Ministry of Defence. The Ministry of Defence will be liable to pay to the State Government the transfer value for the land and annual rent for the occupation of the land from the date of occupation to the date of formal transfer of the ownership rights. The tea garden authorities are entitled to receive compensation only as provided in the West Bengal Estates Acquisition Act. The Chief Secretary to the Government of West Bengal has been requested in August, 1973 to confirm the above position.

DADS has seen.

[Ministry of Defence O.M. No. 11(14)/73/D (Budget), dated
23-10-1973.]

Recommendation

To meet the training requirements of Air Force, land was to be acquired in two adjoining districts. Owing to procedural delays the preliminary notification under the Land Acquisition Act could not be issued in time with the result that the compensation payable went up considerably and in the meantime the property was requisitioned temporarily for which rent had to be paid. The delay in issuing notification for acquisition of land in this case meant extra expenditure of over Rs. 25 lakhs to the Government. The committee consider that once operational need is established there should be normally no delay in getting the relevant notification issued as the compensation payable is determined with reference to the date of issue.

[Serial No. 5 (Para No. 1.45) of Appendix VI of 82nd Report of
the PAC (5th Lok Sabha).]

Action Taken

The recommendation of the Committee has been noted.

2. It has been decided that the need for a project should be accepted at the level of Joint Secretary, Additional Financial Adviser and Principal Staff Officers concerned. Once the need for the project has been accepted, sanction for the acquisition of land should be issued by the Joint Secretary soon after. At this stage the scrutiny need not be a detailed one. After the sanction for acquisition is issued, the actual extent of land required for the project would be determined in consultation with the Ministry of Finance (Defence) within a period of 3 to 6 months and land only to the extent so determined, would be acquired, though the initial sanction may be for a much larger extent.

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

[Ministry of Defence O.M. No. 11(14)/73/D (Budget), dated 7-12-1973.]

Recommendation

The Committee are concerned to note that 48 acres of lands requisitioned in Calcutta for the use of the Defence Department during the Second World War which were encroached upon unauthorisedly by displaced persons from East Pakistan between 1948 and 1950 could not be derequisitioned as yet except a small portion of land measuring 0.092 acre, which was handed back to the owner on 11th February, 1970, and that Government have to pay recurring compensation for the lands at the rate of about Rs. 0.75 lakh per annum without deriving any corresponding benefit. The compensation paid till September, 1969, totalled upto Rs. 16 lakhs. The State Government who were requested to take action to derequisition the property in the condition in which it was, seemed to have consistently held the view that before derequisitioning the land should be reverted to its original condition after vacating the encroachments. According to them, the encroachments could be vacated only by rehabilitating the squatters elsewhere. The Defence Ministry are of the view that the financial assistance required for rehabilitation of the squatters cannot be a legitimate charge on Defence estimates. The matter should, therefore, be taken up further with the State Government in consultation with the Ministry of Rehabilitation to see that a solution is found for this problem expeditiously and the property derequisitioned without any further loss of time

so as to save unnecessary recurring compensation being paid by the Defence Department. The action taken in this regard may be intimated to the Committee within a period of six months.

[Serial No. 6 (Para No. 1.52) of Appendix VI, of the 82nd Report of the P.A.C. (5th Lok Sabha).]

Action Taken

The matter was again taken up with the State Government. In May, 1973, a reply was received from the Chief Secretary to the Government of West Bengal in which the view of the State Government that a solution to the problem could be found only by providing funds by the Ministry of Defence for securing alternative accommodation for the purpose of resettlement of the squatters was reiterated. It was further suggested that in case funds are not forthcoming from the Ministry of Defence, the Ministry of Rehabilitation may be requested to include the squatters in the site in question in their Master Plan for the settlement of refugees.

2. The question of rehabilitation of displaced squatters on requisitioned properties in West Bengal, which include the land in question had been examined by the Committee of Review and Rehabilitation Work in West Bengal appointed by the Ministry of Labour and Rehabilitation. The Committee had *inter-alia* recommended in May, 1970 that the necessary rehabilitation assistance for the displaced squatters on Central Government properties should come from the Ministries or Departments that had requisitioned the property and that it should be the responsibility of the concerned Ministry or Department to liquidate the problem of squatters on its property.

3. The recommendations of the Committee of Review were examined by the Ministry of Labour and Rehabilitation in consultation, among others, with Ministry of Defence (September, 1972). The Ministry of Rehabilitation have accepted the recommendation of the Committee of Review that the respective Departments should tackle the problem of squatters on their property. As the land in question was requisitioned by the Ministry of Defence, it has been decided that the Ministry of Defence would deal with the problem independently in their own way.

4. Action has, therefore, been taken to empower the Military Estate Officer, Calcutta to derequisition the encroached lands with their encroachments.

5. In respect of an area of approximately 1/3rd acre of the requisitioned land under encroachment, the owners had filed a Writ

Petition in the High Court at Calcutta. The High Court in their judgement dated 23rd March, 1973 ordered that the property be released and restored to the owners in as good a condition as they were when possession thereof was taken, under Rule 75(A) of the Defence of India Rules. The High Court has further ordered Government to forbear from imposing a condition that such release shall be made provided the owners of these lands accept possession with squatters thereon. The High Court has granted 18 months time to enable the Government to take steps for release of the plots to the owners. Action is in had to implement the High Court's orders.

6. Ministry of Law have advised that the judgement of the Calcutta High Court is no bar to the Government releasing the requisitioned properties of those owners to whom the judgement does not apply with squatters on them. The decision empowering the Military Estate Officer, Calcutta to de-requisition the encroached lands with their encroachments was taken on the advice of Ministry of Law after taking into consideration the judgement of the Calcutta High Court.

7. D.A.D.S. has seen.

[Ministry of Defence O.M. No. 11(14)/73/D (Budget), dated
11-12-1973]

Recommendation

The case dealt with above is admittedly not an isolated one. There are other cases also where requisitioned lands are in unauthorised occupation. Although it was stated in December, 1970, that the details of such cases were under collection, the Ministry have not as yet furnished the details to the Committee. This shows that all these years no attempts have been made to review the position comprehensively with a view to taking suitable action. The Committee consider this to be highly unsatisfactory. They trust that necessary data in this regard would be collected without any further delay and reported to them. They would also be interested in knowing the action taken or proposed to be taken by Government to put such lands to effective use or to derequisition them after eviction the unauthorised persons.

[Serial No. 7 (Para No. 1.53) of Appendix VI, 82nd Report of the P.A.C. (5th Lok Sabha).]

Action Taken

Cases of encroachments have been provided by the concerned authorities and action initiated to remove the encroachments. In g.

number of cases encroachments have been removed in the recent past. In cases where lands are not needed for defence purposes, the authorities have been advised to de-requisition such lands. A Statement in the prescribed proforma showing the particulars of requisitioned lands which are at present under encroachment is furnished in the Annexure to this note.

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

[Ministry of Defence O.M. No. 11(14)/73/D (Budget), dated
11-12-1973]

ANNEXURE

Sl. No	Station	Area under Encroachment.	Since-when under encroachment	Purposes for which land originally requisitioned	Compensation paid by the Government	Steps taken to evict the unauthorised persons.	Remarks
1.	2	3	4	5	6	7	8
1.	BOMBAY	2.39 acres	1964	ESD KANDIVILLI	Rs. 7767.43 per annum for the total area of 8 acres for gunthas 12 annas	Efforts being made to de-requisition the land with encroachment.	
2.	Do.	2.6 acres	For more than ten years.	ME Lines TROMBAY	Not available	Eviction notices were served on the encroachers. In certain cases, the encroachers disputed ownership of the land claiming to be that own as they have been living therefor a number of years. Approximately 1.23 acres of the land proposed to be de-requisitioned along with encroachment.	
3.	Bharatpur	225 Bighas & 9 Biswas	1965	For training purpose of Military	Being ascertained	The land has been encroached upon by the agricultural farm of Rajasthan Government. The Collector Bharatpur has been requested to remove the encroachment. There has been no response from the later.	
4.	Madras	0.27 acres	Not known	WT Station.	Rs. 4.05 per annum	This is part of 25.53 acres which under final stage of acquisition and Physical occupation of OTS Madras. The local authorities have been requested to confirm that no encroachment now exists on the land.	

In 1963 it was agreed between the Ministry of Defence and the Govt. of Maharashtra that the farmer will transfer 42th acres and 24 gunthas of their land to State Govt. and will obtain 409 acres & 22 gunthas in exchange from the Govt. of Maharashtra. While the Ministry of Defence have fulfilled its part of the agreement, the Govt. of Maharashtra is yet to hand over to the Ministry of Defence the area which it had agreed to give. In 1967 the State Govt. requisitioned 242.90 acres but to the opposition of the owners the possession of the land has not been taken over. The owners are treated as encroachers. Efforts are being made to persuade the State Govt. at the highest level to honour its part of the agreement.

The land has been sanctioned for acquisition. It was the original owners who had carried on unauthorised cultivation on the land. It is now proposed to deduct the rent already paid to them by the revenue authorities from the acquisition compensation payable in case this is not feasible.

Not paid

As part of the package deal with the Govt. of Maharashtra.

Since the date of requisitioning

242.90 acres at Charpuri

5. POONA

Rs. 81398.59

Danger zone area for classification Rifle Range.

May, 1963

553.15 acres*

6. Faridkot

sible, action is proposed to be taken to recover damage for the period the land remained in an authorised occupation.

7. Yol	10.35 acres	Aug. 1967	Extension of Ranges	NIL	The encroachers have been asked to vacate the land. The case has been referred to Police authorities Distt. Kangra. The land has been sanctioned for acquisition. Acquisition proceedings are in progress.
8. Patiala	328.05 acres	1964	Classification Ranges	Rs. 69167/-	Encroachment is in the form of unauthorised cultivation by farmers. On their refusal to heed the warnings of the Local Military authorities, legal action to remove the encroachment is in hand.
9. Udhampur	0.006 acres	July, 1970	For an Army Unit	Being ascertained	The local military authorities have personally contacted the Deputy Commissioner Udhampur and have stressed the need for early eviction of the unauthorised occupants on the land.
10. Udhampur	2.32 acres	1966	For an Army Unit	Rs. 1142/-	The unauthorised occupants is a School. It is proposed to acquire the land by the Army and then lease the land to the school.
11. Udhampur	13.69 acres	1969	Classification Range.	Rs. 4996/-	Action to remove the encroachment is in hand. The Station Commander, Udhampur personally contacted the Deputy Commissioner, Udhampur

1 2 3 4 5 6 7 8

12.	Rajouri	0.237 acres	1963		Rs. 95/- upto 31-3-1968	Action is in hand to remove the encroachments.	during the first week of March, 1973 and he has sitre- sed for early eviction of the unauthorised occupants on the Defence land.
13.	Rajouri	0.337 acres	November 1955	For an Army Unit	NIL	The land is being derequisitio- ned.	
14.	Baramula	2.31 acres	Jan. 1965	Do.	Rs. 719.20 upto Jan. 1969	As a result of expeditious action taken by the Army authorities the Deputy Commissioner was moved to take effective steps to remove encroachment, but so far no result has been achieved. The local Army authorities continued to press Deputy Commissioner.	
15.	Baramula	86.60 acres	1968	Do.	Rs. 10,453.20 upto Mar. 1970	Do.	
16.	Baramula	24.96 acres	June, 1964	Do.	NIL	Do.	
17.	Baramula	0.37 acres	1965	Do.	Rs.9/- upto Mar. 1968	The occupants have filed a Civil suit against the eviction action taken by the authorities.	
18.	Baramula	0.88 acres	1959	Do.	Rs. 750/- upto March 1969	As a result of expeditious action taken by the Army authorities the Deputy Commissioner was moved to take effective steps to remove encroachment but so	

for no result has been achieved. The local Army authorities continue to press Deputy Commissioner.

Do.

Do.

Do.

19. Baramula	0.656 acres	1969	Do.	Rs. 525/- upto March, 1969.
20. Baramula	0.50 acres	1960	Do.	Rs. 324/- upto March, 1969.
21. Baramula	0.25 acres.	1965	For an Army Unit	Rs. 100/- upto March, 1970

This land will be requisitioned when State Govt. gives an equivalent are reckoningous to the land at KHREW DC has already agreed to this and has sent the proposal to the State Govt.

Eviction proceedings were stayed Lower formations have been asked to derequisition the land if no assets have been created thereon.

22. Anantnag	6.55 acres	March, 1973	Do.	Nil
23. Ranchi	47.00 acres]	Jan. 1967	Nankum Camp	No rent paid.

Recommendation

Out of 18.38 lakh units of emergency food ration, called 'soft bars' procured from two firms on orders placed between April, 1965 and August, 1967, as many as 2.06 lakhs had deteriorated within a short period of their receipt. The Committee note that although the suppliers had agreed to replace free of cost the deteriorated stuff even after the expiry of the warranty period, only 91,802 bars were returned getting replacements for 36,826. Of the remaining quantity of 1.15 lakhs bars, 1.05 lakh bars valuing about Rs. 1.09 lakh had already been destroyed or fed to animals under orders of local authorities. According to the Ministry, action has been taken to avoid loss to Government is as much as sum of Rs. 1.44 lakhs has been recovered and another sum of Rs. 0.60 lakh withheld against 1.70 lakh deteriorated bars which were not either returned or replaced. The Committee would like to know the final settlement of firm's bills.

[S. No. 9 (Para No. 1.70) of 82nd Report of PAC
(Fifth Lok Sabha)]

Action taken

Ministry of Food and Agriculture (CDP) had informed that a sum of Rs. 1,44,117/- was recovered from the Suppliers and a further sum of Rs. 60,000/- had been withheld. It has now been confirmed by Ministry of Food and Agriculture (CDP) that the Chief Pay and Accounts Officers has passed on the credit of Rs. 60,000/- to the CDA (Southern Command) Poona through the accounts for July 1973.

2. All the three contracts against which these recoveries have been made, have been completed and securities against the same already refunded to the Suppliers.

3. DADS has seen.

[Ministry of Defence O.M. No. 11(14)|73|D (Budget), dt.
4-10-1973]

Recommendation

A number of procedural irregularities brought out by the courts of Inquiry cause concern to the Committee. While the Committee note that necessary instructions have been issued by the Army HQ on 13th May 1969, to prevent such lapses, they wish to emphasise that steps should be taken to see that the food supplies reach the units concerned in time and are consumed within the warranty period in the interest of the health of the Armed Forces.

[S. No. 11, (Para No. 1.80) Appendix VI of 82nd Report of PAC
(Fifth Lok Sabha)]

Action taken

The system of demanding, procurement and despatch of foodstuffs ensures that the foodstuffs are invariably consumed within the warranty period, where applicable. At the same time, all stocks procured for Defence Services are given an estimated storage life (ESL) by the Composite Food Laboratory on acceptance from the trade. Instructions (attached) have already been issued in 1969 (Technical Instruction No. 7) directing all Brigadiers Army Service Corps to issue the stocks within the assigned estimated storage life in order to ensure that troops are issued with foodstuffs while in good condition. Attention of all Brigadiers Army Service Corps Commands has once again been drawn to these instructions for strict compliance vide Army HQ letter No. 90164|VII|Q|ST4 of 25th June, 1973 (Copy attached).

2. DADS has seen.

[Ministry of Defence O.M. No. 11(14)|73|D (Budget), dt. 4-10-1973].

COPY

TELEPHONE 371549
No. A|83675|Q|STI

ARMY HEADQUARTERS
Quartermaster General's Branch
DHQ PO NEW DELHI-11
Dated the 2nd July, 1969.

To,

BSASC
Headquarters
Southern Command (50)
Eastern Command (55)
Western Command (65)
Central Command (55)

SUPPLIES AND TRANSPORT DIRECTORATE TECHNICAL INSTRUCTIONS

1. Copies of the Supplies and Transport Directorate Technical Instruction No. 7 are forwarded herewith.

2. Sufficient copies are enclosed for distribution to DDsST Corps, CsASC Corps Tps/Areas, OsC ASC Bns, DADsST Sub Areas|Comm Z Sub Areas|Indep Sub Areas, OsC Coys ASC (Sup) types 'A' to 'G'/|Indep Sup P1s|Comp P1s|Comp-Food Laboratories|Food Inspection Units|Reserve Supply Depot|Reserve Grain Depot.

3. Please acknowledge.

(R P UPPAL)

CSO

OFFG ADST/STI

for DIRECTOR OF SUPPLIES AND TRANSPORT

Copy to:—

Comdt ASC School, BAREILLY (2)

Comdt ASC Centre (South), BANGALORE (2)

Comdt ASC Centre (North), MEERUT (2)

COPY

Appendix 'A'

SUPPLIES AND TRANSPORT DIRECTORATE

TECHNICAL INSTRUCTION

No. 7

SAMPLING OF STOCKS FOR DETERMINATION OF THEIR STORAGE LIFE

1. At the time of acceptance of stocks of foodstuffs and their despatch to supply depots, various items are given an estimated storage life (ESL) by the composite food laboratories and food inspection units, by stating the month upto the end of which these will remain fit for human consumption, under normal conditions of storage.

2. In order to ensure that the troops are issued with foodstuffs when these are in good condition for consumption, it is highly essential that stocks are issued within the assigned ESL. However, in certain cases, it may become necessary to restrict the issue of certain types of foodstuffs e.g., canned vegetables and fruit, with the result that these may have to be retained beyond the assigned ESL.

3. Revised ESL which will normally be assigned to various commodities at the time of acceptance is as under:—

(a) Rice	12 months
(b) Wheat and wheat products	3 months
(c) Crushed grains and dals.	6 months
(d) Sugar	12 months
(e) Oil hydrogenated	6 months
(f) Fruit Tinned	9 months

(g)	Vegetable tinned including potatoes, but excluding cabbage and cauliffower	cab-	12 months
(h)	Tomatoes, Cabbage and cauliffower	.	9 months
(j)	Rum	.	12 months
(k)	Milk tinned	.	12 months
(i)	Meat tinned	.	9 months
(m)	Tea	.	12 months
(n)	Fish tinned	.	12 months
(o)	Biscuits service	.	6 months
(p)	Pickles	.	12 months
(q)	Whole milk powder	.	7 months
(r)	Cigarettes	.	6 months

4. Separate instructions with regard to ESL in respect of hygiene chemicals will be issued in due course. In the meantime, six months ESL will be taken therefor.

5. The revised ESL cover adequately the periods for which reserves of various items are to be held to all areas, except for advance stocking in LEH. Except for LEH, therefore, it should normally be possible to turnover the stocks of items of daily consumption well within the prescribed ESL, especially in the case of rice, wheat products, sugar, dals/crushed grains, oil hydrogenated and tea. Our experience, however, indicates that supply depots retain stocks for much too long and only issue them when these are given a short life. This not only results in unnecessary work for the CFLs but also in infructuous expenditure to the State.

6. In the case of items having ESL of our 3 months, every effort will be made to ensure that the stocks are turned over within the stipulated period. However, if it is anticipated that this will not be possible, the supply depot concerned will send further samples to the composite food laboratory on which dependent for revision of the ESL at least 3 months before the expiry of the ESL date. Samples of rum will, however, not be sent for revision of the ESL, unless there is evidence of deterioration therein.

7. When the ESL is three months or less, every effort will be made to consume the stocks, within the ESL. If, for any reason, it is anticipated that this cannot be done, further samples will be sent to the dependent CFL for revision on of the ESL two months before

expiry of the previous ESL. In additions, detailed information regarding the stocks and full reasons for inability to consume them within the previous ESL will be intimated to the BASC Command and ST3|ST4 Army Headquarters.

8. When the ESL is less than three months, a firm date by which the stocks must be consumed will be indicated in the laboratory report. If it is anticipated that it will not be possible to consume the stocks by the date indicated, the case with full particulars, will be reported to BASC Command for disposal orders.

9. Tinned supplies, in addition, will be inspected periodically and samples drawn of any consignment showing signs of deterioration viz. bulging, leaking etc. and despatched to CFLs concerned by fastest means for analysis. The CFL will accord high priority to their analysis and intimate results to the concerned supply depot as soon as possible. Similar action will be taken in the case of other items which show signs of early deterioration within the period of their ESL or whenever circumstances warrant premature examination of the stocks.

10. It has also come to notice that owing to inadequate attention given in the drawing of samples, stocks have been declared unfit by composite food laboratories leading to claiming compensation from the suppliers. In order to avoid such complications, the CFLs have already been instructed that, if on examining a normal Ty Sample, it is indicated that the consignment has become unfit for human consumption, it should direct the depots/units concerned by signal to have the stocks thoroughly surveyed in the light of the laboratory's findings by a station board of officers and samples of each category (if sorting is recommended), be submitted again to the laboratory together with board proceedings. Only then, after being fully satisfied that stocks are actually declared unfit for human consumption, an endorsement to this effect will be made to the Ty reports. This procedure need not be applied to the consignment, the value of which does not exceed Rs. 200.00 and the laboratory is satisfied that samples submitted are sufficient to justify their condemnation.

11. The underlying object of the stipulations made in paras 6 to 10 above, is to ensure that, in the event of items being found to have gone bad during the period of their ESL, timely claims can be preferred within the warranty period as stipulated in the acceptance tenders. Failure on the part of the supply depots for sending samples in time to the dependent CFLs will result in the claims for the stocks gone bad within the warranty period becoming time-barred. In such an event, the OC of the supply depot concerned will be held personally responsible for the lapse.

12. To reduce avoidable workload on the composite food laboratories and to ensure that troops are issued with food-stuffs when these are in good condition for consumptions, every effort will be made to consume the foodstuffs within the estimated storage life through intelligent anticipation, avoidance of overstocking and careful planning turn over. Any suggestion for further improvement should be forwarded to Army Headquarters Q/ST7.

13. Senior ASC officers will pay particular attention to the above aspect during their tours and visits to the various installations.

14. ST Directorate Technical Instruction No. 1 is hereby cancelled.
(RKS DINDRA)

Brig
Offg DSIT

No. 48775|Q|ST7
ARMY HEADQUARTERS
Quartermaster General's Branch
DHQ PO NEW DELHI-11
Dated 1st July, 1969.

COPY

TELEPHONE 371511

REGISTERED SDS

Recommendation

ARMY HEADQUARTERS
Quartermaster General's Branch
DHQ PO NEW DELHI-11
the 25th June 1973.

No. 99164|VII|Q|ST4

To

BSASC
Headquarters
Southern Command (50)
Eastern Command (50)
Western Command (50)
Central Command (50)
Northern Command (50)

Turnover of Foodstuffs within the Warranty Period

1. All foodstuffs procured for the Defence Services are given an estimated storage life (ESL) at the time of acceptance. Normally, these stocks are to be issued within the given ESL with a view to

ensuring that only foodstuffs in good condition are issued. In this regard, comprehensive instruction about the sampling of stocks, to determine their storage life are contained in Technical Instruction No. 7 forwarded to you vide this HQ letter No. A/83675/Q/ST1 of 2nd July 1969.

2. Please draw the attention of all stock holders to the above Technical Instructions for strict compliance. They will also be asked to ensure proper turnover of the stocks which can be achieved by a constant watch on the stock position and staggering deliveries of stock against their future demands in a realistic manner. This would eliminate accumulation of stocks and hold up in issues which may prove to be a health hazard.

3. Please ask.

(AMAR SINGH)

Brig

DDST

DIRECTOR OF SUPPLIES AND TRANSPORT

Recommendation

As per the Audit Paragraph the Technical Team which were set up to examine obsolete, obsolescent and surplus stores held in stock by the Defence formations had, upto July 1970, examined stores worth Rs. 115.70 crores out of Rs. 128.87 crores listed for scrutiny by them. From the information furnished by the Ministry, it is seen that subsequently during a period of about 2 years stores worth about Rs. 8.00 crores only were examined. The Committee consider this to be undesirably slow progress. They trust the rate would be speeded up and the examination of the rest of the stores completed with the maximum possible expedition.

At the end of April 1972, stores of the value of Rs. 100.95 crores have been disposed of as against Rs. 82.15 crores till July, 1970. Thus, the progress in the disposal of these unwanted stores, which occupy valuable storage space, has been slow. The Committee had earlier in their 19th Report (Fourth Lok Sabha) 1967-68 stressed the need to keep a close watch on the rates of disposal of surplus and obsolete stores. As the bulk of these stores are stated to have been procured during the pre-Independence period, the Committee are unable to appreciate the undue delay in their disposal. The Committee understand that a study team has been constituted in September, 1971, to go into the existing disposal procedures to identify the areas which impede expeditious disposal and that it is expected

to submit its report shortly. They trust that action on the basis of this study, would help in the disposal of these surplus and obsolete stores expeditiously.

[S. Nos. 12 and 13(Paras 1.89 and 1.90) Appendix VI to PAC's 82nd Report (Fifth Lok Sabha)]

Action Taken

The observations of the PAC are noted for compliance.

2. The details of the stores put up for examination to the Technical Team, those actually examined by the Team and the balance awaiting examination, separately for the periods upto July 1970 and upto July 1972 are as under:—

Stores reported to the Technical Team	Stores examined by the Technical Team	Balance stores awaiting examination by the Technical Team
(Value in Crores of Rupees)		
128.87	115.70	13.17
(Upto the end of July 70)	(at the end of July 70)	(at the end of July 70)
155.68	148.49	5.98
(upto the end of July 72)	(at the end of July 72)	(at the end of July 72)

From the above it will be seen that the Technical Team examined stores worth Rs. 32.79 crores (Rs. 148.49—Rs. 115.70) during the period July 70-July 72. The value of stores awaiting examination by the Technical Team at the end of the period July 64-July 70 was Rs. 13.17 crores and that of the stores awaiting examination at the end of the period July 64-July 72 was 5.98 crores. As on 31st May 1972 stores worth Rs. 5.29 crores were outstanding awaiting scrutiny by the Technical Team. Thus the stores of the value of Rs. 7.98 crores (Rs. 13.17-Rs. 5.29) formed only a part of Rs. 32.79 crores worth of stores examined by the Technical Team during July 70-July 72.

3. The Study Team for streamlining the existing procedures for assessment of surpluses and disposal thereof has since submitted its report to Government on 11th May 1973 and the report is under examination of the Government. In the meantime a special drive has been undertaken for disposal of surplus ferrous items pertaining to A & B vehicles and also surplus A vehicles. Negotiations are in

progress with the Steel Authority of India Limited for lifting ferrous items for smelting and rerolling purposes. About 20,700 tons of ferrous items/A vehicles are likely to be cleared shortly.

4. D.A.D.S. has seen.

[Ministry of Defence O.M. No. 11(14)/73/D (Budget). dt.
19-11-1973]

Recommendation

The Committee are concerned to learn that the Naval Store Depots have accumulated over the years as many as 11445 items of repairable stores (74,465 Nos) upto July, 1970. The expenditure on storage of these items works out to more than Rs. 3 lakhs per annum. The Ministry have intimated that 4219 such items are beyond economical repairs. The Committee do not see any reason why these items could not be disposed of so far. In their view, it is essential to lay down a reasonable time-table for the disposal of unwanted items and then to evolve a suitable programme of action to adhere to it. Action taken or proposed to be taken in this regard may be reported to them.

[Sl. No. 14 (Para 1.91) of Appendix VI of 82nd Report of PAC
(Fifth Lok Sabha)]

Action Taken

As against 11,445 items of repairable stores (74,465 Nos.) upto July 1970, 5289 items had become surplus/obsolete or beyond economical repairs. Of these 5289 items 4853 items have already been disposed of and the balance 436 items have been withdrawn. Thus, none of the 5289 items declared surplus/obsolete or beyond economic repairs are now pending for disposal.

[Ministry of Defence O.M. No. 11(14)/73/D (Budget), dt.
19-11-1973]

Recommendation

Although there were 7,226 items which could be repaired and put to use, the progress made in repairing them appears to be practically negligible. The Committee have been given to understand that in order to improve the Material Management organisation in the Indian Navy, Administrative Staff College of India have been appointed as consultants and requested to give recommendations, *inter alia*, in respect streamlining the procedure for reviewing the repairable items and ensuring quicker repairs. The recommendations of

the consultants which have already been received are stated to be under examination. The Committee desire that the examination should be completed speedily and concrete steps proposed to be taken on the basis thereof reported to them within 6 months. They would like to watch the progress in repairs through future Audit Reports.

[Sl. No. 15 (Para No. 1.92) of Appendix VI of 82nd Report of P.A.C.
(Fifth Lok Sabha)]

Action Taken

As against 11445 items of repairable stores upto July 1970, 5289 items had become surplus/obsolete or beyond economical repairs. Of these 5289 items, 4853 items have already been disposed of and the balance 436 items have been withdrawn. Thus, the repairable stores as in July 1970 were 6592 items (11445—4853). As the accounts kept of repairable arisings are running accounts in which subsequent receipts are also merged, it is difficult to state exactly how much of the 6592 items mentioned above have since been either repaired or declared beyond economical repairs. However, the latest position of repairable stores as intimated by depots is as follows:—

(a) Number of repairable items held as on 1 Nov. 73.	9225
(b) Number of items repaired from July 70 to 1 Nov. 73	4274
(c) Number of items declared BER from July 70 to 1 Nov. 73	1831

It will be seen from the above that there has been a good progress in liquidating repairable arisings. In order to keep a watch on the progress of repairs, quarterly reports have been prescribed for rendition by NHQ to this Ministry.

2. Based on the recommendations of the Consultants for the Indian Navy, viz. the Administrative Staff College of Hyderabad, the following measures have been instituted to clear backlog of repairs:—

- (a) Technical Committees have been established in all the three commands.
- (b) A technical Services Group has been established at Bombay as a permanent measure.
- (c) A Technical Team of Officers and sailers has been established in the Naval Store Depot at Vishakhapatnam.

- (d) Although not recommended by the Consultants, the question of setting up a Technical Group at Cochin on the analogy of the Gorup set up at Bombay, is under consideration at NHQ.

These committees/Groups/teams have been formed to draw up annual programme of repairs, accord priorities taking into consideration the stock position and depending upon base repair facilities, to farm out extra work to the trade, ensure speedy turnover of repairable stores and make technical examinations of surplus and disposal items/stores, and carry out repairs through departmental channels or through trade sources.

[Ministry of Defence O.M. No. 11(14)/73/D (Budget), dt.
18-12-1973]

Recommendation

The Committee note that the Defence Department had hired 212 buildings in Delhi for allotment to the serving officers or their separated families on the ground that sufficient Government residential accommodation was not available. Out of these, as many as 93 remained vacant for periods ranging from 2 months to 1 year during November, 1966 to December, 1969, although such hired accommodation should not have remained unoccupied ordinarily for more than 15 days. The expenditure on rent and other charges in respect of these buildings during the periods they remained unoccupied was Rs. 2.26 lakhs. Having regard to the fact that the allotment is made in response to an application, if the allotment is made quickly and the allotment is of the type of the house asked for, there should be no question of offer and acceptance. Acceptance must be assumed where the allotment is of the type to which the officer is entitled. The Committee is of the view that in these matters a certain degree of discipline and rigidity is essential. The Committee therefore desire that the period of vacancy should be reduced to the lowest minimum by rationalising the procedures for allotment with an adequate degree of firmness and rigidity.

[Sl. No. 16 (Para 1.99) of Appendix VI of 82nd
Report of P.A.C. (5th Lok Sabha)].

Action Taken

The recommendations of the P.A.C., have been examined. It is considered that it is not correct to assume that the house allotted to an officer must be accepted by him for the following reasons:—

- (a) Houses, specially hired houses, allotted to officers are

sometimes not suitable because they are located at long distance from the place of duty.

- (b) Intimation regarding allotment of accommodation is received late by the officer especially in respect of separated family accommodation; sometimes the officer is out of station on a course or exercise.
- (c) Houses may not be properly repaired.
- (d) More facilities are available in Government accommodation in Cantonment area than in private houses.

Nevertheless it is agreed that steps should be taken to rationalise the procedure for allotment to ensure that the houses remain vacant for minimum period. It has accordingly been decided that:—

- (a) A hired house should be offered to 10 officers at a time.
- (b) The officer not accepting the allotment should be relegated for a period of 3 months for allotment of fresh accommodation.
- (c) An officer not interested in the allotment of a house should intimate about this well in advance.
- (d) The hired houses which are not accepted by officers successively should be considered for de-hiring.

Suitable instructions to the local military authorities to implement the above decision are under issue.

[Ministry of Defence O.M. No. 9(5)/73/D (Q&C), dated 18-12-1973].

Recommendation

Incidentally, the Committee find that buildings were hired at an average rent of about Rs. 345 per month. On this basis the rent payable for the 212 hired buildings by the Defence Department to the owners works out to about Rs. 8.78 lakhs per annum. The Committee would suggest that the necessity for hiring private accommodation with the attendant heavy rent liability should be carefully gone into by Government with a view to seeing whether it will be economical for Defence Department to put up their own buildings on the lands that may be available with them, especially when they have the necessary organisation for the purpose. The position in

this regard in stations other than Delhi would also require similar examination. The results of such comprehensive examination should be reported to the Committee.

[Sl. No. 17 (Para 1.100) of Appendix VI of 82nd Report of PAC
(5th Lok Sabha)].

Action Taken

The economies of construction of residential accommodation vis-a-vis hiring of private accommodation in Delhi and other stations, where there is shortage of Government accommodation resulting in hiring of private accommodation has been examined and the position is given in succeeding paras.

A decision was taken by the Emergency Committee of the Cabinet on the 9th December, 1965 that the deficiencies of married, separated families accommodation in the Defence Services should be made up in a phased programme over a period of 15 to 20 years. The cost of making up the deficiencies was then estimated at Rs. 289 crores for the Army, Rs. 57.22 crores for the Air Force and Rs. 7.16 crores for the Navy.

2. In pursuance of this policy, a phased programme of construction was drawn up and from the beginning of the programme in 1966-67 upto 31st March, 1972, an expenditure of about Rs. 126 crores has been incurred on the provision of married accommodation in three Services. As a result of construction of more accommodation the percentage of satisfaction of entitled officers and others has gone up. A reassessment of the requirement of funds for the purpose of completing the entitled married accommodation up to 1985 indicated that taking into consideration the escalation in prices approx. Rs. 780 crores would be required to be spent for this purpose also during the years 1973-74 to 1984-85.

3. In the Budget of 1973-74, there exists a provision of Rs. 67 crores only for Capital Works of the Army, Navy and Air Force. In the past of substantial portion the Capital Works Budget was spent on married accommodation but in this year only married accommodation amounting to Rs. 2 crores have been released.

4. In an effort to contain the expenditure on Defence Capital Works strictly within the provision made in the Budget 1973-74, the Apex Planning Group has directed that all domestic, storage, and administration accommodation of the Defence Services which has progressed below plinth level may be suspended. It has also been decided that construction of non-functional buildings which are yet

to be taken up or which have not proceeded beyond the plinth level should be stopped and that construction deferred for the current financial year.

5. In an effort to contain the expenditure within budget allocation as mentioned above, it has been decided to suspend upto 31-1-1974 the works already in progress costing above 20 lakhs each and also others provided they had not reached beyond 75 per cent and 60 per cent respectively on the physical completion stage. An exception was made in the case of the Navy on the condition that re-appropriation is made from other Capital Heads to the extent required. As the availability of funds for Defence Capital Works will seem to be at about the same level as 1973-74 for sometime to come, the progress of making good deficiencies in married accommodation may remain at lower ebb. The possibilities are, however, being explored to obtain loan from L.I.C., for the construction purposes. There is also a proposal to utilise Defence lands to trigger off construction activity so that a fair return comes to Defence construction activity so that a fair return comes to Defence Ministry in the terms of constructed residential accommodation.

6. Further progress on the provision of married accommodation for the Armed Forces personnel will depend on the provision of funds for this purpose in the Budget Estimates of the ensuing years and success of the schemes mentioned in the preceding paragraphs.

[Ministry of Defence O.M. No. 9|5|73|D(Q&C), dated 18-12-1973].

Recommendation

As early as 1960 completion of development of a weapon was approved and the drawings were finalised in July, 1963. An output of 10 weapons a month was to be achieved from January 1967. In the meantime in June 1964, development of an improved version of the weapon was undertaken and the new model was ready for production by the end of 1967. As the production capacity of 10 weapons per month was considered inadequate to meet the increased requirements of the Services, production of a part of the weapon was to be augmented to 25 per month from January 1968 and the increased requirement of another part was to be met by supply from a Public Sector Undertaking. The actual production was, however, only at an average rate of 7 weapons per month even as late as 1969-70. In the meantime, to meet urgent requirements for equipping Army Units, 150 weapons and connected ammunitions had to be imported in 1968 at a cost of Rs. 7.33 crores. While the

Committee can understand the initial difficulties in achieving indigenisation of armament production, they are satisfied from the facts supplied and explanations tendered before the Committee that there has been complete and almost reprehensible failure to ensure the degree of coordination that is essential for the efficient realisation of such project. Thus, they would like to point out that the requirements of this project from various sources with regard to plant and machinery and raw materials were not properly tied up. Further, there appears to have been no effective watch and control over the implementation of the project at the Government level. In this connection, it is seen that no target date was fixed by Government for achieving the rated capacity. The Committee hope that taking a lesson from these lapses Government will take suitable steps to see that such projects, important as they are from the point of view of achieving self-reliance in armament production, are pushed through with the requisite vigour and imagination. There should be integrated planning and an annual review of the progress in the implementation of the projects at the Government level so that self-reliance could be achieved within the minimum possible time which would obviate the need for foreign exchange being spent on imports.

[Sl. No. 18 (Para 2.29) of Appendix VI to the 82nd Report of the PAC (Fifth Lok Sabha)].

Action taken

The recommendations of the Committee have been noted.

2. In so far as the co-ordination at Government level in respect of this particular project is concerned, there were several meetings with the representatives of Public Sector Undertaking to impress upon them the need for gearing up their part of production.

3. As recommended by the Committee, Government are reviewing at their level all major and minor projects for their progress, performance. There is already an over-seeing Board for reviewing all major projects.

4. The DGOF have been instructed that all General Managers and officers concerned with the implementation of projects should make a careful note of the Committee's recommendations and be more vigilant and alert in ensuring progress of implementation of projects apart from a careful study of any unforeseen difficulties or likely obstacles that may arise at the time of preparation of any future project.

[Ministry of Defence O.M. No. 26(4)/73(D(PA), dated 18-12-1973].

Recommendation

One more aspect which the Committee would like to refer to is the high cost of production of the part of the weapon by the Public Sector Undertaking. The cost of production by the undertaking is Rs. 2.32 lakhs per part as against the ordnance factory cost of Rs. 0.53 lakhs. The difference to the extent of about 340 per cent is obviously unjustified. Efforts should, therefore, be made first to ascertain why there is this big difference and then to take steps to bring down the cost of production in the Public Sector Undertaking.

(Sl. No. 20 (Para No. 2.30) of Appendix VI-82nd Report of PAC
(5th Lok Sabha)].

Action taken

The cost of production of the weapon by HEC cannot be compared with that of Ordnance Factories for the following reasons.—

- (i) HEC have much higher overheads than Ordnance Factories, as most of the equipment used by the Ordnance Factories are old.
- (ii) Ordnance Factories have specialised equipment for manufacture of major components required for Guns and Carriages while HEC has had to manufacture these weapons using general engineering methods.
- (iii) Ordnance Factories have got decades of experience in the manufacture of guns and carriages whilst this is the first order to be executed by HEC for manufacture of Gun Carriages.
- (iv) Ordnance Factories do not pay interest on Capital and Working Capital while HEC has to pay interest.

In view of the above factors the cost of production in HEC is bound to be higher.

As already mentioned it is not likely that DGOF would place more orders on HEC for similar equipment. In view of the increased utilisation of production capacity in HEC, the cost of production will no doubt be more reasonable in comparison to prices quoted previously.

[Ministry of Heavy Industry O.M. No. 9-26/73-HEP-I, dated
12-2-1974].

Recommendation

"The Committee regret that having taken a decision in 1962 to create additional facilities in two ordnance factories for manufacturing indigenously transfer case, gear box and axles of Nissan trucks with the collaboration of their foreign manufacturers, production of transfer case alone has been established by August, 1970 and that too only to the extent of 75 per cent of what was expected. In the meantime components continued to be imported—the value of the imports during the period March 1967 to 1970 being Rs. 179.70 lakhs. This is hardly the way to achieve self-reliance in defence production. The Committee would, therefore, urge that steps should be taken to establish expeditiously the production of all these essential items. The Committee find in this connection that the production of gear box has been accorded low priority and an order for its manufacture has been placed on a private firm diverting all the machines intended for the manufacture to other uses. The Committee trust that sufficient indigenous production of this item has been firmly established."

[Sl. No. 21 (Para 2.40) Appendix VI, of the 82nd Report of PAC (5th Lok Sabha)].

Action taken

(i) *Transfer Case*

Manufacture of this item has been fully established at Machine Tool Prototype Factory, Ambarnath and the target production of 100 Nos. per month was achieved in January, 1971. It may be noted that upto end of September 1973, cumulative No. of 3320 Transfer Cases have been manufactured at the said factory. Manufacture of this item has also been established at Vehicle Factory, Jabalpur and target of 750 Nos. during 1973-74 has been fixed.

(ii) *Gear Box*

Manufacture of Gear Box had been established at Machine Tool Prototype Factory, Ambarnath in July 1972 and cumulative of 500 Nos. have been manufactured upto 31st March, 1973. It may also be added that a target of 100 Nos. per month has been fixed for Machine Tool Prototype Factory, Ambarnath during the current year 1973-74. A further total of 520 Nos. of Gear Boxes have been manufactured during the period April 1973 to September 1973 thereby the cumulative production upto end of September 1973 has been raised to 1020 Nos.

The manufacture of this item has also been established at Vehicle Factory, Jabalpur and target of 750 Nos. for the year 1973-74 has been fixed. The private source of supply, on whom the supply order was placed, has established manufacture of this item some 3¼ years back and an average of 230 Nos. per month were being supplied. Lately, this has come down to 30 to 40 per month.

(iii) *Axles*

Complete set of machines for axle line are expected to be in position by middle of 1974. In addition to the above 157 items of component parts are required to be imported for which orders have already been placed on the foreign collaborators. The establishment of manufacture of axles is dependent on receipt of full set of machines and receipt of component parts from the collaborators. Simultaneously, action is also on hand for indigenising these 157 components which are not to be manufactured in the Vehicle Factory, Jabalpur. Keeping the above factors in view, manufacture of axle line is likely to be established by about end of 1974.

[Ministry of Defence O.M. No. 26|4|73|D(PA), dated 17-12-1973].

Recommendation

“The delay in establishing the axle line in the other ordnance factory is attributed to delays in getting the castings and forgings partly from the collaborators. The Committee find that there is no provision in the collaboration agreement for imposition of any penalty for delayed supplies. This is stated to be a general feature of all the collaboration agreements. Thus, there is a lacuna which may encourage dilatory tactics on the part of the collaborators. The Committee desire that Government should examine as to what safeguards can be written into collaboration agreements so that the collaborator acquires a stake in establishing production in India in time”.

[Sl. No. 23, (Para 2.42) Appendix VI, of the 82nd Report of PAC (5th Lok Sabha)].

Action taken

The recommendations of the Committee have been noted for future guidance.

[Ministry of Defence O.M. No. 26|4|73|D(PA), dated 17-12-1973].

Recommendation

The Committee find that the additional capacity built up and labour employed for production of garments in the three ordnance

clothing factories following the Chinese Aggression proved to be far in excess of normal requirements after 1965. Consequently despite steps taken to diversify production and absorbing some labour, about 3,000 workers had to be retained without any work. The idle time wages paid to such workers during August, 1969 to June 1971, amounting to Rs. 69.16 lakhs. In this connection, the following suggestions are made:—

- (i) As admittedly the cost of production of clothing items in the ordnance factories is higher than the cost of procurement from trade, there is a need to go into the cost structure in a scientific manner with a view to bringing down the overheads. The products turned out by the ordnance factories should not only be good in quality but also be competitive in rates.

[Sl. No. 27 (Para 2.88) of Appendix VI of 82nd Report of PAC (5th Lok Sabha)].

Action taken

The observations of the PAC that there is need to go into cost structure in a scientific manner with a view to bringing down the overheads have been noted. It may, however, be mentioned that overheads incurred in the Ordnance Factories include cost of such social liabilities as housing, education, medical care, security and many other welfare measures.

A part time high level committee and a whole time working group have been constituted to review the cost and management accounting system in ordnance factories. One of the terms of the reference of the group is to suggest improvements in the overhead controls.

[Ministry of Defence O.M. No. 26(4)/73D(PA), dated 18-12-1973].

Recommendation

The Department should not relax its efforts to employ the surplus men in the ordnance factories in other productive jobs and also to put machines rendered surplus to use.

[Sl. No. 29 (Para 2.90) of Appendix VI of the 82nd Report of PAC (5th Lok Sabha)].

Action taken

The directions of the PAC have been noted.

Constant efforts are made by the Ordnance Factories to utilise

the existing capacities to the maximum extent possible by diversification of production as well as seeking orders from other Central Government Departments|Public Sector Undertakings and from civil indentors inclusive of exports.

[Ministry of Defence O.M. No. 26|4|73|D(PA), dated 13-12-1973].

Recommendation

The Committee are constrained to point out that Government have not learnt the requisite lesson from the problem of surplus manpower that they were faced with in the ordnance factories after the cessation of Second World War. The Committee feel that had Government settled in advance their policy for additional manpower for ordnance factories in the event of war by engaging persons for a specified term on contract basis, etc., they would not have been faced with the difficult problem of overstaffing. The committee suggest that at least now Government should prepare a detailed scheme by which emergent requirements of additional manpower for ordnance factories would be met in the event of hostilities breaking out, so as to obviate recurrence of this problem. !

[Sl. No. 30 (Para 2.91) of Appendix VI of 82nd Report of PAC
(5th Lok Sabha)].

Action taken

In the Ordnance Factories, recruitment for temporary work is done on casual basis only upto a maximum period of 6 months. In case the requirement for such work exceeds 6 months, the men recruited are absorbed on regular basis. Workmen are normally not employed on contract basis in the ordnance factories.

2. The question of utilisation of surplus strength has been engaging our attention. It has been decided to utilize the surplus capacity for meeting civil trade requirements and requirements of other Government Departments. In the event of an emergency, this capacity would be diverted towards defence requirements. It is hoped that a situation as was encountered in 1962 would not be repeated.

3. If a large scale recruitment becomes necessary in future to meet an emergency, the instructions of the PAC will be kept in view. Suitable instructions in this regard have been issued to the DGOF.

[Ministry of Defence O.M. N. 26(4)|73|D(PA), dated 18-12-1973].

COPY

No. 4|14|73|D(Prod)

Government of India,

MINISTRY OF DEFENCE

DEPARTMENT OF DEFENCE PRODUCTION
NEW DELHI-110011

18th December, 1973.

OFFICE MEMORANDUM

To

The Director General, Ordnance Factories,
6, Esplanade East,
Calcutta-1The Addl. Director General, Ordnance Factories (OEF),
ESIC Bhavan,
Sarvodaya Nagar,
Kanpur-5.

Dear Sir,

The recommendation of the Public Accounts Committee with reference to Audit Para on Idle Labour in Ordnance Factories contained in the 82nd Report is reproduced below:—

“Sl. No. 30—The Committee are constrained to point out that Government have not learnt the requisite lesson from the problem of surplus manpower that they were faced with in the Ordnance Factories after cessation of second world war. The Committee feel that had Government settled in advance their policy for additional manpower for Ordnance Factories in the event of war by engaging persons for a specified term on contract basis etc., they would not have been faced with the difficult problem of over-staffing. The Committee suggest that atleast now Government should prepare a detailed scheme by which emergent requirements of additional manpower for Ordnance Factories would be met in the event of hostilities breaking out so as to obviate recurrence of this problem.”

2. As per existing instructions casual labour can be employed only upto a maximum period of 6 months. Contract labour is also normally not resorted to by the Ordnance Factories. The Ordnance Factories and particularly the clothing factories have certain amount of surplus capacity which is now devoted to undertaking of civil trade orders or service to other civil government Departments. It should, therefore, normally be possible to meet any immediate increased requirements of the Services by diverting this capacity for defence production. In case in the event of hostilities breaking out in future, any large scale recruitment becomes necessary for a limited period to meet the increased requirements of the Services the matter should be referred to this Ministry for a policy decision as to whether contract labour should be employed or engagement of labour for specified limited periods should be resorted to. These instructions may be brought to the notice of all General Managers for guidance.

(AMAR CHAND),

Under Secretary to the Government of India.

Recommendation

The Committee need hardly stress that Government should take into account the totality of the production capacity available in the country so that additional capacity is added in the ordnance factories only where it is absolutely justified and is in the overall national interest.

[Sl. No. 31 (Para 2.92) of Appendix VI of the 82nd Report of PAC
(5th Lok Sabha)]

Action taken

The directions of the PAC have been noted.

[Ministry of Defence O.M. No. 26/4/73/D(PA), dated 13-12-1973].

Recommendation

The Committee deplore the carelessness and negligence in ordering for leather fillets by the ordnance factory which led to supplies 10 times the actual requirements. They would like to know the outcome of the disciplinary proceedings against the two employees which is stated to be under way.

[Sl. No. 32 (Para No. 2.98) (82nd Report of PAC (5th Lok Sabha)]

Action Taken

The Board of Enquiry held the Deputy Manager (Stores), one Asstt. Store Holder, one Supervisor A and one LDC responsible for issuing the erroneous amendment to the Inter-Factory Demand which resulted in the over-provisioning of leather fillets. Of these, the Deputy Manager (Stores) and the Asstt. Store Holder retired from service before the detection of the over-provisioning & hence no action could be initiated against them. Disciplinary proceedings were, initiated against the Supervisor & LDC but these had to be dropped since their liability in regard to the over-provisioning of the stores could not be fixed. The Board was of the view that the responsibility for the lapse should appropriately have been fixed on the officers through whom the papers had passed. The Deputy Manager (Stores) had signed the amendment & the Asstt. Store Holder had issued the amendment.

[Ministry of Defence O.M. No. 26/4/73/D(PA), dt. 15.12.1973]

Recommendation

The Committee are concerned to learn that in an ordnance factory paint was drawn twice for the same job during the period Dec. 1962 to July, 1964, in two cases viz. painting of radiator shell assembly, a component of Nissan trucks and painting of rear bodies of Nissan Jongs. The excess drawal of paint was to the extent of 50,000 litres. After adjusting quantities of the paint underdrawn in certain other jobs in progress the net excess drawal was worked out as 41,496 litres value at Rs. 2.18 lakhs. Although the overheads were pointed out by the Internal Audit in 1964, investigation was made only in 1968/1969 which proved to be ineffective and a fresh Board of Enquiry had to be constituted. The Committee cannot but deprecate the delay in investigating what appears to be a *prima-facie* case of fraud. The action taken on the basis of the findings of the Board of Enquiry which are stated to be under examination by the DGOF, may be intimated to the Committee.

[Sl. No. 34 (Para No. 2.197) of Appendix VI of 82nd Report of PAC (5th Lok Sabha)]

Action Taken

On the basis of the findings of the Board of Enquiry, the following disciplinary action has been taken against the official concerned:—

- (i) Penalty of stoppage of an increment without cumulative effect has been imposed on the Asstt. Foreman who had

- signed the erroneous warrants which resulted in excess drawal of Paints.
- (ii) Penalty of stoppage of one increment with cumulative effect has been imposed on one U.D.C., who had prepared the erroneous warrants.
 - (iii) Penalty of stoppage of one increment without cumulative effect has been imposed on one Supervisor B, who was held responsible for not carrying effective check on completed warrants on receipt from the Painter Shop.
 - (iv) Although disciplinary action was initiated against one LDC for actual drawal of the excess paint, the proceedings had to be dropped since he was not actually concerned with the drawal of paint. Action is in hand to initiate disciplinary action against one Godown-keeper who was responsible for the actual drawal of excess paint.
 - (v) Although disciplinary action was initiated against one Head Clerk, the proceedings had to be dropped since it turned out that he was not personally concerned with the work at the time of the excess drawal. Action is in hand to initiate disciplinary action against another Head Clerk who was holding charge of the section concerned at the material time.

[Ministry of Defence O.M. No. 26|4|73|D(PA), dt. 15.12.1973]

Recommendation

In view of what has happened in the case referred to above, the Committee feel that there should be an effective liaison between the works executive agency and the Defence Department to safeguard the financial interest of the Government and to keep a close watch on the progress of work. They would like to know the existing arrangements in this regard and the improvements that are propose to be effected.

[S. No. 37 (Para No. 2.117) Appendix VI, of 82nd Report of P.A.C. (Fifth Lok Sabha)].

Action Taken

The necessity of entrusting construction work for Defence Department Projects to some State Governments arose after the 1962 conflict with China, because a number of new projects had to be completed on the highest priority and our normal construction Agency, namely, the Military Engineering Service, was heavily pre-occupied

with other emergency works. Since the State Governments were called upon to undertake civil works of such a magnitude for the first time and that too as a sudden necessity, the arrangements made brought with their own problems, although it is considered that the lapse of the type that has occurred could have been prevented by proper care and foresight on the part of the State PWD while drawing specifications and preparing tender documents.

The practice of entrusting execution of civil works to State Governments is now no longer in vogue and all civil works in respect of Defence Projects are now executed through MES as usual. In case a necessity of engaging the State Government as a Construction Agency arises again, it will be ensured that (as a remedial/precautionary measure) there is an effective liaison between the State Executive Staff and the representatives of Defence Department (DGOF/MES).

[Ministry of Defence O.M. No. 11 (3) |73|D(NF), dt. 10.1.1974]

CHAPTER III

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

Recommendation

The Committee regret to note serious delay, irregularities and deficiencies in the construction of the Signal Project taken up as an emergency work. The Project which was proposed to be completed in 1966 was actually completed four years later. The construction of the main transmitter and ancillary buildings as part of the project was commenced by the contractor in November 1965 on the understanding that it would be completed in 12 months. The contract amount was Rs. 8.81 lakhs against the estimated cost of Rs. 4.52 lakhs. However, the work was actually completed only in November 1967. The Committee feel that the very tight construction schedule originally prescribed must have pushed up the rate by 95 per cent over the estimated rates. In actual fact, the contractor was not able to adhere to the schedule. A heavy penalty should have therefore been imposed for the delay involved. The Committee would like to know whether any penalty was levied.

[Sl. No. 1 (Para 1.16) of Appendix VI—82nd Report of the PAC
(5th Lok Sabha)]

Action Taken

The observations of the Committee in regard to the delays, irregularities and deficiencies in the construction of the project are noted.

It has been opined by the Committee that a very tight construction schedule originally prescribed must have pushed up the rates by 95 per cent over the estimated rates in respect of the building 'A' & 'C'. In this connection, it is submitted that the contract amount of Rs. 8.81 lakhs as mentioned in the recommendations of the Committee pertains to the contract amount for buildings 'A' & 'C' for which estimated cost provided in the administrative approval of 1963 is Rs. 5.22 lakhs (Rs. 4,52,381 for building 'A' and Rs. 69,812 for building 'C'). The percentage of increase in cost thus works out to

68.8 per cent and not 95 per cent as brought out in the recommendations. The increase of 68.8 per cent over the estimated cost of Rs. 5,22,193 is due to factors as discussed in the succeeding paras.

The project 'provision of accommodation for Army HQ Transmitting Station at Meerut Cantt' was sanctioned in 1963 in which the cost of buildings 'A' & 'C' were provided as Rs. 4,52,381 and Rs. 69,812 respectively. The design and drawing for these buildings were finalised in May 1964, in consultation with User's Dte. While preparing detailed tenders, certain further clarifications were required which were made on 28th November, 1964. The requirement of the User's had, however, undergone a change in the meantime and cost of work at the time of tendering was estimated by the Engineers with reference to SSR 1962 to be Rs. 7.56 lakhs. The tenders were issued for these buildings on 15.3.1963, and were received back in April 1965, but were found high and were rejected. Second time tenders were called on 28.5.1965. The lowest tenderer had quoted 16.5 per cent above the estimated cost taking 12 months to be the period of completion. The percentage quoted by the contractor was considered reasonable by the Engineers and was in no way considered to have been influenced by the period of completion prescribed in the contract. 12 months' period is considered as a normal period for constructing buildings of such magnitude. The Chief Engineer referred the same to Engineer-in-Chief on 3.6.1965, for financial concurrence. The same was obtained from the Ministry of Finance (Defence) and conveyed to the Chief Engineer on 1.10.1965 and the tender was accepted on 12.11.1965.

The increase on the prices of buildings from Rs. 5.22 lakhs to Rs. 8.81 lakhs was due to change in technical requirements of Users including increase in plinth area of 600 FS and provision of traverses for protection against air attack etc. and escalation in prices as quoted by the contractor mentioned in the above para.

The buildings, however, could not be completed within the stipulated period of 12 months owing to various other factors beyond the control of contractor such as change in the requirement of Users, civil transport strike, changes in power cable products, non-availability of cables etc. In view of these factors, extension of time had to be granted to the contractor. No penalty was imposed on him for the delay in completion of work in terms of contract agreement.

[Ministry of Defence O.M. No. 11|4|73|D (PA), dated 18.12.1973]

Recommendation

The Committee regret that although the Central Ordnance Depot, Jabalpur had the capacity to assemble 180 sets of a certain type of

equipment with the components held in stock by them since 1945-46, only 56 sets were assembled by September 1970 and as many as 170 sets were procured from M/s. Garden Reach Workshop and a private firm which entailed avoidable expenditure of about Rs. 6.77 lakhs on 124 sets. The statement of the Ministry that the Depot was not aware of the possibility of assembling of components into main equipment and that the idea occurred to the authorities only when the main equipment started arriving in February 1967 from M/s. Garden Reach Workshop, is not convincing, as such equipments were in use for a long time in the past. The Committee, therefore, regard it a clear lapse on the part of the authorities in not having considered the possibility of assembling the equipment especially when it was in urgent need and there was delay in getting it from other sources. The responsibility for the lapse should be fixed. The Ministry have intimated that "the instance where spares are available for assembly of complete equipment is rarely come across". The Committee desire that the position in this regard in all the ordnance factories should be examined thoroughly, with a view to exploring the possibilities of meeting Defence requirements of various equipments without resorting to unnecessary purchases from outside. The Committee would like to be informed of the concrete action taken in the matter.

[Sl. No. 8 (Para 1.67) of Appendix VI to the 82nd Report of the Public Accounts Committee (Fifth Lok Sabha)].

Action Taken

In regard to the recommendation of the Committee for fixing responsibility for lapses on authorities concerned in not considering the possibility of assembling the equipment from the components held in stock the position has been thoroughly examined and is indicated below:—

The above case is the only instance of its kind where a main equipment could be assembled from the components held at the Depot after procuring certain other components. In the present case, the main equipment comprised of 13 components and only two major items (Trestles and Tracks) were available; the others in varying quantities, though of a smaller value, had to be purchased/manufactured for assembly thereof.

COD, Jabalpur assembled 56 Sets after procurement of deficient components. In the event of COD, Jabalpur undertaking assembly of additional 124 (180-56) sets, as many as 11 components out of 13, com-

prising the main equipment would have to be procured in substantial quantities. The details of items that would be necessary to procure if 180 sets were to be assembled are indicated below:—

Sl. No.	Part No.	Number would have been necessary to procure if 180 sets were to be assembled
1	EB 8291	410
2	EB 8693	—
3	2090-000005	1080
4	2090-000006	2160
5	EB 8694	720
6	EB 9342	720
7	EB 9270	515
8	EB 9271]	137
9	EB 9272	667
10	EB 9273	652
11	EB 9274	567
12	2090-000004	—
13	2090-000008	178

Additional quantities of components would also have to be procured for maintenance spares.

The list of spares of 13 items issued to units during the period from 1.9.1970 to 31.8.1973 is at Annexure—A. The issues were made out of stocks held purchased|manufactured.

It may be added that there is no link between the provisioning of the main equipment and assembly of components into the main equipment. The spares are provided for only maintenance of equipment in use and not for assembly of complete equipment, as this is more costly than procuring the whole equipment.

Since assembly of components into main equipment is never visualised or provisioned for, it will be appreciated that it will not be possible to hold any officer responsible.

Regarding other recommendation of the Committee, i.e. exploring the feasibility of assembly of main equipment from components where spares are available with a view to avoiding unnecessary

purchase from outside, the position is as follows:—

The Spares are provided only for maintenance of main equipment in use. Assembly of equipment from spares, some of which may have to be procured, will be a process far more costly than the equipment itself. The maintenance spares are procured as per approved scales and their diversion for assembly of an equipment will often lead to further procurement of such spares while at the same time maintenance itself will suffer.

[Ministry of Defence O.M. No. 12 (21)/73/D (O.I.), dated 15-12-1973.]

ANNEXURE 'A'

COPY

Spares issued to the units from 1st September, 1970 to 31st August 1973

Sl. No	Part No.	Nomenclature	Qty
1	E2-EB 8291	Chocks No. 2 C/W/ 7/8" x 1 1/2 Pad	53
2	EB 8693	Guys adjustable C/W Cordage runner & Hooks	258
3	2090-000005	Runners for Guys adjustable	121
4	2090-000006	Hooks for Guys adjustable	264
5	EB-8694	Retainers choke (cordage 1" with fl screw eye)	166
6	EB-9342	Pine King Post C/W Lug and Chain	104
7	EB-9270	King post C/W Pin Lug and Chain	22
8	EB-9271	Stays King Post adjustable 2' cordage	77
9	EB-9272	Stays ramp adjustable 12 Ft.	54
10	EB-9273	Clips ferrying rope	87
11	EB-9274	Stays king post adjustable 1 1/2	29
12	2090-000004	Trestl post raft	16
13	2090-000008	Tracks Raft	33

Recommendation

The Committee have been given to understand that after the Court of Inquiry ordered in May, 1967, in one Infantry Division, 2 more Courts of Inquiry were held in two other Divisions. The latter two courts have found a number of Officers responsible for various lapses. Although disciplinary action has been taken against five officers held responsible by the first Court of Inquiry, no such

action appears to have been taken on the basis of the subsequent inquiries. The Committee would await a report in this regard.

[Serial No. 10 (Para No. 1.79) Appendix VI of 82nd Report of the PAC (Fifth Lok Sabha)]

Action Taken

The two subsequent inquiries referred to by the Public Accounts Committee were held in 10 and 26 Infantry Division. Although the Courts blamed some of the officers for certain lapses, the superior authority i.e. the General Officer Commanding in Chief Western Command opined that the main reason for the deterioration of soft bars was their sub-standard quality and short shelf-life. He further observed that the transactions having occurred over a period starting from 1965, no useful purpose would be served by the institution of further inquiries. Furthermore, since Government had suffered no loss in the transactions the General Officer Commanding-in-Chief did not recommend any disciplinary action.

2. DADS has seen.

[Ministry of Defence O.M. No. 11(14)/73/D (Budget), dated 4-10-1973.]

CHAPTER IV

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

Recommendation

The main bottleneck in achieving the rated capacity was with the HEC (Public Sector Undertaking) which was to supply a part of the weapon required for matching the production of the other part of the Ordnance Factory. As against the expected supply of 15 parts per month, the undertaking could supply at the rate of only one part per month as late as 1970. It is unfortunate that there was some confusion about meeting the requirement of forgings and castings for the production of this part by the undertaking. It was only in 1968 that it became clear that the Public Sector Undertaking must develop its own castings and forgings. Further, according to the Ministry of Steel and Mines, the Undertaking's capacity to supply the part of the weapon was only 5 per month and frequent changes in the drawings had partly accounted for the lower rate of production. All these require to be gone into to find out as to what went wrong. Considering the present capacity of the undertaking, steps have also to be taken to augment the production of the part of the weapon to reach the production capacity of 25 weapons per month.

[Serial No. 19 (Para No. 2.30) of Appendix VI to the 82nd Report of the PAC (Fifth Lok Sabha).]

Action Taken

While the HEC was under the impression that the Ordnance Factories would supply the required castings and forging to them for the Carriages ordered on HEC, the fact was that an agreement had been reached in December, 1965 with the Chairman, HEC that the Ordnance Factories would supply only 10 sets of castings and forgings for the first 10 carriages. Thereafter the HEC were to develop these castings/forgings and meet their requirements. The DGOF had completed supply of these 10 carriages to HEC in December, 1968.

2. As regards frequent changes in the drawings, it is a fact that some changes were made at the instance of the Development Team. HEC had been kept informed of these changes which were of minor nature.

3. Since 1969, Ordnance factories have been supplying the required accessories and equipments but HEC's production rate is still below 5 sets per month.

[Ministry of Defence O.M. No. 26(4)/73/D(PA), dated 18-12-1973.]

According to the assessment of the capability of the Heavy Engineering Corporation made by Shri L. C. Kotwal, Deputy General Manager Gun Carriage factory Jabalpur in his report dated 4th April, 1968 to manufacture Carriages the Corporation had a capacity for manufacture of not exceeding 5 carriages per month from June, 1969 onwards. The supply of 15 Nos. of weapons per month was envisaged only in the letter of intent issued by DGOF to HEC in April, 1966. This figure was not based on realistic estimates.

As regards increase in the rate of production of the weapon to reach the production capacity of 25 weapons per month in HEC, it may be mentioned that there is no likelihood of further orders of similar Carriages being received from Ministry of Defence. The question of increasing of the rate of production, therefore, does not arise at this stage.

[Ministry of Heavy Industry, O.M. No. 9-26/73-HEC-1, dated 12-2-1974.]

Recommendation

The Committee regret that in the purchase of parts of 16 AVRO aircraft of which 5 were to be modified to VVIP version and 10 to executive version, between 1963 and 1965 from a foreign company various lapses occurred as detailed below:

- (1) The sanction issued by the Government for the purchase was strangely enough on the basis of a mere 'guess work' as admitted by the Secretary, Defence Production.
- (2) Although under the agreement concluded in July, 1959 the company was to furnish a complete list of all the components within 12 months, the itemised price list was received only in October, 1964 for series I and in October, 1965 for series 11 of the aircraft. No action appears to have been taken against the company for this delay.

- (3) At the time when the agreement was executed the aircraft was only at the design stage. The company's promise regarding the supply of itemised price list was thus admittedly unrealistic.
- (4) As against the sanctioned amount of £ 2,502.282, the amount claimed by the company was £ 3,413.633. No further approval of Government was obtained sanctioning this increase.
- (5) The difference in cost of modifications alone was £4,56.321. Even a rough indication of the cost of modifications was not obtained for series II of the aircraft (i.e. 12 out of 16) from the company.
- (6) A committee appointed by Government (Sen Committee) had reported in December, 1966 that there had been a failure of procedure in the Ministry of Defence in that the issues involved had not been brought to a focus and orders of appropriate authorities obtained in time.
- (7) As regards the additional and optional equipments for the aircraft the basis of sanction was an indication of £ 2,000 per aircraft. An IAF team had pointed out that the figure would be around £ 9,300. Clarification had been sought by Air Headquarters and the IAF team had intimated that detailed lists were being worked out by the company. This had not been brought to the notice of Government. According to the Sen Committee, it was clearly incumbent on Air Headquarters to have brought this major change in the estimates to the pointed notice of Government and the omission in this regard is to be taken as a lapse for which the Headquarters have to bear the blame.
- (8) The Defence Accounts Department had not, regrettably, detected the irregularities in the course of audit. The Controller General of Defence Accounts accepted that there was failure in his organisation.

This is hardly the way to process the purchase proposals involving crores of rupees in foreign exchange. All that the Government has done in the matter so far has been to caution one ex-Air forces Officer and to issue a simple circular and that too in December, 1969 to the effect that "it should be ensured that where a particular sanction is proposed to be exceeded the matter is brought to the notice

of authorities concerned at the earliest opportunity". The explanation given for the delay in taking follow-up action on the Sen Committee report is not convincing. The Committee are also not satisfied with the perfunctory nature of the action taken. They desire that the case should be reviewed in all its aspects and comprehensive instructions issued besides taking appropriate disciplinary action against the officers concerned for the various lapses and failures including those of the Accounts organisation.

[S. No. 24 (Para No. 2.74) of 82nd Report PAC (5th Lok Sabha)]

Action Taken

Sl. No. 24(1).

The sanction issued by the Government for the purchase was strangely enough on the basis of a mere 'guess work' as admitted by the Secretary, Defence Production.

Action Taken

This is a statement of fact.

Sl. No. 24(2).

Although under the agreement concluded in July, 1959 the Company was to furnish a complete list of all the components within 12 months, the itemised price list was received only in October, 1964 for series I and in October, 1965 for series II of the aircraft. No action appears to have been taken against the company for this delay.

Action Taken

This is a statement of fact. However it should be mentioned that an itemised price list was received on 24-11-60. This was not accepted as it did not satisfy the stipulation regarding the ceiling of £ 158,000 mentioned in the Licence Agreement. Subsequently a second price list was received on 29th May, 1963, which was also not wholly satisfactory. Further discussions were held with HSAL and in June, 1964 a satisfactory agreement was reached according to which the list received on 29th May, 1963 was to be acted upon and adjustment in price made as agreed between the two sides. This position had also been explained to the Public Accounts Committee when para 12 of the Audit Report (Defence Services—1964) was being considered by them.

Sl. No. 24(3)

At the time when the agreement was executed the aircraft was only at the design stage. The company's promise regarding the supply of itemised price list was thus admittedly unrealistic.

Action Taken

The observations are noted.

Sl. No. 24(4).

As against the sanctioned amount of £2502.282, the amount claimed by the Company was £ 3,413,633. No further approval of Government was obtained sanctioning this increase.

Action Taken

This is a statement of fact. However, it may be mentioned here that indents had been placed on the DGISM London, on the basis of Government sanction issued from time to time. Necessary foreign exchange was also released. When the Company claimed additional amount, necessary foreign exchange to cover the extra amount was released and authority for payment was given to DGISM London, with the approval of the Competent Authority. As however, the increases were within the discretionary powers of DGISM London, in each case no formal Government orders sanctioning the extra expenditure seem to have been issued.

Sl. No. 24(5).

The difference in cost of modifications alone was £ 4,56,321. Even a rough indication of the cost of modifications was not obtained for Series II of the aircraft i.e. 12 out of 16 from the Company.

Action Taken

This is accepted.

Sl. No. 24(6).

A committee appointed by Government (Sen Committee) had reported in December, 1966 that there had been a failure of procedure in the Ministry of Defence in that the issue involved had not been brought to a focus and orders of appropriate Authorities obtained in time.

Action Taken

This is a statement of fact.

Sl. No. 24(7).

As regards the additional and optional equipments for the aircraft the basis of sanction was an indication of £ 2,000 per aircraft. An IAF team had pointed out that the figure would be around £ 9,300. Clarification had been sought by Air Headquarters and the IAF team had intimated that detailed lists were being worked out by the Company. This had not been brought to the notice of Government. According to the Sen Committee, it was clearly incumbent on Air Headquarters to have brought this major change in the estimates to the pointed notice of Government and the omission in this regard is to be taken as a lapse for which the Headquarters have to bear the blame.

Action Taken

This is a statement of fact. The disciplinary aspect against the officer concerned in Air Headquarters has been explained under Serial No. 25(A) below.

Sl. No. 24(8).

The Defence Accounts Department had not, regrettably, detected the irregularities in the course of audit. The Controller General of Defence Accounts accepted that there was failure in his organisation.

Action Taken

The observations of the Committee are noted.

Sub-para

This is hardly the way to process the purchase proposals involving crores of rupees in foreign exchange. All that the Government has done in the matter so far has been to caution one ex-Air force officer and to issue a simple circular and that too in December, 1969 to the effect that "it should be ensured that where a particular sanction is proposed to be exceeded the matter is brought to the notice of authorities concerned at the earliest opportunity."

Action Taken

Noted. In view of the fact that the importance of preparing detailed project report has been realised by HAL and Government

and for all new projects detailed work is being done before proposals are put up to the Board of Directors of the Company and Government, similar lapses are not likely to occur again.

[Ministry of Defence O.M. No. 48(42)/2/93/D(HAL-II), dated 10-1-1974.]

Recommendation

The explanation given for the delay in taking follow-up action on the Sen Committee reports is not convincing. The Committee are also not satisfied with the perfunctory nature of the action taken. They desire that case should be reviewed in all its aspects and comprehensive instructions issued besides taking appropriate disciplinary action against the officers concerned including those of the Accounts organisation for the various lapses and failures.

[Para No. 2.75 of 82nd Report of P.A.C. (5th Lok Sabha.)]

Action Taken

The Sen Committee Report was submitted to Government in December, 1966. No follow up action was taken on this report till April, 1969. Secretary (DP) has already deposed before the PAC that the delay was due to the fact that the concerned Joint Secretary desired to deal with the case personally but could not do so on account of his pre-occupation with the Aeronautics Committee's proceedings. The officer had explained that the delay was not on purpose but due to inadvertance only. The Minister for Defence Production to whose notice the matter was brought had accepted that the delay was inadvertant. The question of reviewing the case with a view to taking desciplinary action against the officer has again been considered and orders of RUM have been obtained. In view of the fact already explained a fresh review of the case is not likely to throw further evidence or establish any *mala fide* intention, the Government after careful consideration, have decided that no disciplinary action against this officer is considered.

2. With regard to the processing of the HS-748 project, as already explained before the PAC there were only two officers who could be held responsible for the lapses. Firstly Gp. Capt. Krishnan who was the AVRO Project Officer. The Sen Committee has considered him responsible for not bringing to the notice of the Government the budgetary price of optional modification an indication of which was given by the IAF team. Unfortunately, at this stage, no action can be taken against him because he has already retired from the Airforce. The second officer in questions is Gp. Capt. P. D. Chopra, who has also

retired from the IAF but is now working as General Manager of the Kanpur Division of HAL. He was the leader of the IAF Team in UK and he had considered certain modifications indicated by M/s. HAL to the series 2 aircraft as minor. As a matter of fact he had already indicated in a separate enquiry that the report he made was based on the discussion with the Avro manufacturers. It may be stated here that M/s. HSAL had clearly indicated that they would not be in a position to quote any firm price. Under the circumstances it is doubtful whether he could have done anything better. Infact the Chakravorty Committee which had gone into the price aspects of the aircraft also corroborated his opinion. There is no evidence of any kind which could point to any malafide intentions. At the worst, this was a case of an error in judgement.

3. The recommendations of the PAC that the case should be reviewed has been considered. In the circumstances explained above, Government have come to the conclusion that no further action is called for.

4. The recommendation of the PAC that comprehensive instructions should be issued in the matter has also been considered. It may be emphasised, as admitted before the PAC, that the variation in prices has mainly occurred due to want of a Project Report. This lacuna has since been set right as detailed instructions are already available for preparing project report before undertaking any projects involving substantial financial investments. Copies of the following instructions are attached for perusal.

(i) *M. of D. u.o. No. 17(203)|66|D(PS) dt. 22-12-1966.*

This stresses the need for very careful and complete assessment of the various aspects involved before setting up of important projects.

(ii) *Letter No. 16(2)|67|D(HAL-II) dt. 1-12-1969.*

This enjoined upon HAL the necessity to avoid recurrence of similar cases in future.

(iii) *M. of D u.o. No. 17(336)|D(PS) dt. 19-12-1969.*

This indicated the necessity of bringing to the notice of Government the change in the budgetary price, if any, made by the collaborators/manufacturers.

(iv) *Ministry of Supply O.M. No. P-II-1|II|70 dt. 18-8-1970.*

This lays down that the Indian side should provide in the Agreement with foreign collaborators suitable price verification clause, so

COPY

No. 16(2)|67|D(HAL-II)

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

(Department of Defence Production)

New Delhi, December 1, 1969.

To

The Chairman,
Hindustan Aeronautics Limited,
Indian Express Building,
Vidhana Veedhi,
Bangalore-1.

SUBJECT:—Settlement of prices of HS-748 aircraft modifications with HSAL in 1966.

Sir,

I am directed to say that a disquieting situation faced in the negotiations with HSAL in May 1966 was the increase over the sanctioned estimates of prices of Executive Layout equipment required for HS-748, Series II aircraft for IAF. Orders for the equipment were placed on the basis of budgetary indications of ceiling cost given by HSAL for Series I aircraft. Certain modifications were indicated by HSAL for the Series II aircraft, but these were considered as minor by the IAF Team, Manchester, and, therefore, included without change of prices in sanctions for Series II aircraft. The IAF Team accepted the modifications as minor without fully satisfying in regard to the actual scope. This is brought to your notice with the request that suitable instructions may be issued to avoid recurrence of such cases.

2. This may also kindly be specifically brought to the notice of Gp. Capt. (Retd.) P. D. Chopra, General Manager, HAL, Kanpur Division, who was the Leader of the IAF Team at that time and who intimated that the changes were minor.

Yours faithfully,

Sd. J. P. KACKER

Joint Secretary to the Government of India.

COPY

MINISTRY OF DEFENCE
(Department of Defence Production)
 D(PS)

SUBJECT:—Need to obtain proper sanction or report to competent authority in cases where the original sanction is proposed to be exceeded.

It has come to notice that in an important project relating to the manufacture of aircraft, financial sanction for equipment was given on the basis of budgetary prices indicated by a foreign firm. The prices were subsequently increased by the foreign company, but no further sanction was obtained.

2. It should in future be ensure that were a particular sanction is proposed to be exceeded, the matter is brought to the notice of authorities concerned at the earliest opportunity.

Authenticated for issue

Sd|- MOHINDAR SINGH,

Sd|- J. N. Balley

Under Secretary (PS)

Section Officer

D(BEL), D(GRW|MD), D(HAL-I), D(HAL-II), D(Proj.), D(FY),
 D(NF), D (Food Admi.)

Copy also for information to:

DS(PS)|DS(R&A)|Under Secretary D(HAL. I)|Under Secy.
 D(HAL. II)|US(PS)

OSD(GRW|MD)|Dir. P&C.

Copy also to DFA (Projects)

Confidential

COPY

GOVERNMENT OF INDIA
 MINISTRY OF SUPPLY

No. PII-1 (II) |70

New Delhi the 18th Aug. 1970.

OFFICE MEMORANDUM

SUBJECT:—Purchases under Collaboration Agreements—Question of taking measures to avoid payment of Higher prices.

The undersigned is directed to enclose a copy of letter No. 1052-TAI|768-63, dated 2-4-65 from the Deputy Comptroller and Auditor General of India, New Delhi and to say that the matter was examined

in this Ministry some time back and it was *inter alia* decided that in cases where the stakes in any particular contract are large enough, the price verification clause should be included by the ISM, London| Washington, but such a clause need not be insisted in other cases, where it will deter competition or where the field is wide enough to ensure that a reasonable price is automatically obtained. A copy of this Ministry's letter No. PII-7(9)|64, dated 14.1.66 to the Additional Deputy Comptroller and Auditor General in this behalf is enclosed.

2. The Financial Adviser (I&S) has recently observed as follows:- -

"The Addl. Deputy Comptroller and Auditor General also pointed out that in the case of purchases under collaboration agreement, there is no competition and we have to pay high prices. Here again, in terms of the collaboration agreement, certain finished and semi-finished components have to be imported from the collaborators as in the case of ckd packs for the Automobile industry. Under the terms of the collaboration, we might not have any option or possibility of bargain by the purchaser. This aspect of the matter also deserves consideration and may affect other Ministries also."

3. Since the collaboration agreements are entered into by the Ministry of Defence, etc., they are requested to provide in these agreements suitable price verification clause, so that in respect of finished and semi-finished components to be imported from the collaborators, only reasonable and fair prices are paid to them.

Sd|- R. DAYAL,

Deputy Secy. to the Government of India.

To

1. The Ministry of Def-D(O&M) Section.
2. The Min. of Railways, New Delhi (O&M) Section.
3. The Min. of Industrial Development, New Delhi (O&M) Section.
4. * DGISM London.
5. DGISM Washington.
6. D.G.S.D.

Confidential.

Copy of d.o. No. 1052-TAI/768-64, dated 2.4.65 from the Dy Comptroller and Audit General of India, New Delhi, to Joint Secretary, Department of Supply, New Delhi.

During the course of audit of the transactions relating to contracts entered into by the ISM, London the Director of Audit, Indian Accounts in U.K. HAS come across a number of cases where the contracts contained a clause that the prices charged would be fair and reasonable. As you are aware various contracts involving huge amounts have been entered into, in the past, in connection with the setting up of major productive units or supply of various articles both for defence and civilian purpose. In a very large number of cases the contracts have been concluded after negotiations and not purely on the basis of competitive tenders sometimes competitive tenders could not be invited as the articles were of proprietary nature. In such negotiated contracts the risk that we may be paying much more than what is fair and reasonable is always there and it is both necessary and desirable that some reasonably effective safeguards should be evolved to guard against such result. In this connection, I would like to point out that the Director of Audit, India Accounts in U.K., recently examined some contracts concluded with a few French firms for the supply of aircraft spares and tank spares etc. and noticed that the prices charged by these firms for these purchases were very high compared to those charged in 1956, when the main contracts for the supplies of aircraft and tanks were finalised. It was noticed by him that whereas the general increase in the wages and cost of material in France could have accounted for an increase up to 65 per cent since 1956, the increase in prices charged for certain items ranged upto 1100 per cent. The need for providing safeguards would, therefore, be apparent.

2. It is felt that in respect of contracts regarding purchases where collaboration agreement exist, as well as contracts for huge purchases from a particular firm or company, where no collaboration agreements exist, there should be a clause that documents relating to costs will be open to examination by the representatives of the Government of India. Such examination would either be in regard to the reasonableness and fairness of the price charged where the contract does not specifically mention the price or in regard to the fairness of the price where the contracts do mention the price. Such a clause should also be there where the contracts contain an escalation clause for revision of price on account of increase in wages, cost of materials etc. It is also necessary to make clear that the documents indicating

the actual costs of production and not the estimates are to be produced. An examination of the estimates of the cost of production is not likely to serve any material purpose as the actuals may beat the estimates very appreciably.

3. It is important to note that the mere existence of a clause in the contract is not likely to materially help unless an effective use of the rights conferred by such a clause is made. As a matter of fact some contracts did provide that the Government of India would be provided with reasonable facilities and information to satisfy itself that the contractors' prices were fair and reasonable. In certain other contracts, a clause existed that the Government of India reserved the right to examine records relating to costs to satisfy themselves of the correctness of costs charged to Government. It seems, however, that effective use has not been made of these clauses in the past. Cases where the necessary documents were not available at the office of the contractors because of belated action taken by the Department or where the contractors declines to produce the more important of the relevant documents have come to our notice. It is, therefore, necessary that in future fullest advantage of this clause is taken to ensure that the prices charged are fair and reasonable. It is also felt that a representative of the Audit Department should also be entitled to examine the records and that as the firm or the Company would be reluctant to make its records available once to a representative of the Government of India and again to a representative of the Audit Department both the representatives might examine the records at the same time.

4. I should be grateful if you could get the whole matter examined in the light of the above remarks and intimate to us the views of Government on the suggestion.

Copy of d.o. letter No. PII-7(9) |64 dated 14.1.66 from Shri N. R. Bansod, Joint Secretary, Ministry of Supply to Shri O. K. Ghosh, Addl. Dy. Controller and Auditor General of India etc. etc.

Please refer to your d.o. letter No. 1052-TAI|768-64 dated 2.4.65, regarding verification of documents of firms to ensure that the prices charged are fair and reasonable.

2. It may be mentioned that this question was discussed in the PAC in its meeting held in 25-9-65. We have since examined the matter carefully in consultation with Secretary Department of Expenditure, Ministry of Finance, and it is considered that although it may not always be possible to enforce price verification clause included in contracts, it would be advisable to adopt a flexible approach in

such matters. In cases, where the stakes in any particular contract are large enough, the clause should be included, but we need not insist on such a clause in other cases, where it will deter competition or where the field is wide enough to ensure that a reasonable price is automatically obtained. It is felt that such a clause should be used sparingly but where it is incorporated it should be done with eye to follow up which should neither be shelved nor become a formality.

Sd|- N. R. BANSOD.

Copy with a copy of d.o. letter dated 2.4.65, dated above, forwarded in continuation of this Department's endt. No. PII-7(7)|63, dated 22.12.64 to the:—

1*Ministry of Finance (SW) with reference to their u.o. No. C.4512 dated 5-1-66.

2*DG, ISM, London for information & Guidance.

3*DG, ISM, Washington for information & guidance.

*In case where it is decided by the Missions to incorporate price verification clause in large value contracts, they should draft the clause in consultation with their Financial & Legal Advisers, after taking into consideration the points raised by the Additional Deputy Comptroller and Auditor General in his d.o. dated 2.4.65 referred to above. The Missions should also follow up the strict enforcement of price verification clause in contracts, where incorporated so that it does not remain a mere formality.

4. DGS&D (Coordination Section), New Delhi.

5. Director of Audit, India Audit Office, 55 Jermyn Street, London SW1.

6. PI Section in the Department.

7. File No. PIL-8(6)|65.

8. Guard file.

COPY

MINISTRY OF DEFENCE

D(PS)

SUBJECTS—*Association of the representatives of the Finance Ministry at the various stages of formulation of important projects as also in the selection of sites for the projects.*

A copy of Office Memorandum No. 28(24)|P.F. II|70 dated 16.10.1970

on the subject, received from the Ministry of Finance (Deptt. of Expenditure), Plan Finance Division, for information and guidance.

Sd|- J. N. BALLEY

for Deputy Secretary to the Govt. of India.

D (HAL-I) | D (HAL-II) | D (BEL) | D (Prod|Admin) | D (FY) | D (NF)

M of D U.O. No. F. 17 (352) | 70 | D (PS) dated, the 31st December, 1970

Copy also to: C.C. R&D | DGI | S.O.II | D (PS) | Shri Dutt.

COPY

A copy of Office Memorandum No. 29 (24) | P.F.II | 70 dated the 16th October, 1970, from the Ministry of Finance (Department of Expenditure) Plan Finance Division, New Delhi, to Shri Govind Narain (Secretary), Ministry of Defence (Production), New Delhi etc.

At a Conference recently convened by the Bureau of Public Enterprises, a suggestion was made that it may be useful if the representatives of the Finance Ministry are also associated at the various stages of the formulation of important projects as also in the selection of sites for the projects as they have an important bearing on the economic viability of the projects. This matter also came up for consideration recently at a meeting of the full Planning Commission presided over by the Prime Minister. It was also the view at this meeting that representatives of the Finance Ministry should be associated from the very beginning in the planning and formulation of new projects.

2. As you would be aware, some arrangements in this direction already exist *vide* Finance Secretary's D.O. No. 3213-S (IPF) | 67 dated the 5th August, 1967 addressed to the Secretaries of all the Administrative Ministries concerned with the projects suggesting the association of a representative each of the Department of Economic Affairs and the Department of Expenditure (Plan Finance Division) in the Planning of new projects. The Administrative Ministries are requested to associate also their Financial Advisers at the Planning stage of the new projects as also in the selection of sites for the projects. Such an association would greatly help the Financial Advisers in appreciating the project proposals when they are referred to them for further processing in the Ministry of Finance. This is also likely to facilitate an early clearance of these projects.

Sd|- P. K. KAUL

Joint Secretary to the Govt. of India.

CHAPTER V

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

Recommendation

As a result of bad workmanship and substandard materials improper ratios of cement and steel and poor supervision, cracks had developed in the portal and subsidiary beams in the main transmitter building. The SPE which investigated this case has, besides recommending suspension of business dealings with the contractor concerned, suggested departmental action against certain officers and subordinates. A technical board appointed to go into the question had also found supervision faulty. The case is stated to have been handed over to the Commissioner of departmental enquiries. The Committee may be informed of the disciplinary action taken against the persons concerned as a result of enquiry as also the steps taken to plug the loopholes, if any, in the works execution procedures. The Committee regret that although the defects in the construction was noticed as early as May 1968 conclusive departmental action is yet to be taken. They desire that there should be no further delay in the matter.

[Sl. No. 2 (Para 1.17) of Appendix VI—82nd Report of the PAC 1972-73 (5th Lok Sabha)]

Action taken

Three Service and three Civilian Officers were involved in the case.

Of the three Service officers, one had retired from service before the completion of Central Bureau of Intelligence's investigation. Further, Central Bureau of Investigation did not recommend any action against him. No action was, therefore, taken against him. Regarding another officer, it was decided to impose a ban on his re-employment for a period of 3 years after his retirement from service. Subsequently, however, this decision was reviewed and, in consultation with the Central Vigilance Commission, the ban imposed on his re-employment was lifted after two years had

elapsed from the imposition of the ban. As regards the third officer, "Severe Displeasure" of the General Officer Commanding-in-Chief, Central Command, was conveyed to him on 15-9-1971.

With regard to the disciplinary action against the three Civilian Officers, the Report of the Commissioner for Enquiries, together with the advice of the Central Vigilance Commission, has been received towards the end of August 1973. The same is under examination in the Ministry and the Committee will be apprised of the disciplinary action taken in due course.

Remedial Measures

In order to plug the loopholes in the works execution procedure, the following instructions have been issued:—

- (a) Technical instruction No. 15 of 1971 in respect of reinforcement in RCC beams. Extract is enclosed as Appendix 'A'.
- (b) OMG's Branch, Army HQ letter No. 61279|Q3W(Policy) dated 24 Oct. 69-Plg. & Progressing of Army Works Projects. Extract of paras 23 to 25 dealing with changes in approved projects is enclosed as Appendix 'B'.
- (c) EinC's Branch, Army HQ letter No. 39349|E2A dated 15 Mar. 71 Time Schedule for completion of works (copy enclosed as Appendix 'C').

DADS has seen.

[Ministry of Defence O.M. No. 11(14)|73|D(Budget), dt 18-12-1973]

COPY

APPENDIX 'A'

EXTRACTS FROM EINC'S TECHNICAL INSTRUCTIONS

TECHNICAL INSTRUCTIONS NO. 15 OF 1971, DETAILING OF REINFORCEMENT IN RCC BEAMS

1. A case has come to light where structural failure|cracks have occurred in long span RCC beams|portals. It has been found that these have occurred because of use of smaller lengths of reinforcement bars where longer lengths were required but not made available.

2. In heavy beams of long spans, every effort must be made to procure and use longer lengths bars to minimise laps and joints.

3. Where use of shorter length bars becomes unavoidable the following precautions must be taken:—

- (a) Lap joints must be avoided at or near points of maximum bending.
- (b) Joints should not be located at the same point along the length of the beam but must be staggered.
- (c) Where reinforcement is in more than one layer, not more than one lap joint should be allowed to be located in a single vertical section.
- (d) The diameter of spacer bars between layers of reinforcing bars should be the greatest of the following three dimensions:—
 - (i) 15 mm
 - (ii) Maximum size of coarse aggregate used.
 - (iii) Diameter of the largest size of reinforcement.
- (e) Where a large number of lap joints in the horizontal and vertical planes are unavoidable, welding of main bars should be resorted to. Details of welding should strictly conform to clause 20.3.4 of IS: 456-1964.
- (f) For RCC beams of spans exceeding 600 cm, a bar bending schedule must be prepared by the Engineer in Charge, taking maximum possible advantage of the lengths of bars available.

COPY

APPENDIX 'B'

EXTRACTS FROM ARMY HEADQUARTER'S LETTER NO. 61279/
Q9W (POLICY) DATED 24.10.1969

PLANNING AND PROGRESSING OF ARMY WORKS PROJECTS

Changes in Approved Projects

23. Instructions have been issued from time to time that Users requirements will be definitely settled before initiating a project. However, subsequent changes are sometimes necessitated due to the following:—

- (a) Revision of strengths, change in Government policy or location of units.
- (b) Changes in requirements by the Users.

24. In the case of (a) above, Staff will indicate the reduction in strengths and the Engineers will take immediate action to restrict the scope of the project as per para 34 Revised Works Procedure. If these changes necessitate provision of Additional accommodation, action will be taken in accordance with para 4 (b) of our letter No. A/30973/Q3 (Plg) dated 6 June 69.

25. No changes, other than those given in para 23 (a) above, will be permitted in an approved project without the prior approval of the CFA who sanctioned the project.

Sd/-

J. K. KHANNA,

Lt. Gen.

Quarter Master General.

COPY

APPENDIX 'C'

TELE: 376708

ARMY HEADQUARTERS

Engineer in Chief's Branch

No. 35239/E2A

DHQ-RO NEW DELHI-11

15 Mar. 71

To

E in C's Lists 'A' & 'B'

TIME SCHEDULE FOR COMPLETION OF WORKS

The time required for completion of projects, after release of administrative approvals, for which Engineers are solely responsible, has been examined and a time schedule has been worked out as per Annexure 'A' attached. This will also bring uniformity into the various time schedules adopted in different Commands.

2. The schedule takes the following factors into account:—

- (a) A work-load of Rs. 9 to 13.5 crores per Zonal Chief Engineer, with staff patterns as per Item 42 of Works Items of minutes of the Chief Engineers' Commandants' Conference of Apr. 70.
- (b) The standardisation of married accommodation.
- (c) Normal constructions only.

3. 'Q' Staff are being intimated that the success of this schedule depends upon the following:—

- (a) Forward planning by which works anticipated to be taken up in the following year are known well ahead.
- (b) A uniform flow of issue of administrative approvals is maintained.
- (c) No changes are made by users after accord of administrative approvals.

4. If, as may happen, to adhere to the last date of issue of administrative approvals, a number of administrative approvals are issued within a short period, 'A' Staff will be consulted regarding priorities and the effective date of administrative approval for the purpose of our time-schedule will be staggered from 1 Apr. of the following year.

5. Obtaining financial concurrence to excess over administrative approval amounts is occurring rather frequently at present. To avoid this and in order that the amount in TS is realistic, TS should be based on pre-priced figures worked out by E8. Where tenders are prepared on pre-priced schedules, which is the type recommended for adoption generally, the prices at par would be readily available with E8. Where, however, pre-pricing cannot be done for all the buildings in Schedule 'A', E8 will work out the cost at par with SSR for a few representative buildings and apply PA rates so arrived at, with suitable adjustments to evaluate cost at par with SSR or other buildings, and these costs will be furnished to planning for inclusion in the TS. Additional time required for this has been allowed for in the time schedule. By this method, realistic amounts will be catered for in our tender documents and taking into consideration prevailing market rates, as reflected in the average contractor's percentage, for that time and place it will be possible to conclude contracts within administrative approval amounts or apply for revision of administrative approvals well in time.

6. The planning capacity of Chief Engineers has been taken into account and liberal time permitted, where required. All PDCs for future married and other than married accommodation projects will also be based on the time schedule attached. This will be reviewed in Apr. 1973.

7. CE WC only: Your letter No. 81000|326|E8 dated 25 May 62 refers.

8. *CE EC only*: Your letter No. 920001|251|105 E2(W) dated 11 Apr. 62 refers.

9. *CE SC only*: Your letters No. 20253|E2 dated 4 Apr. 62 and No. 240303|1|E2|TC dated 11 Sep. 71 refers.

Sd|-

B. N. DAS

Maj Gen.

DGW

for Engineer in Chief

Encl: Annexure 'A'

Copy to:—

All CsWE

All GEs

All AGEs (Ind)

TIME SCHEDULE FOR EXECUTION OF NORMAL WORKS (AFTER RECEIPT OF ADMIN. APPROVAL)

Sl. No.	Stage of Work	upto Rs. 1 lakh	upto Rs. 2½ lakhs	upto Rs. 7½ lakhs	upto Rs. 20 lakhs	upto Rs. 25 lakhs	upto Rs. 1 Crore
1	2	3	4	5	6	7	8
1	Issue of work operational order assigning division of responsibility	1 week	1 week	8 weeks	1 week	1 week	2 weeks
		*1 week	*1 week	*1 week	*1 week	*8 week	*1 week
2	Issue of tender notice and forecast requirement of stores/TIP & demanding stores which take a long time to obtain.	8 week	1 week	8 week	8 week	1 week	2 weeks
			*1 week	*1 week	*1 week	*1 week	*2 weeks
3	Preparation of Contract documents	4 weeks	5 weeks	6 weeks	8 weeks	10 weeks	16-20 weeks
			*2 weeks	*2 weeks	*2 weeks	*2 weeks	*3 weeks
4	Preparation of tender documents including issue of TS based on pricing done by E8 Section.	4 weeks	6 weeks	6 weeks	6 weeks	6 weeks	8-12 weeks
			*3 weeks	*3 weeks	3 weeks	*4 weeks	*8 weeks
5	Receipt of tender documents	6 weeks	6 weeks	6 weeks	6 weeks	8 weeks	8 weeks
			*4 weeks	*4 weeks	*6 weeks	*6 weeks	*2 weeks
6	Scrutiny and acceptance of Contract.	1 week	1 week	1 week	1 week	2 weeks	2 weeks
			*1 week	*1 week	*1 week	*2 weeks	*2 weeks
7	Period of Completion of Contract.	25	36 weeks	52 weeks	64 weeks	78 weeks	108 weeks
		[36 weeks					
8	Total time for completion of work from date of receipt of Administrative approval	43	55 "	73 "	87 "	106 "	146,150 "
		[55 "	*48 "	*64 "	*78 "	*94 "	139 "

NOTE : (1) Additional 4-6 weeks will be required where re-tendering revised Adm. Approval/Finance concurrence is involved.

(2) No period has been laid down for works over Rs. 1 Crore where time schedule is intimated in EFC Memo and Engr Appreciation.

* Period for material accommodation project.

Recommendation

The non-establishment of gear box line in one of the Ordnance factories is explained as due partly to the delay in getting complete set of machines. The Committee deprecate the delay in placing orders for the machines. They find that a salt bath Furnace which was found to be defective is yet to be repaired. It is surprising that although it was found defective in February 1966, the firm's bill was settled in full in June 1966. The responsibility for this lapse needs to be fixed. The progress in regard to either getting the replacement from the supplier or recovering the cost from them may be reported to the committee. The time taken to settle matter has been long. Further the committee are at a loss to understand how the Director of Inspection could pass the defective furnace. His responsibility in the matter should be examined.

[S. No. 22, (Para No. 2.41) of the 82nd Report of PAC (Fifth Lok Sabha)].

Action taken

The question of fixing responsibility for making the balance payment for the Salt Bath Furnace to the supplier firm was examined in consultation with the Director General, Ordnance Factories, Calcutta. DGOF is of the view that as there was no provision in the Purchase Contract for making full payment only after commissioning of the furnace and so long as the supplier has effected the repairs, it was not possible to withhold the balance payment. The matter has, however, been taken up with DGOF for reconsideration and fixing up of responsibility.

In regard to the replacement for the Furnace, DGOF is considering an offer from the firm alongwith other firms.

Further development with regard to the above will be informed to the PAC shortly.

As regards the examination of the responsibility of Director of Inspection, Ministry of Supply have since informed that the case relating to inspection of furnace, in question has been destroyed and that the Director General of Supplies and Disposals has instructed the Director of Inspection, Bombay to depute an Inspecting Officer urgently to Machine Tool Prototype Factory, Ambernath to collect the necessary data and furnish the information to DGS&D to examine the matter further. PAC would be advised of the position in this respect also shortly.

[Ministry of Defence O.M. No. 26/4/73/D(PA), dt. 17-12-1973]

Recommendation

While examining the utilisation of aircraft, the Committee have found that a sum of Rs. 25,211 is outstanding for recovery from persons who were not entitled to use the aircraft but used them for official purposes during the years 1969-70 to 1971-72. Further a sum of Rs. 468 is outstanding for recovery in respect of the use of aircraft by the Prime Minister for unofficial purposes. The progress of the recoveries may be reported to the Committee.

[S. No. 26, (Para No. 26) of Appendix VI to 82nd Report of PAC
(5th Lok Sabha)]

Action taken

On further examination it has transpired that the outstanding amount of Rs. 25,211.70 would stand reduced by Rs. 908.70. This is because that Shri T. A. Pai, Chairman, LIC and Shri Kalayaraman, Zonal Secretary, LIC travelled one way only between Palam and Raipur whereas the bill had been raised earlier for both ways. Out of the amount of Rs. 24,303 thus outstanding recovery, a sum of Rs. 23,803 has since been recovered leaving a balance of Rs. 500 only for the recovery of which expeditious action is being taken.

2. The question of recovering Rs. 468 in respect of airlift provided to the Prime Minister and Party during 1971-72 election will be considered as soon as certain information called for from the Prime Minister's Secy. is received.

[Ministry of Defence O.M. No. 48(42)|2|73|D(HAL-II), dt. 10-1-1974]

Recommendation

Government should consider how best the idle capacity of the ordnance factories can be utilised for meeting the requirements of major departments of Government such as Railways, P & T and the Police. What should matter is the overall cost to Government and orders cannot be withheld merely because the rates of ordnance factories are slightly higher. The Committee are of the view that other Ministries should be required to place orders for their requirements on the ordnance factories without further delay.

[S. No. 28, (Para 2.89) of Appendix VI of the 82nd Report of PAC
(5th Lok Sabha)]

Action taken

Government instructions already exist stipulating that, with a view to utilising the spare capacities of the Ordnance Factories, the requirements of other Central Govt. Depts. should,

wherever possible, be met by the Ordnance Factories, subject to the price payable being approximate to the market prices. In this connection a copy of M of D memorandum No. 468|53|D(Fy) dated 22-12-1953 is enclosed. Ordnance Factories are executing orders of various Govt. Deptts/Public Sector Undertakings like DGBR, DGBSF, DGSSB, P & T, Railways but significant quantities of orders have not been forthcoming. In this connection discussions were held in this Ministry in the month of April 73 & May 73 with the P. & T. Directoarte and the Railway Board and the position that emerged was that the main factor standing in the way of these Deptts. obtaining their requirements from the Ordnance Factories is that the Ordnance Factories cost is not competitive with trade cost. The question of the recovery of cost in respect of orders from other Central Govt. Deptts. has been carefully examined in consultation with the Ministries concerned and action is being taken to obtain a decision of Govt. in this regard.

[Ministry of Defence O.M. No. 26|4|73|D(PA), dt. 13-12-1973]

COPY

No. 468|53|D(Fy.)

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

(Department of Defence Production)

New Delhi, the 22nd Dec. 1953

MEMORANDUM

There is considerable spare capacity in various Ord. Fys. in the country. This surplus capacity can to a large extent, be diverted to the production of items of civil consumption. Government have decided that with a view to the utilisation of this surplus capacity, the requirements of Govt. Deptts. should wherever possible, be met by the Ord. Fys., subject to the approximate to the market price of such articles.

2. With a view to the implementation of the above decision of the Govt. the following procedure will be observed:—

- (a) A list of the type of stores which the Ord. Fys. can manufacture and the type of surplus capacity they possess for meeting certain orders is attached. The procedure described in (b) below should be followed only in respect of articles which are capable of being manufactured in the Ord. Fys. For other articles being existing procedure of direct indenting on the DGS&D or other Central Purchase authorities may continue.

- (b) The indenting Govt. Deptt. (which expression includes direct indenting authorities subordinate to Govt. Ministries such as the different Rly.) will make direct preliminary enquiries about the capacity in the Ord. Fys. and the cost that will be charged by the Fys. if an indent for any article were placed with the Fys.

In making the preliminary enquiry, 4 copies of the list of articles will be sent to the DGOF. The following details should be given:—

- (i) Full nomenclature of the store quoting drawing Nos.
- (ii) Quantity required.
- (iii) Delivery Period.
- (iv) Last purchase price, purchase date and reference.
- (v) Estimated annual requirements.

The DGOF will return one copy to the indent in Deptt. showing which articles he considers he can manufacture in the fys. If there are any articles out of the list which the DG has declared his inability to manufacture, the indenting deptt. could place indents for such articles on the DGS&D in the usual way. The three other copies of the list showing the articles which can be manufactured in the Ord. Fys. will be sent by the DGOF to the DGS&D showing there in the delivery period and price which the DGOF is likely to charge. On receipt of the same the DGS&D will then indicate against each item the market price as known to them retaining one copy sending one back to the DGOF and one to the indenter. In determining this market price, the DGS&D shall have regard to the last purchase price for the article, subject to any known variation since the date of last purchase in the price of raw materials, etc. In case of difficulty, DGS&D may also consult the Ministry of Commerce & Industry Development Wing. The DGOF will then inform the indenter which items he is in a position to manufacture and at what price. Orders for such items as the DGOF is able to manufacture will then be placed on him directly by the indentors if the prices quoted by him finally approximate to the market prices indicated by the DGS&D. Items out of the list which have not been accepted for manufacture by the Ord. Fys. will be indented for on the DGS&D, in the usual manner.

If an indent from Govt. Deptt. covers a number of items wherein it may be found that although the prices quoted by the DGOF for some of the items are higher than market price and are lower for

3560 LS—7

other, the cost of the entire order is approximate to the aggregate market price of the items taken together the order for the entire lot of articles taken together might be placed with the Odr. Fys.

Whenever an indent is placed on the DGS&D by a Govt. Deptt. for the type of stores covered by the list referred to in paragraph 2(a) above, an endorsement will be made to the effect that an enquiry has been made of the DGOF, and that the latter is unable to manufacture the articles at approximately the market prices.

The Ministry of Works, Housing and Supply has been consulted and has concurred in the issue of this memorandum.

NOTE

It would be of a assistance to the DGOF, if, in making the preliminary enquiry the last price, wherever known, is indicated against each articles.

Sd/- K. S. RAGHUPATHI,

Under Secretary to the Govt. of India.

To

All Ministries of the Government of India.

Copy to:—

The DGOF,
6, Esplanade East, Calcutta-1.
DGS&D, New Delhi.

Recommendation

The balance unutilised stock of leather fillets is valued at Rs. 8.43 lakhs. The Committee may be informed of the utilisation/disposal of the stock.

[Serial No. 33, (Para No. 2.99) of Appendix VI of 82nd Report of
PAC (5th Lok Sabha)]

Action taken

The entire stock has been declared as surplus and action is in hand for disposal of the same.

[Ministry of Defence O.M. No. 26(4)/73/D(PA), dt. 18-12-1973]

Recommendation

It is apparent from the reply of the Ministry that while adjusting 17,564 litres of paint under-drawals in other jobs it was not ensured that such under-drawals were not due to less consumption of

paint in those jobs. The Committee trust that this aspect has also been examined by the fresh Board of Enquiry and they would like to know the position in this regard.

[Sl. No. 35, (Para No. 2.108) 82nd Report of PAC (5th Lok Sabha)]

Action taken

This aspect has not been gone into by the Board of Enquiry.

The Board of Enquiry has since been asked to go into this aspect as well and submit its report. The Public Accounts Committee will be kept informed of the position on receipt of the decision.

[Ministry of Defence O.M. No. 28(4)/73/D(PA), dt. 18-12-1973]

Recommendation

The Committee note that construction of 1354 residential quarters for a Defence project was entrusted to a State Government on agency basis. Owing to variations in the specification of wood works for windows, ventilators and fan lights which were supplied departmentally, extra payment of Rs. 2.66 lakhs had to be made to the contractor. The wood work required under this contract as also some others was got fabricated from another contractor for departmental supply to various works. The explanation that though standard size windows, fan-lights and ventilators were got manufactured to achieve uniformity and expedite execution of works, the sizes were not kept in view while preparing the tender documents as the works had to be taken in hand urgently does not appear to be convincing. Urgency should not be pleaded as sufficient justification for all the failures. Here was a case of many failures to co-ordinate and to look ahead. There has been a clear lack of co-ordination. The Committee would suggest that the State Government may be requested to fix responsibility for this costly lapse.

[S. No. 36, (Para No. 2.116) Appendix VI of 82nd Report of P.A.C.
(Fifth Lok Sabha)]

Action Taken

The State Government has stated that the circumstances in which the tender documents were prepared were partly responsible for the lapse. Briefly, the various works at the project had to be taken up very expeditiously in view of the urgent and tight time schedule. There was, therefore, very little time to devote to the tender papers with the degree of attitudes required in this kind of work. The only

recourse open was to adopt estimates for similar items of work for which contracts were awarded or to face the consequences of a definite set back in the time schedule of the project.

Consequent upon the recommendation by the Public Accounts Committee, the question of fixing the responsibility, was considered by the State Government and it was found that the Executive Engineer who prepared the defective tender papers, and the Superintending Engineer and Chief Engineer who finally approved these, could be held responsible for such costly lapse. The State Government has, therefore, decided to hold a departmental enquiry against these officers.

In so far as lack of co-ordination referred in PAC's recommendations is concerned, we may submit that the detailed working of the State PWD was not subject to our scrutiny. However, as the State Government have proposed to proceed against certain of its officers, the outcome may be awaited and will be reported to the PAC Secretariat.

[Ministry of Defence O.M. No. 11(3)|73|20 (NF), dt. 10.1.1974]

NEW DELHI;
March 26, 1974.
Chaitra 5, 1896 (S).

JYOTIRMOY BOSU,
Chairman,
Public Accounts Committee.

S. No.	Para No of Report	Ministry/Department concerned	Conclusions/Recommendations
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1	2	3	4
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1.	1.8	Ministry of Defence	
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The Committee had observed that although the defects in the construction of the main transmitter building were noticed as early as May, 1968, conclusive departmental action was yet to be taken and had desired that there should be no further delay in the matter. However, from the reply of the Ministry sent on the 17th December, 1973, the Committee very much regret to note that as regards disciplinary action against the three Civilian Officers, the advice of the Central Vigilance Commission, which has been received in August, 1973, is still under examination. No further communication has been received from the Ministry. The Committee take a serious note of the delay in taking departmental action despite their specific observations. Normally it should not take this long to take a decision on the advice of the Central Vigilance Commission unless there are some specific reasons. The Committee would therefore require that the disciplinary action should be taken forthwith under intimation to the Committee.

2. 1.11 Ministry of Defence

From the details furnished by the Ministry the Committee note that in as many as 23 cases large areas of land requisitioned for defence purposes on payment of considerable compensation in various States are in unauthorised occupation extending over a period of 10 years in a number of cases. That the details of such cases which were stated to be under collection in December, 1970, could be intimated only in December, 1973, shows that there has been no effective centralised watch over the manner in which the requisitioned lands are put to use. Strangely enough 225 Bighas and 9 Biswas of land requisitioned for military training purposes at Bharatpur (Rajasthan) has been encroached upon by an agricultural farm of Rajasthan Government since 1965 and although the Collector has been requested to remove the encroachment there has been no response from him. The Committee desire that all these cases should be vigorously pursued at Government level with the authorities concerned. The Committee further suggest that there should be a centralised watch over the position in future.

3. 1.14 Do.

The Committee regret that the progress made in regard to disposal of unwanted stores since April, 1972 has not been intimated. Further, although the report of the Study Team constituted in September, 1971 for streamlining the existing procedures for assessment of surplus and disposal thereof was submitted in May, 1973, it is stated to be still under examination. It should be noted that the Study

Team had taken 20 months to report on such a limited question and its report is pending with the Government for about 10 months. The Committee are extremely displeased that unconscionable delay has already taken place and would require that suitable action on the recommendations of the Study Team should be taken forthwith.

4. I.17 Do.

The Committee had suggested that the necessity for hiring private residential accommodation should be carefully gone into by the Government with a view to seeing whether it would be economical for the Defence Department to put up their own buildings on the lands that might be available with them especially when they had the necessary organisation for the purpose. Mentioning a general decision taken in December, 1965 that the deficiencies of accommodation in the Defence Services should be made up in a phased manner, the Ministry have brought out that the limited availability of funds stands in the way. In view, however, of heavy rent liability for hired accommodation in places like Delhi and the undesirability of Government being involved in transactions, necessarily extravagant, with private real property interests, the Committee would suggest that priority should be given for construction of cheap and utility oriented accommodation in such places where the Defence lands are available.

5. I.21 Ministry of Defence & Ministry
of Heavy Industry

The Committee had noticed that there was some confusion about meeting the requirement of forgings and castings for the production of a part of the weapon by the HEC. It was only in 1968 that it became clear that HEC must develop its own castings and forgings. The Ministry of Defence have stated that an agreement had been reached

in 1965 with the Chairman, HEC that the Ordnance Factories would supply only 10 sets of castings and forgings for the first 10 carriages. It is regrettable that the reply of the Ministry of Heavy Industry is silent on this point. Further, the Committee had been informed that the capacity of the HEC to supply part of the weapon was only 5 per month although Defence had expected from them 15 parts per month. According to the information now given by the Ministry of Heavy Industry the capacity had been assessed in December, 1968 by the Deputy General Manager of the Ordnance Factory himself as not exceeding 5 per month from June, 1969 onwards. That Ministry have further stated that the figure of 15 per month mentioned in the letter of intent issued by the DGOF to HEC in April, 1966 was not based on realistic estimates. All this goes to show that there has been no coordination between the DGOF and the Public Sector Undertaking. Although the Committee had desired that the matter should be gone into to find out what went wrong, the replies from the Ministries concerned not only do not throw any light but also contradict each other. The Committee deprecate this and reiterate that the matter should be investigated and responsibility fixed.

6. 1.24 Ministry of Heavy Industry and
Ministry of Defence

Explaining the difference in the cost of production between the HEC and the Ordnance Factories the Ministry of Heavy Industry have *inter-alia* stated that the Ordnance Factories do not pay interest on capital and working capital while HEC has to pay interest. As regards clothing items the Committee had mentioned in paragraph 2.88

of the Report that the cost of production in the Ordnance Factories was higher than the cost of procurement from trade. The gap will be wider still if the interest overhead is taken into account. In order that a comparison of costs may not be vitiated, it is necessary that the cost of the Ordnance Factories should also be computed taking into account the interest on capital. Now that a part time high level Committee and a whole-time working group have been constituted to review the cost and management accounting system in Ordnance Factories, the Committee stress that the necessity for including in the cost of production the interest on capital also should be taken into account while reviewing the matter.

7. 1.25 £'0.

The Committee find it difficult to appreciate an apparent position where the HEC production costs of a specified item are 340 per cent higher than in Ordnance Factories. The reasons given for such difference seem inadequate and in any case reveal a potentially perilous situation in respect of strategic public sector production.

8. 1.28 Ministry of Defence

The Committee were surprised to note that although the salt bath furnace was found defective in February, 1966 the first bill was settled in full in June, 1966. The lack of provision in the purchase contract for making full payment only after commissioning of the furnace pointed out by the DGOF is not relevant to the point raised by the Committee. They accordingly stress that the responsibility for the lack of care should be fixed without further delay.

9. 1.29 Do.

As regards fixation of responsibility for the failure to detect during

inspection the defect in the furnace, the Committee regret to learn that the record relating to inspection has been destroyed. They would like to know whether the destruction of the record was not done prematurely especially because the defects in supply had come to notice as early as February, 1966 and it was necessary to preserve it. The matter, therefore, require through investigation. The Committee would also urge that such information as may be necessary should be obtained from the Ordnance Factory and the responsibility fixed forthwith for the failure of inspection under advice to them.

8 1 58 7/19/66 Ministry of Defence

10. 1-33 Ministry of Defence

The Committee had suggested that Government should examine as to what safeguards could be written into collaboration agreements so that the collaborators acquire a stake in establishing production in India in time. The Ministry have merely noted it for future guidance. They have not spelt out the safeguards that they propose to provide. The Committee, therefore, stress that general instructions be issued forthwith to all the Ministries/Departments suggesting incorporation of necessary safeguards in such agreements in future.

9 1 52 6/1/66

11. 1-35 Do.

The Committee take a very serious view of the perfunctory manner in which their detailed observations have been treated by Government. It is particularly perturbing that the delay in taking action for the criminal squandering of our scarce foreign exchange resources is again sought to be explained by the apparent remissness of a