

**PUBLIC ACCOUNTS COMMITTEE
(1967-68)**

FIRST REPORT

(FOURTH LOK SABHA)

**[Para 78 of Audit Report (Civil), 1967 re : Purchase of
Road Roller]**



**LOK SABHA SECRETARIAT
NEW DELHI**

July, 1967

Sravana 1889 (Saka)

Price : Rs. 2.15

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CORRIGENDA TO FIRST REPORT OF P.A.C. (1967-68)

(PRESENTED TO LOK SABHA ON 4.8.1967)

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Minutes of the sittings of the Public Accounts Committee held on the 26th and 27th May, 1967 and 29th July, 1967.

PUBLIC ACCOUNTS COMMITTEE
(1967-68)

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SECRETARIAT

Shri N. N. Mallya—*Joint Secretary*

Shri Avtar Singh Rikhy—*Deputy Secretary*

Shri R. M. Bhargava—*Under Secretary.*

(iii)

INTRODUCTION

1. Chairman of the Public Accounts Committee, as authorised by the Committee do present on their behalf this First Report on para 78 of Audit Report (Civil), 1967, relating to the Ministry of Supply, Technical Development and Materials Planning regarding the Purchase of Road Rollers.

2. The Audit Report (Civil), 1967, was laid on the Table of the House on 7th April, 1967. The Committee considered the case at their sitting held on 26th and 27th May, 1967. The Minutes of these sittings have been maintained and these form Part of the Report (Part-II*).

3. This case was considered by the Public Accounts Committee (1966-67) at their sitting held on the 21st December, 1966, on the basis of information furnished by the Ministry of Supply, Technical Development and Materials Planning. The Committee appointed a Sub-Committee to consider this case in detail. The Sub-Committee could not however, proceed with the examination of the subject because of the dissolution of the Third Lok Sabha on 3rd March, 1967.

4. The Committee considered and finalised this Report at their sitting held on 29th July, 1967.

5. For facility of reference the main recommendations/observations 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. X).

6. The Committee place on record their appreciation of the assistance rendered to them in the examination of these Accounts by the Comptroller & Auditor General of India.

They would also like to express their thanks to the officers of the Ministries of Works, Housing & Supply (Department of Supply), Finance and Law and the Central Bureau of Investigation for the co-operation extended by them in giving information to the Committee.

NEW DELHI;
July 31, 1967.
Stravana 9, 1889 (S)

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

*Not Printed. One cyclostyled copy laid on the Table and five copies placed in Parliament.

PURCHASE OF ROAD-ROLLERS
[Para 78 of Audit Report (Civil), 1967]

CHAPTER I
INTRODUCTORY

Brief History of the case:

The United Provinces Commercial Corporation was set up in 1945 as a firm with two partners. The partnership was registered with the Director General, Supplies and Disposals as agents and distributors of certain foreign manufacturers. On 17th March, 1955 they applied for registration as suppliers of road rollers, manufactured by Malcolm Moore of Australia. The firm's application was not accepted. They were told to advise their principals to get themselves registered with the Director General, Supplies and Disposals.

1.2. Meanwhile, an allied concern, viz., M/s. Agrind Fabrications Ltd., was granted a licence early in 1957 by the Ministry of Commerce and Industry for the manufacture of diesel road rollers. In February 1958 this firm requested the Director General, Supplies and Disposals, to allow associates M/s. United Provinces Commercial Corporation the partnership concern mentioned above to have direct dealings with the Director General Supplies and Disposals, on behalf and some orders for indigenous road-rollers manufactured by M/s. Agrind Fabrications Ltd. were placed on this allied concern. Upto September, 1960, four acceptances of tender for 30 indigenous road-rollers were placed with this partnership concern.

1.3. In January 1958 a second allied concern, viz., M/s. United Provinces Commercial Corporation (P) Ltd., was incorporated under the Companies Act as a private limited concern. This concern applied for registration on 3rd August, 1960 and was registered with the Director General, Supplies and Disposals, on 1st May, 1961, for tractor shovels and subsequently for other items, including imported road rollers manufactured by firms in the United States of America and West Germany.

1.4. A tender inquiry for road-rollers was issued, amongst others, to Messers United Provinces Commercial Corporation (the partnership concern) on 1st August, 1960. A quotation was, however, received not from United Provinces Commercial Corporation, the partnership concern, but from M/s. United Provinces Commercial Corporation (P) Ltd. which as stated above applied for registration on 3rd August, 1960 but was not actually registered till 1st May, 1961. However an order for 15 AGRIND/MOORE road rollers was placed for the first time on 22nd September, 1960 on M/s U.P.C.C. (P) Ltd. on which date neither Messrs United Provinces Commercial Corporation (P) Ltd. nor Messrs Agrind Fabrications Ltd. had been registered with the Director General, Supplies and Disposals for supply of road rollers manufactured indigenously by the latter firm.

1.5. During the period 1959 to 15th September, 1966, orders for 1229 road-rollers (176 from 1959 to 14th July, 1963, and 1053 from 15th July, 1963 to 15th September, 1966) costing Rs. 6.01 crores were placed on the firm.

1.6. Under the standard terms of payment prevalent in 1963, 95 per cent of the cost was payable after inspection and proof of despatch and the balance of 5 per cent on receipt of stores by the consignees.

1.7. In April, 1963, the firm wrote to the Director General, Supplies and Disposals, that they could increase their production if payment was made on proof of inspection rather than on proof of despatch. The request was considered by Government and it was decided in July, 1963, that the firm should be paid 90 per cent of the cost on proof of inspection, another 5 per cent on proof of despatch and the balance 5 per cent on receipt of stores by the consignee. It was stipulated that :—

- (i) the question of inclusion of a Warranty clause in the contracts should be examined;
- (ii) the revised payment terms should be valid for six months in the first instance; and
- (iii) it should result in increased production.

1.8. The question of including an indemnity bond in the contracts was also examined in consultation with the Ministry of Law who expressed the view that the bond could be dispensed with if a condition was included in the contracts to the effect that the contractor would hold the goods ordered for at his risk and responsibility until actually delivered. Consequently, the question of obtaining an indemnity bond was dropped. This clause suggested by the Ministry of Law was included in 10 acceptances of tenders but was omitted later in the subsequent.....acceptances of tenders.

1.9. According to Audit, the firm had not despatched till the 15th November, 1966, 417* road rollers on which they drew 90 per cent of the cost amounting to Rs. 187.97 lakhs during the period from 1963 onwards. Against this, the firm refunded Rs. 15 lakhs on 9th November, 1966 and promised to refund a further sum of Rs. 5 lakhs by 20th November, 1966, which they have failed to do. According to Audit, the firm also failed to furnish the promised insurance guarantee (to be converted into bank guarantee) for payment of the entire balance by about the end of December, 1966.

1.10. The following table shows that there were considerable delays in the despatch of road rollers by the firm after they had drawn

* Includes 69 road rollers orders for which were cancelled after inspection and drawal by the firm of 90 per cent advance.

90 per cent advance payments on inspection :—

Period of delay (in months)	1963-64		1964-65		1965-66		Total	
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
12 to 25 .	13	5.63	57	24.85	10	4.38	80	34.86
6 to 11 .	61	26.85	121	52.84	50	22.08	232	101.77
3 to 5 .	60	26.06	43	18.76	45	19.90	148	64.72
1 to 2 .	46	19.92	18	7.85	30	13.31	94	41.08
TOTAL .	180	78.46	239	104.30	135	59.67	554	242.43

(1) Number of road rollers.
(2) Amount of 90 per cent advance in lakhs of rupees.

1.11. Complaints were received by the Pay and Accounts officer from various consignees as regards :—

- (a) non-receipt of road rollers even after taking advance of 90 per cent of the cost on inspection;
- (b) delay in receipt of road rollers after taking advance of 90 per cent of the cost;
- (c) intimation of incorrect particulars of railway receipts by the firm to the consignees;
- (d) manufacturing defects in road rollers.

1.12. These complaints were brought to the notice of the Director General, Supplies and Disposals, by the Pay and Accounts Officer. Similar complaints were also received by the DGS & D, from the consignees direct. On these only warnings were issued to the firm. Government informed Audit in December, 1966, that all payments due to the firm had been stopped until the amount overdrawn by the firm was adjusted. The case had also been referred to the Special Police Establishment for investigation on the 25th November, 1966.

1.13. In the subsequent chapters, the various lapses which have taken place in this case are dealt with.

CHAPTER II

PLACING OF ORDERS WITH AN UNREGISTERED FIRM

In a written note, the Committee were informed: "Neither M/s. U.P.C.C. (P) Ltd. nor M/s. Agrind Fabrications Ltd. have been registered with the D.G.S.&D. for supply of road rollers manufactured indigenously by the latter firm." During evidence, the Committee asked whether it was the usual practice for the D.G.S.&D. to place contracts with un-registered firms. The Secretary, Department of Supply replied: "It is not the normal practice but orders are placed with unregistered firms in certain cases."

2.2. The Committee understand from the note furnished by the Department of Supply that in connection with scrutiny of applications for registration received from firms, the following reports are called for:—

- (a) Report from the Bankers regarding financial stability;
- (b) Current Income-tax Clearance Certificates and every year thereafter;
- (c) Ownership documents in respect of machinery in the factory and in the godown where necessary;
- (d) Inspection Report from Inspection Circle concerned on the firm's factory/workshop/godowns in order to ascertain their capacity and capability as manufacturers/stockists; and
- (e) Where considered necessary, report on the standing and respectability of the firms and the ownership of the factory etc. will be called for from the Civil Authority of the area.

2.3. According to the procedure in vogue during 1960-61, registration given for a particular store or group of stores was provisional for one year in the first instance in cases where the firms had not secured or executed any order from the Director General, Supplies and Disposals. This provisional registration was, however, to be confirmed for three years if suppliers had secured and satisfactorily executed at least one order from the Directorate General. This procedure was changed from 15th April, 1965, after which registration for a particular store or group of stores is given initially for a period of since years and is subject to renewal at the end of the period. If a firm is registered for additional stores during the period of validity of the original registration, the registration for such additional stores expires with the original registration. A Bank Report is not generally called for in the case of renewal of registration. Inspection Reports are also not called for at the time of renewal if there is no change of stores.

2.4. The Committee asked how the firm was asked to supply indigenous road rollers in 1960 when it was not registered for that purpose. The Secretary, Department of Supply, stated: "It was a lapse. No orders should have been placed if the firm was not registered." Explaining the reasons for not following the normal prac-

tice, the witness stated: "On account of the fact that this firm had supplied imported road rollers, a view was taken which, in my own judgment, was not a correct view, that orders might be placed with the firm notwithstanding that it was not registered, notwithstanding the fact that no security deposit was taken, notwithstanding the fact that no income-tax clearance certificate was obtained." Asked if there had been any complaints about the supply of imported road-rollers by the firm, the witness replied: "There were no complaints. At least no complaint was brought to our notice".

2.5. Asked if the other suppliers of road-rollers were registered with the D. G. S. & D., Secretary, Department of Supply, stated that Messrs Britannia and Messrs Jessops were registered. In the case of Garden Reach Workshop, the question of registration did not arise, as it was a Government undertaking.

2.6. The Committee are unable to understand how orders for 1229 road rollers involving a cost of Rs. 6.01 crores were placed on the firm from 1959 to September, 1966. The Committee feel that if the conditions prescribed for registration had been strictly enforced the serious short comings of the firm in the matter of its capacity to undertake execution of orders as well as in its standing and respectability would have come to notice right from the beginning. "The Committee find it difficult to believe that the failure of the office of the D.G.S.&D. to ensure compliance with the prescribed conditions was merely a lapse and feel that a full investigation into the circumstances under which orders were placed on these firms from 1960 to September, 1966 is called for."

The Committee would also like Government to review all cases where large orders involving substantial amounts have been placed on unregistered firm without complying with the prescribed formalities for verification of reliability and capacity to execute orders.

Non-fulfilment of conditions prescribed for placing of orders on unregistered firms.

2.7. The Committee have been informed in a note that "Orders are placed on unregistered firms only after verification of their capacity by the D.G.S.&D. Inspection Wing/Defence Inspectorate. Their financial standing is verified by calling for a report from their bankers. In fact, it is made clear in the invitation to tender itself that offers of unregistered firms are liable to be ignored if they fail to furnish the names of their bankers as well as the Income tax Clearance Certificate and performance statement in the prescribed proforma, detailing the full particulars of orders, if any, executed by them, placed by D.G.S.&D. or any other Government Department, normally a security deposit upto 10 per cent of the value of the contract which has been reduced to 5 per cent of the value of the contract with effect from 1-1-1964, is also obtained from unregistered firms for due performance of the contract. If, however, the item or items for which the order is proposed to be placed happens to be an item allied to one for which the firm is registered, or the officer approving the contract is of the opinion that such security can be dispensed with, no security deposit need be called for. In the latter case, the reasons for dispensing with security deposit be clearly recorded in the relevant purchase file. On untried firms, only trial orders should be placed".

Verification of production capacity

2.8. The D.G.S.&D. has always been reluctant to place orders on un-registered firms as their manufacturing capacity is unverified. The first order comprising 4A/Ts. for indigenously manufactured Agrind Moore Road Rollers was placed on M/s. UPCC (partnership concern) on 17/19-3-1960. A report on the capacity of M/s. Agrind Fabrications Ltd., the manufacturers of these road rollers, was not called before the placing of the first order and it is stated that "the purchase file does not reveal the reasons". According to the Ministry "Presumably, the verification of the firm's production capacity might have been made by the Development Officer as the Director General, Technical Development, had licensed M/s. Agrind Fabrications Ltd. for manufacture of these road rollers indigenously". In their note dated the 13th July, 1967 the Deptt. of Supply stated "D.G.T.D. have intimated that originally an industrial licence was issued to M/s. Agrind Fabrications Ltd. for the manufacture of 144 road rollers per annum. The licensed capacity of the firm was subsequently enhanced to 400 number per year by the Ministry of Industry."

2.9. The first order for indigenous Agrind Moore Road Rollers with M/s. UPCC(P) Ltd. for 15 road rollers was placed during September, 1960. The firm had submitted a quotation in response to a tender addressed to M/s. UPCC (partnership concern). While considering this offer, the performance of the partnership concern against the previous contract was taken note of. In view of the inordinate delay in executing these orders, the Inspection Wing suggested that it would be necessary to obtain a fresh capacity report of M/s. UPCC and M/s. Agrind Fabrications Ltd., the manufacturers. A capacity report was accordingly called for on the 3rd September, 1960, and it was furnished by the Directorate of Inspection on 8th September, 1960, and 14th December, 1960, indicating the capacity of the firm as 10 road rollers per month.

2.10. The Committee note that a capacity report was called for and received in September, 1960 in respect of Mrs. Agrind Fabrications Ltd. It is a serious omission that the production capacity was not verified either through D.G.T.D. or directly by the D.G.S.&D. before placing the first order in March, 1960.

Non-verification of financial position

2.11. One of the safeguards provided while placing orders on unregistered firms is to verify their financial standing by calling for a report from their bankers. The Committee inquired whether the financial position of the firm was so verified in 1959 or subsequently. The Secretary, Department of Supply, replied, "No, Sir". Asked whether it was not the normal practice to ascertain the financial position of the firm before placing orders, the witness stated that the normal procedure was not followed in this case. Asked whether the bankers' certificate was obtained in the present case, the witness replied that "No bankers' certificate was taken". Asked if anything was done to ascertain the financial position of the firm, the witness replied in the negative.

2.12. Asked whether the D.G.S.&D. had any material from which the financial position of the firm could be ascertained at any time, the Secretary, Department of Supply, stated that the firm had been registered for supply of other types of imported stores like excavators. At that time the usual financial investigation was made. But later on, when orders for road rollers manufactured indigenously were placed, the firm was not registered for that purpose and their financial position was not gone into, on the assumption that all these formalities had been complied with as the firm was already a registered one. Asked if the Finance Ministry had approved of this, the representative of the Ministry of Finance stated that as no registration had been carried out with regard to indigenous road rollers, the checking up of the financial position of the firm did not come up to a stage where it could have been referred to the Ministry of Finance.

Security Deposit not Taken

2.13. The Committee were informed in a written note that no security deposit was taken from M/s. U.P.C.C. (P) Ltd. in September, 1960, or subsequently, even though it was not registered with the office of the D.G.S.&D. for supply of road rollers manufactured indigenously. The financial position of M/s. Agrind Fabrications Ltd. was stated to be unsatisfactory in March, 1960, as is evident from the note dated 28th March, 1960 recorded by one of the Directors of D.G.S.&D. :—

“..... It is also learnt.....that though the authorised capital with M/s. Agrind Fabrications Ltd. is Rs. 10 lakhs, the issued capital is only Rs. 4½ lakhs and the paid-up capital is only Rs. 1½ lakhs. Their financial position does not seem to be satisfactory.....”

2.14. The Committee have also been informed in a note that “It has been noticed on re-verification that the question of security deposit was examined in September, 1960, while considering placement of an order for 30 road rollers on the firm, when it was decided that as the manufacturers, M/s. Agrind Fabrications Ltd., had manufactured road rollers for the D.G.S.&D. in the past, no security deposit need be taken. The question of furnishing security deposit was again reviewed in March, 1963 and it was decided not to ask for security deposit as D.G.S.&D. were placing orders continuously and M/s. UPCC(P) Ltd. were one of the main sources for the supply of indigenous road rollers. It was also mentioned that the firm were registered for other stores also”.

2.15. During evidence, the Secretary, Department of Supply, stated: “in this particular case, I am afraid, I feel that a security deposit should have been taken.....The supply of road rollers was effected in the past by the firm quite satisfactorily and in view of that this question of security deposit was not considered.” Asked in what way the firm's past performance was considered satisfactory, the witness replied that in the past the firm had supplied imported road rollers in 1957 and they had effected the supplies according to requirements. On his attention being drawn to 23 complaints (Appendix I) received before July, 1963, against this firm for supply

of road rollers, the witness agreed that the performance of the firm was not satisfactory. The witness added that "The supply of road rollers was very urgently required and the capacity was also limited. In view of the fact that earlier in 1957 the firm had supplied imported road rollers, the question of security deposit was not considered. It was a lapse. In my view it should have been considered".

2.16. The Committee regret to note that the Directorate General, Supplies & Disposals failed to verify the financial standing of the firm by calling for the prescribed banker's certificate before placing large orders between 1960 and 1966.

2.17. It is also surprising that no security deposit was taken either from the partnership concern M/s. UPCC or from M/s. UPCC (P) Ltd. from 1959 onwards. In view of the fact that the financial position of the manufacturers of Agrind road rollers, i.e. M/s. Agrind Fabrications Ltd., was known to Government to be unsatisfactory as early as March, 1960, the Committee find no justification for not taking adequate safeguards by way of a security deposit. Further, there were 23 complaints (App. I) upto July, 1963, regarding the supply of road rollers by this firm. The Committee feel that these complaints and the unsatisfactory financial position of the firm should have alerted the D.G.S.&D. to the need to take proper steps to safeguard the financial interest of the Government. They regret to note that these steps were not taken.

CHAPTER III

RELAXATION OF TERMS OF PAYMENT

The terms of payment in the first A/T placed on Messrs. U.P.C.C. (P) Ltd. in 1960 were the standard payment terms, viz., 90% after inspection by the Director of Inspection and proof of despatch and the balance of 10% on receipt and acceptance of stores by the consignee. These terms of payment continued for all supplies made by the firm between 1960 and July, 1963 when payment terms were revised. Before introduction of the revised terms of payment in July, 1963, orders were placed on the firm through A/Ts for 176 road rollers.

3.2. Between 1960 and July, 1963 it is on record that the firm made six requests for revising the terms of payments based on two alternative formulae.

- (a) 80% on a certificate of raw materials being ready, duly countersigned by their bankers;
- (b) 90% after inspection by the D.G.S. & D. inspectors and the balance after receipt of stores at site.

3.3. Details of these requests are given below:

3.4. *First request dated the 3rd March 1960.*—This request was actually made by the partnership concern, United Provinces Commercial Corporation. The firm offered a discount of 1% if progress payments were made to them in the following manner:—

- (a) 80% of the value of the equipment payable against a certificate of raw materials being ready, duly countersigned by their bankers;
- (b) 10% of the value of equipment against inspection and proof of despatch, and
- (c) 10% balance after final inspection or within 30 days from the date of delivery.

This request was examined in the office of the D.G.S. & D. The Directorate concerned had the following objections to the request being granted:

- (a) The firm's poor past performance.
- (b) The firm's unsatisfactory financial position;
- (c) such a facility once granted would create an embarrassing precedent.

The Deputy Financial Adviser attached to D.G.S. D. supported it on financial grounds in view of the discount offered.

3.5. The Director General was opposed to the request on the grounds stated above by the Directorate and the firm's application was rejected in consultation with the Department of Supply, Ministry of Economic and Defence Co-ordination and the Financial Adviser.

2nd request dated 12th August, 1960:

3.6. This was also by the partnership concern. This was a reiteration of the first and was rejected in view of the earlier decision.*

3rd request dated 10th February, 1961:

3.7. This and subsequent requests were made by U.P.C.C. (P) Ltd. The firm requested authorisation of payment for inspected road rollers on production of their bills together with relevant inspection notes. The firm stated that, if desired, the road rollers could be delivered to any authority nominated by the D. G. S. & D. The request was rejected as it was felt that the terms would act as a disincentive to the firm to get railway wagons.

3.8. The 4th request was made by the firm's representative at a meeting held in the room of Director General on 30th March, 1961, when they complained of blockage of their capital on account of delay in despatch of completed and inspected road rollers due to non-availability of wagons, and pressed for on account payments.

3.9. This request was turned down on the following grounds:—

- (a) The firm were having teething troubles and there were rejections against past contracts, for some of which supplies were also outstanding.
- (b) The firm were, therefore, not dependable and their offer would normally have been ignored.
- (c) Orders were being placed on the firm only because of the need to utilise all the indigenous capacity available.

5th request dated 19th April, 1961:

3.10. This was made against the tender for 37 Nos. The firm's offer was in the following terms:—

"As per your suggestion that we reconsider the quantity discount offer, in this particular instance for the order of 37 road rollers, we shall be prepared to give a rebate of Rs. 250/- each unit in case this bulk quantity is placed on us. As mentioned to you, however, we would be prepared to give 4% rebate on the prices quoted above, in case.

- (1) 90% payment is made against final inspection at works in Calcutta and, before despatch and delivery at Calcutta as

*In a subsequent letter, the Deptt. of Supply has stated as certain pages of noting portion are missing, it cannot be said whether this offer of the firm was at all considered.

accepted in A/T No. SE7/13118-L/II/2843 dated the 11th October, 1960. 10% value of the equipment to be paid within 30 days from the date of receipt of Road Rollers by the consignee or after satisfactory trial whichever is earlier, or alternatively.

- (2) 80% payment is made for bankers' certificate, for raw material, 10% at final inspection at works in Calcutta, 10% value of the equipment within 30 days from the date of receipt of the road rollers by the consignee or after satisfactory trial which ever is earlier."

3.11. The request was also turned down in view of the earlier decisions.

6th request dated 8th November, 1962:

3.12. The firm asked for assistance in getting priority for railway wagons or, alternatively, authorisation to deliver road rollers to the DGS & D's authorities or their nominees in Calcutta and for the facility of being able to present their bills to the P & AO supported by receipted delivery challans signed by the DGS & D's nominees. This request was in the nature of permission to make local deliveries. The request was rejected. The Progress Wing of DGS&D's Calcutta, was however, asked to assist the firm in getting road rollers moved to the respective consignees.

7th request dated 6th April, 1963:—

3.13. This was contained in a letter to the Director General. The firm requested:

- (a) 95 per cent payment after proof of inspection,
 (b) 5 per cent payment after receipt at site by the consignee.

3.14. Before the 7th request of April, 1963, of the firm is dealt with in detail, the Committee would like to mention briefly some of the factors which affected the supply and demand of road rollers. As a result of Chinese aggression in October/November, 1962, the demand for road rollers increased sharply. The production capacity of the three supplying firms, Messrs UPCC (P) Ltd., Messrs Jassops and Messrs Britannia Engineering, was about 500 machines at that time. The Secretary Ministry of Transport estimated in November 1962 that the minimum requirements of Ministry of Transport for emergent road and bridge works would be 500 road rollers. He even suggested the freezing of the existing stocks and future production, so that supplies could be made available for emergency requirements. It was accordingly arranged by the Ministry of Commerce and Industry that the existing stocks and future production would be frozen and that releases would be made by the DGS & D. These arrangements were put into effect in November, 1962, and have been in force since then.

3.15. A number of steps were also taken to augment the production of road rollers. On 20th November, 1962, a meeting was convened by the Ministry of Commerce and Industry (Development

Wing) which was attended by representatives of all the manufacturers of road rollers. The manufacturers drew attention to the following difficulties :—

- (i) Inadequate supply of powers for 3 shift production;
- (ii) Inadequacy of foreign exchange for essential imported components;
- (iii) Shortage of railway wagons.

At this meeting the representative of Messrs Agrind Fabrications Ltd., stated *inter-alia* that they were then producing at the rate of 10 road rollers per month but they could increase their production to 30 road rollers per month by working three shifts from January 1963.

3.16. The Department of Supply extended assistance to the manufacturers to get power supply, adequate allocation of foreign exchange, etc.

Consideration of request of firm for grant of special payment terms:

3.17. The firm in their letter dated 6-4-1963 to DGS&D (Appendix II) recounted some of their difficulties in increasing production and added: "If you could effect payment as soon as stores are tendered for inspection and have been duly inspected it would be possible for us to give you 30 road rollers and even more per month".

3.18. It appears that the Chairman of the firm saw the DGS&D on the 8th April, 1963 to pursue this request. The DGS&D noted as under :—

"..... Chairman UPCC told me that for increasing production they may be given 95 per cent on inspection and the balance to be paid on receipt by the consignee. As we are utilising the entire production and as there is always sometime lag between inspection and despatch. I have no objection to payment on inspection. This may be examined in consultation with Finance."

3.19. The relevant Directorate proceeded to examine the firm's request, as desired by the Director General, and made a recommendation or progress payment of 95 per cent on the basis of inspection notes. The Director General submitted the case for sanction to the Department of Supply (Ministry of economic and Defence co-ordination) with the following note dated the 14th May, 1963, which he recorded, after discussion with the Deputy Financial Adviser :—

"Deputy Financial Adviser discussed this question with me yesterday. He desired to know if there are any special circumstances which would justify a modification in our normal payment terms.

The total demand of Road Rollers for the Transport Ministry, Border Roads and Defence is of the order of 1,000 Nos.

for 1963. In addition demands from other indentors is about 300. The production in 1962 was of the order of 500. With a view to meet the very large demand for road rollers; the Ministry of Heavy Industries have already released adequate foreign exchange for the import of components. In spite of the various facilities given the production from the three units is still lagging behind. Therefore, it is necessary that an all-out effort should be made to increase the production. In the course of discussion which Chairman, UPCC, had with me, he told me that they could step up their production from 20 to 30 Nos. per month but one of their limiting factors was finance. It was their experience that considerable delay takes place between the date of inspection and the date of despatch as wagons are not readily available. Unlike trucks, road rollers cannot be transported by road over long distances. Therefore despatch of road rollers has necessarily to await the availability of wagons. This means that roughly there is a delay of about 30 days between the date of inspection and the date of despatch resulting in locking up of their capital. In these days of tight credit the firm is unable to obtain accommodation from the banks to the extent desired. Therefore, Shri (Chairman UPCC) felt that unless they are allowed payment on inspection, they would be unable to find the necessary funds for expanding the production of rollers from 20 to 30 per month. We, on the other hand, are badly in need of increased production to meet the demands of the various indentors. We should not, therefore, object to the demand made by the firm and thereby lose the increased production potential. I therefore, suggest that we accept the request of the firm and allow payment of 95 per cent of the cost on production of inspection note without proof of despatch. We would at the same time instruct the firm that they should not relax in their efforts to obtain wagon space having obtained 95 per cent of the cost on inspection. In any case, it is in the firm's interest to despatch the rollers as quickly as possible as otherwise these rollers would be blocking up space in their factory premises and the firm will not be able to receive the balance 5 per cent until the rollers reach the consignee's end.

If the other road roller firms also ask for a similar concession, we may have to concede the same. It may be recalled that we had allowed this concession to M/s. TELCO for TMB chassis required for defence."

3.20. This request was considered in the Ministry of Economic and Defence Coordination (Deptt. of Supply) and finally sanctioned on 17-6-1963 in the following terms:—

"We are anxious that production of road rollers should increase and that any difficulty experienced in achieving the planned-out-time should be resolved. The performance of M/s. UPCC has not been satisfactory in the past. They have not kept their production targets. They have represented

that due to non-availability of wagons, they could not despatch their Road Rollers and that, apart from the congestion of their yard, they locked up their capital. We may agree to the proposal and authorise payments of 90 per cent and *not* 95 per cent on inspection. Balance 5 per cent on despatch and take further safeguard to protect Government's interest. The Warranty clause may be re-examined. The above relaxation may, in the first instance, be valid for six months, and should be accompanied by increased production".

3.21. As a result of the above noting, the terms of payments were relaxed as under:—

- (a) 90 per cent on inspection certificate;
- (b) 5 per cent on despatch;
- (c) the last 5 per cent on consignee receipt certificate.

3.22. The Ministry of Law who were also consulted regarding the obtaining of an indemnity bond, advised the inclusion of a general clause in the contracts. Relaxation in terms of payment was conveyed to the firm on the 15th July, 1963 as under:—

"It is proposed to amend the payment terms as under in case of contracts placed on you for the supply of Road Rollers:—

90 per cent on inspection certificate, 5 per cent on despatch and balance 5 per cent on consignees receipt certificate.

You will, however, hold the goods ordered for at your risk and responsibility until actual delivery. Kindly confirm immediately that you are agreeable to this. This is however without any further commitment at this stage."

3.23. The Committee find that two important conditions on which Government had agreed to sanction relaxation in the terms of payment on 17th June, 1963, were:—

- (i) in the first instance the relaxation will be valid for six months; and
- (ii) it should be accompanied by increased production.

3.24. The Committee are not able to appreciate why the aforementioned important conditions were neither communicated to the firm in July, 1963, nor any concrete follow-up measures taken to ensure their compliance.

Unsatisfactory financial position of the firm

3.25. Referring to the rejection of the firm's first request dated 3rd March, 1960 for relaxation in terms of payment on the ground of their unsatisfactory financial position, the Committee asked why the financial position was not critically examined before agreeing to their request for relaxation in terms of payment made in April, 1963. The Secretary, Department of Supply, stated that the fact

that the financial position of the firm was not satisfactory was known to the officers who dealt with this case. The firm had themselves represented that, because of their insufficient financial resources, it was not possible for them to step up their production of road rollers. According to the firm, because of difficulty in getting wagons and the time-lag of 30 days between the inspection and the despatch, their capital was locked up. He added, "But the correct position was rather different. Indeed, the DGS&D who examined this case on the request of the firm did record that the financial position of the firm was such that it was not possible for them to increase the production of road-rollers unless concessional terms of payment were sanctioned." The witness added that at that time against the total capacity of 500 road-rollers, the actual requirement was 1100. In the circumstances, a deliberate and calculated decision was taken by the Director General as well as the Ministry that the terms of payment should be relaxed in this case."

3.26. The Committee asked whether the earlier 6 requests of the firm dating back to March, 1960, for relaxation of terms of payment were connected at the time of consideration of the seventh request of the firm in April, 1963. The Secretary, Department of Supply stated, "They were overlooked.....an unfortunate lapse, a very serious lapse. When the Director General had to examine, it was the duty of the officer concerned (Assistant Director) who was dealing with their case to have brought up the previous history of this case and linked it up." The witness added that the explanation of the officer concerned had been asked for and it was proposed to take disciplinary action after the normal procedure had been gone through. In reply to a question, the witness stated that the then Director General, Supplies & Disposals who had recommended the firm's seventh request for relaxation of terms of payment had earlier turned down their 4th, 5th and 6th requests.

3.27. Asked whether there were any insurmountable difficulties in the existing procedure which compelled the Ministry to agree to the revised procedure of payment & whether the difficulties in the old position could not have been removed without agreeing to the relaxation asked for by the firm, the witness stated that the particular firm had represented that it was not possible for them to step up production unless they were given advance payment against inspection, because they did not have sufficient financial resources. Otherwise, normally such terms of payment were not agreed to. Referring to the note recorded by the Director General, Supplies and Disposals on 14-5-1963 stating inter-alia that roughly there was a delay of about 30 days between the date of inspection and the date of despatch, the Committee asked whether any enquiries had been made to verify the time-lag. The DGS&D stated, "Actually no enquiries were made. The difficulty alleged by the firm was shortage of wagons. Possibly an effort could have been made, looking back at it now from hind sight, to improve the availability of wagons by liaising with the Railway Board." Asked if other firms had also complained about difficulty in getting wagons, the Secretary, Department of Supply, stated that "in one or two cases they did complain about the non-availability of wagons." The Director General, Supplies and Disposals stated that at a meeting held in November, 1962, with

the manufacturers of road rollers they did say that there was some difficulty about getting railway wagons.

Omission to take into account the firm's offer of 4 per cent discount

3.28. The Committee asked why, at the time of consideration of the seventh request of the firm dated 6th April, 1963 for relaxation of terms of payment, the earlier offer made in their fifth request of 19th April, 1961 to give 4 per cent discount was not taken into account. Admitting the mistake, the Secretary, Department of Supply stated, "I do not think there can be any excuse. I am sorry to repeat once again it was a serious mistake."

Omission to consult the chief pay and accounts officer before adopting the revised terms of payment

3.29. The Committee asked why the Chief Pay and Accounts Officer was not consulted before adopting the revised payment terms, as originally contemplated in the office of Director General, Supplies and Disposals, instead of only informing him of the decision later. The Secretary, Department of Supply, stated, "This was a serious omission." Asked if the omission was deliberate, the witness replied that they were looking into the matter and after getting the report of the Central Bureau of Investigation, they would be able to say whether or not it was deliberate.

3.30. The Committee regret to note that Chief Pay and Accounts Officer was not consulted before the relaxed terms of payment were adopted. This is all the more serious in view of the fact that Chief Pay and Accounts Office had desired in the past that he should be associated whenever the terms of payments were relaxed.

3.31. The Committee would like the Department of Supply to consider, in consultation with the Ministry of Finance, whether it would not be better in the interest of financial prudence to prescribe that, in all cases of substantial relaxation or modification of terms of payments, the advice of Chief Pay & Accounts Officer is invariably obtained before taking a final decision in the matter.

3.32. Asked at what level the decision was taken on the seventh request of the firm, the witness stated that the relaxation in the terms of payment was recommended by the Director General, Supplies and Disposals after consulting the Deputy Financial Adviser and it was finally agreed to by the Joint Secretary in the Ministry. Asked why the approval of the Secretary or the Minister was not obtained, the witness replied, "That is the discretion of the Officer. After all, the Joint Secretary is a very senior officer of the Ministry."

Verification of Reliability of the Firm

3.33. Referring to a note dated 14-6-63 by an officer in the Ministry stating, "In this case if D.G.S.&D. are satisfied about the reliability of the firm, we may agree,.....", the Committee asked whether this aspect was examined. The Secretary, Department of Supply stated, "This was a note which was put up by the Under

Secretary in the Ministry. He brought this out and the decision was taken notwithstanding the fact that these things were there." Asked whether there was any record that the then Director General, Supplies and Disposals was satisfied about the firm's reliability, the Director General, Supplies and Disposals, replied in the negative.

3.34. The Committee find from the list of complaints furnished to them that there were as many as 23 complaints received before July 1963, against this firm about the road rollers supplied by them and that the performance of the firm was not satisfactory. It is also noticed that the one of the notes dated 14th June, 1963, a mention was made of the complaints against this firm for supply of excavators for the Najafgarh Nala and a complaint from Kerala State.

3.35. The Committee are altogether unable to appreciate the manner in which relaxation in terms of payment was agreed to in this case.

3.36. When the seventh request of the firm was being examined, six earlier requests dating back to March, 1960, were not connected. This was a serious omission. Even the Secretary, Department of Supply, admitted in evidence, "They were overlooked.....an unfortunate lapse, a very serious lapse....." The Committee feel that while examining the seventh request, the office of D.G.S.&D. should have connected the six earlier requests and brought them to the notice of the D.G.S.&D.

3.37. Another disquieting feature in this case is that the offer of 4% discount made by the firm in the 5th request of 19th April, 61, which would have reduced the price of a road-rollers by about Rs. 1,900, was not taken up with the firm while examining the 7th request of April, 1963. This, the Committee feel, was a serious lapse and has given the firm an unintended concession of about Rs. 20 lakhs on 1053 road-rollers, for which the relaxed terms were made applicable from July, 1963.

3.38. Again there were 23 complaints against this firm for the supply of road rollers upto July, 1963. Two complaints against this firm namely for supply of excavator for Najafgarh Nala and another complaint from the Kerala State were specifically brought out in the Ministry's note dated 14th June, 1963 and in spite of that the relaxation was agreed to on 17th June, 1963 without verifying the reliability of the firm.

3.39. The Committee consider that the seventh request of the firm which asked for relaxation of standard terms of payment, was not examined critically in the light of information which was already available with the Government and that adequate care was also not taken while granting this request to safeguard Government's interest. The Committee cannot help concluding that the decision was not based on any sound premises and showed undue haste to accede to the firm's request for special treatment in the matter of payment of 90 per cent of cost on mere inspection despite the known unsatisfactory performance of the firm in the past and their non-too-sound financial position.

Failure to take adequate action to safeguard Government interests

3.40 The Department of Supply while agreeing to the relaxation in the terms of payment *inter-alia* observed that further safeguards

should be taken to protect Government's interest, "The warranty clause should be re-examined." As a result of this the office of the Director General, Supplies & Disposals made a reference to the Ministry of Law, which stated *inter-alia*. "So far as Government interests are concerned, indemnity bond from the manufacturers valid for a period of another six months, say, for 20 road rollers, which are expected to be in their possession from the period they are inspected till their despatch. The indemnity bond is proposed to be on the same lines as for fire fighting equipment.....".

3.41. The matter was examined in the Ministry of Law and on the 29th June, 1963, the following advice was given:

"It appears that the bond of indemnity on the file has been based on similar bond already executed. The bond seems formally in order.

The bond can be dispensed with if a condition is included in the contract to the effect that the contractor shall hold the goods ordered for at his risk and responsibility until actually delivered.

The bond should be signed for and on behalf of the President of India by an officer duly authorised under Article 299(i) of the Constitution of India."

3.42. After recording advice, the Ministry of Law sent this file to the Ministry of Economic & Defence Co-ordination, which passed it on to the D.G.S.&D. In view of the opinion of Ministry of Law, the question of obtaining the indemnity bond was dropped.

3.43. During evidence, the Committee asked about the justification for the advice given by the Law Ministry that the indemnity bond could be dispensed with if a condition was included in the agreement to the effect that "the contractor shall hold the goods ordered for, at his risk and responsibility until actually delivered". The representative of the Ministry of Law stated that there is practically no difference between the indemnity bond and the clause suggested by the Deputy Legal Adviser. He, however, added, "Looking in retrospect perhaps it would have been wiser not to have advised like that. But the limited question before the particular officer was to vet the draft indemnity bond. He just looks at the bond and he does not look beyond that bond." The witness added, "If it had come before a senior officer, he would have gone into the whole matter and said, "Look, 90% is being paid for nothing and that let us ask him to do something positive."

3.44. The Committee regret to note that the Ministry of Law, which is expected to scrutinise proposals in all aspects, in order to safeguard Government's interest, did not give adequate attention to the matter in the present case. The Committee are unable to understand how the purpose of an indemnity bond, which would have secured to the Government at least Rs. 10 lakhs for 20 road rollers expected to be ordinarily in possession of the firm after inspection and before despatch, could be met by the insertion of a clause in the contract to the effect that the "contractor shall hold the goods

ordered for, at his risk and responsibility until actually delivered." In fact, the alternative suggestion of the Ministry of Law not to take an indemnity bond meant that Government would have no indemnity or security from the firm in the event of their defaulting in supplies, after taking an advance of 90 per cent on inspection.

3.45. The Committee fear that this instance may be indicative of the routine manner in which such important matters involving the country's interest are processed. The Committee cannot too strongly stress on the Ministry of Law and the departments concerned the need of taking every care to safeguard Government's interest to avoid a recurrence of such mistakes.

Non-inclusion of the clause suggested by the Ministry of Law in all A/Ts

3.46 The Ministry of Law had suggested inclusion of the clause that the firm should hold the goods ordered for at their risk and responsibility until actually delivered. This clause suggested by the Ministry of Law was provided in 10 A/Ts covering 102 road rollers placed on the firm after July, 1963, but was omitted in 78 subsequent A/Ts. placed after December, 1963 covering 951 road rollers.

3.47 During evidence, the DGS&D admitted that the advice of the Law Ministry was lost sight of. He added, "This is an omission and we are proceeding against the officer."

3.48. The Committee are unable to understand how even the clause suggested by the Ministry of Law that "the contractor shall hold the goods ordered at his risk and responsibility until actually delivered" was included only in 10 A/Ts. covering 102 road rollers but was omitted from 78 subsequent A/T's placed after 13th December, 1963 covering 951 road rollers.

3.49 The Committee would like Government to investigate the reasons for this omission and take suitable action against the parties at fault.

In this connection the Committee would also recall their observation contained in para 3.46 of their 64th Report (Third Lok Sabha) on the 'Purchase of Defective Tyres', wherein similar omissions to include a warranty clause in the contracts entered into by the D.G.S.&D. were pointed out.

3.50 The Committee would also suggest that Government should review the entire procedure of preparing the A.T's. in DGS&D's office so as to ensure that such serious omissions and lapses do not recur.

3.51 It has already been mentioned in Chapter I of this Report that as a result of the relaxation in terms of payments delays took place in a number of cases in the despatch of road rollers by the firm. The firm got payment on the basis of proof of inspection and thereafter delays took place in the despatch of road rollers. These delays (after the drawal of 90 per cent advance payment on inspection) ranged from 12 to 25 months in the case of 80 road rollers, 6 to 11 months for 232 road rollers, 3 to 5 months for 148 road rollers and 1 to 2 months in the case of 94 road rollers.

3.52. The Department of Supply have also stated in their note the position of the placing of orders and the supplies made by the

firm as under :—

Year	No. of A/T placed.	Price at which orders placed. (each)	Total No. of Road Rollers ordered.	No. of Road Rollers despatched.	Cancell- ed.	Out- standing
		Rs.				
1959	1	46,058.20	3	3	..	
1960	9	46,255.00	60	60	..	
1961	13	48,195.00	37	37	..	
1962	1	48,195.00	5	5	..	
1963	17	48,195.00 (upto 17-12-63) 48,445 (18-12-63 to 30-9-65)	213	205	2	5
1964	24	43,445.00	334	253	1	65
1965	34	48,445 (upto 30-9-65) 51,000 (from 1-10-65)	359	180	10	169
1966	19	51,000.00	218	6	..	212@
	118		1229	765	13	451

@In the year 1966 cancellation were made for 52 Nos., but the firm had drawn advance payment which is still due for recovery.

3.53. It has also been indicated in that note that out of 451 outstanding road rollers, the firm had drawn 90 per cent payment against inspection certificates in respect of 419 road rollers amounting to Rs. 1,91,86,857.50, but the road rollers had not yet been despatched. No advance payment had been drawn in respect of the remaining 32 roadrollers.

3.54. The Committee have also been informed by the Department of Supply that the amount of interest on this advance of about Rs. 1.92 crores would come to about Rs. 29 lakhs upto 31st December, 1966.

3.55. A number of factors contributed to this unsatisfactory state of affairs whereby the firm drew advances on proof of inspection and later delayed the supply of road rollers. Some of these factors are discussed in the following paragraphs :—

(i) *Non-verification of production capacity after July, 1963*

3.56. One of the important conditions on which the Ministry of Economic and Defence Co-ordination (Department of Supply) had agreed to relaxation in the terms of payments to this firm was that it would result in increased production. It was accordingly necessary for the DGS & D to ensure that the relaxation in the terms of payments resulted in increased production. During evidence, the Committee drew attention to the Ministry's note that "there was no technical inspection carried out subsequent to July 1963 with the specific purpose to verify that the firm had taken the requisite steps to increase their production capacity to 30 numbers per

month," and asked why it was not felt necessary to carry out such inspection. The Secretary, Department of Supply, stated that it was correct that no technical inspection was carried out. He added that "it was found that inspection certificates in respect of 30 road rollers were produced on the basis of which advances were claimed. It was taken for granted that the capacity of the firm had been stepped up to 30 per month. Undoubtedly, a proper check should have been made. That was not done."

3.57. The Committee asked whether, in view of the fact that technical inspection was not carried out, the capacity claimed by the firm was taken as the basis of placing orders for road rollers. The Secretary, Department of Supply, stated that actually "at that time inspection certificates were furnished on the basis of which demands were met and they were later expected to despatch the road rollers; when it was found that they have not produced the same number of road rollers". Asked whether there was any special reason for not carrying out technical inspection in spite of persistent complaints against the firm about the non-delivery of road rollers, the witness replied, "No Sir".

(ii) *Distribution of Orders of Road Rollers amongst Manufacturers*

3.58. The Committee asked about the basis on which orders for road-rollers were distributed amongst the various manufacturers between 1962 and 1966. The Secretary, Department of Supply, stated that it was done on the basis of the capacity reported by the firms each quarter as also the back-log of orders pending with them. Asked why there was an increase in the orders placed on M/s. UPCC in 1965, the witness replied that all the firms got larger orders in 1965. M/s. Jessops got orders for 585 in 1965 as against 332 and 419 in 1963 and 1964 respectively; and M/s. Britannia got orders for 449 in 1965 as against 360 and 282 in 1963 and 1964 respectively; and M/s. UPCC got orders for 477 as against 285 and 405 in 1963 and 1964 respectively.

(iii) *Release of orders in excess of capacity*

3.59. According to Audit, the releases made by the DGS & D to indentors and other quasi-public bodies (for which the orders were placed directly by the indentors) were much in excess of the capacity of the firm as would be seen from the table below :

Year	Number of road rollers for which release orders were issued by the D.G.S. & D.		Total	Capacity	Excess over anticipated annual production
	Road rollers for which contracts were placed by the DGS&D.	Road rollers for which contracts were placed by other users direct.			
1	2	3	4	5	6
1963	213	72	285	220	65
1964	334	71	405	360	45
1965	359	118	477	360	117
1966	218	16	234	360	(—) 126

3.60. The Committee asked how release orders were issued in excess of their capacity during the years 1963, 1964 and 1965. The Director General, Supplies and Disposals, stated that, according to the figures given by the firm in their quarterly returns, allocations were made. On the basis of these returns, the production capacity of the firm was 240 in 1963; 408 in 1964; and 480 in 1965.

3.61. The witness added: "They were producing certain figures and, on the basis of that, they were also claiming payments, and allocations were made on the basis of the returns furnished by them."

3.62. The Committee pointed out that the DGS & D did not check up even the capacity of 30 per month and asked how they accepted production capacity as being more than 30 per month. The Secretary, Department of Supply admitted: "It was not checked up; capacity certainly was not even 30 per month."

3.63. The Committee are distressed to note that no technical inspection was carried out to verify that the relaxation in the terms of payment had achieved the underlying objectives, namely, increased production.

3.64. The Committee are unable to understand as to how the office of the DGS&D issued release orders for 404 and 477 road rollers in 1964 and 1965 respectively against the annual targetted capacity of 360 road rollers of this firm. It appears that at no stage did the Organisation of the DGS&D took pains to find out whether the firm had achieved the production capacity of 360 road rollers, much less 480 road rollers claimed by the firm in 1965.

(iv) Uneconomic Units Not to be given Undue Protection:

3.65 It has been stated in a note furnished by the Department of Supply that following the Chinese aggression, the demand for road rollers increased sharply. "It was estimated by the Ministry of Transport in November 1962 that the immediate requirements of the Ministry of Transport for emergent road and bridge works in Bihar, West Bengal and Assam would amount to 500 road rollers. It was on this suggestion of the Ministry of Transport that the existing stock and current and future production were frozen and releases were to be made by the D.G.S.&D."

3.66 The Committee find that notes recorded in the various files of the D.G.S.&D. indicate that though they were aware of the unsatisfactory performance of the firm, the Directorate continued to place orders on this firm on the plea that the manufacturing capacity of the road rollers within the country was hardly adequate to meet the requirements.

3.67 The Committee asked whether the increase in demand for road rollers had been checked up. The Secretary Department of

supply replied: "The demand is received from the Ministry and the border Road Development Organisation." When his attention was drawn to para 102 of Audit Report (Civil) 1967, where it is mentioned that a large percentage of machinery for border roads including road rollers, had not been effectively utilised and whether that was not a pointer to the fact that the demand was unduly exaggerated or too high, the Secretary, Department of Supply stated. "We have no means of checking that. DGS&D is the procurement agency for various government departments. They go by indentors' certificates."

3.68. It would be recalled that out of orders for 1229 road rollers placed on the firm, as many as 419 have not been supplied, which is some indication of the fact that the demands could not be very pressing.

3.69. The Committee suggest that in such cases where the distribution of a product in short supply is frozen in the public interest, a careful assessment should from time to time be made of the actual requirements, in order to make sure that in the name of national emergency, uneconomic units or those whose performance is not up to the mark are not given undue protection.

(v) *Failure to carry out a review after six months*

3.70. As already mentioned, the Department of Supply, Ministry of Economic & Defence Co-ordination had laid down that the payment terms should be valid for six months in the first instance. The Committee were informed in a written note that this condition was lost sight of and "No consideration was given after six months to the termination of the special payment terms or their continuance" Referring to the omission to carry out a review of the firm after six months of allowing the relaxed terms of payment as originally stipulated, the Committee asked whether this was due to any defect in procedure. The witness stated: "In this particular case, the dealing Directorate did not keep a copy of the noting in Government. And therefore, the safeguard that Government had wanted was not adopted." The witness added that it had been decided that in future whenever Government issue sanctions they would issue a separate order which would be kept as a part of the permanent Department record of the case.

3.71. It is disquieting to note that the relevant Directorate in the office of the DGS & D did not keep a copy of the noting recorded in the Department of Supply in this case with the result that the continuance or otherwise of the relaxation in the terms of payment was not considered after six months. This was a serious lapse, as a review after six months would have brought out the unsatisfactory performance of the firm, meriting cancellation of the revised terms.

3.72. The Committee would like Government to look into this serious omission and fix responsibility for it. They would also like Government to take suitable remedial measures to ensure that, where a decision is taken on a Government file, the attached offices concerned not only keep complete copies of the notes and orders of Government on the subject but also take suitable measures to comply with them.

Review of relaxed terms of payments—complaint by Director General, Border Roads

3.73. The Committee find from the papers furnished by Government on the subject that the Director General, Border Roads Organisation, had complained as early as 17th January, 1964 (Appendix IIA.) about the inordinate delay in despatch of road rollers after inspection and drawal of 90 per cent payment by the firm. During evidence, the Committee asked why this specific complaint made by the DGBR., which was within a period of about six months of the relaxation of the terms of payment was not taken into account while reviewing the question of continuing the concession to the firm. The Secretary, Department of Supply, stated that this matter was being looked into and the explanation of the officer concerned was being called for. The witness agreed that necessary action should have been taken by the officer as the position was required to be reviewed after six months. Asked about the action taken on the complaint of the DGBR, the witness stated that, after obtaining the explanation of the firm for the delays, D.O. letter was issued to the DGBR by the Deputy Director General on 24th March, 1964, requesting the Liaison Officer, Calcutta, to discuss with the firm and work out a suitable procedure for the expeditious despatch - by the firm of all the road rollers which had already been inspected.

Relaxed terms of payment not revised despite complaints

3.74. It is noticed from the documents furnished to the Committee that there were as many as 59 complaints from various quarters against different cases of supply of road rollers concerning the firm from July, 1963, onwards. Some of these complaints are dealt with in a subsequent chapter. Warnings were also issued to the firm on 14th October, 1965, 1st November, 1965, and 29th July, 1966.

Relaxed terms of payments not revised, even after issuing a warning n July, 1966.

3.75. Referring to the warning issued to the firm on 29th July, 1966, to desist from the practice of obtaining advance payments by quoting wrong railway receipts numbers (on receipt of D.O. letter dated 28-3-1966 from the Chief Pay and Accounts Officer*), the Committee asked why this tendency on the part of the firm was not considered serious enough to cancel the relaxation of terms by which they obtained 90 per cent advance payment on inspection. The Secretary, Department of Supply, stated "That is quite correct. It is a serious mistake. It is being enquired into. But this was very important and should have been given due consideration."

3.76. The Committee regret to note that, in spite of 59 complaints (Appendix III) received from July, 1963, to August, 1966, and in spite of 3 warnings issued on 14th October, 1965, 1st November, 1965 and 29th July, 1966, no action was taken by the office of the DGS & D to cancel the relaxation granted in the standard terms of payment. This was a serious lapse as it enabled the firm to obtain advances from Government without delivering the road rollers.

*Please see para 4.4p.

The Committee have no doubt that Government will examine the matter carefully and take deterrent disciplinary action against the parties at fault.

3.77. The Committee note with regret that a number of lapses took place in taking follow-up action consequent on relaxation in the terms of payment granted in favour of this firm. Firstly, no technical inspection was carried out to find out whether the actual increase in production had taken place up to 30 road rollers per month. Secondly, release orders were placed by the office of the DGS&D in excess of the capacity of the firm in 1964 and 1965, without verifying the production capacity. Release Orders were issued for 404 and 477 road rollers in 1964 and 1965 respectively against the annual targetted capacity of 360 road rollers. Thirdly, while considering the 7th request of the firm, 6 earlier requests which were turned down including one in which the firm had offered a discount of 4% were not connected. Fourthly no review was conducted of the relaxation in the terms of payment after six months and the condition prescribed by the Ministry of Economic and Defence Co-ordination (Department of Supply) that these terms should be valid for six months initially was lost sight of. There was also a failure in the office of the DGS&D to keep a copy of the noting recorded in the Ministry in June, 1963. Further, in spite of the complaint by the Pay and Accounts Officer, Calcutta in November, 1963* and by the DGBE in January, 1964 (which were within six months of the relaxation in terms of payment), about the delay in despatch of road rollers after inspection and drawal of 90 per cent payment by the firm, no action was taken to review the revised terms of payment.

3.78. These lapses become all the more serious and significant when viewed in the light of 23 complaints which the Office of the DGS&D had already received upto July, 1963, when relaxation in the terms of payment was agreed to. The Committee feel that the various lapses listed above require looking into with a view to fixing responsibility.

Cancellation of orders after inspection and drawal of 90 per cent advance payment by the firm

3.79. According to Audit, orders for 95 road rollers had been cancelled after inspection and drawal of 90 per cent advance payment by the firm. The Committee asked for the reasons for such cancellations. The Secretary, Department of Supply, stated that the number of road rollers cancelled was 79 and not 95 as mentioned in the audit para**. Out of these 79 road rollers, 10 were adjusted; the number of road rollers for which orders were cancelled came to 69. The Department of Supply have informed in their note dated 21st July, 1967 that an advance payment of Rs. 31.09 lakhs was made to this firm against 69 road rollers.

3.80. Explaining the reasons for the cancellation, the witness stated that after the drawal of 90 per cent payment by the firm, the consignees informed the DGS&D that they did not want those road rollers as there had been considerable delay in effecting supplies; in some cases there were complaints. The witness added that "the

*Please see para 4.27.

**This disparity was not brought to the notice of Audit earlier.

adjustment should have been made for these cancelled road rollers and advance should have been adjusted against the future A/Ts to be replaced. That was lost sight of." Asked why the cancelled road rollers were not diverted to other indentors or the money recovered, the Secretary, Department of Supply, stated, "That should have been done. It was not done."

3.81. Asked if the Pay and Accounts Officer, Calcutta was informed about the cancellation, the Chief Pay and Accounts Officer stated "We received the cancellation orders through amendment letters. We found that in a few such cases the firm had not by then presented their bills with Inspection Notes. In other cases they had already drawn payments. In respect of 10 cases we could carry out adjustment in other bills, when the DGS&D issued general instructions to stop all payments to the firm in September, 1966. Under that order further payment was held up and, therefore, the question of further adjustment would not arise."

3.82. The Committee are unable to understand how orders for 69 road rollers were cancelled, after making 90 per cent of the advance payment totalling Rs. 31.09 lakhs to the firm. They find it even more difficult to appreciate how Government could not adjust the amount advanced thus to the firm against other orders or alternatively diverting these road rollers, for which 90 per cent advance had been paid, to other consignees. It is also a moot point whether Government could not have used its pivotal position to recover the advances made to the firm by refusing to issue release orders in favour of quasi-governmental indentors until the advances were returned. The Committee would like Government fully to investigate the matter and take deterrent action against the parties at fault. Remedial measures should also be devised to ensure that such lapses do not recur.

Pricing of Road Rollers

3.83. During 1959, 1960 and 1961, orders for road rollers were placed against quotations received from the firm in response to DGS&D tender enquiries. Orders for 37 road rollers were placed on the firm during June, 1961, against their tender dated 25-2-1961 and modified by their letter dated 19-4-1961, which provided for a discount of Rs. 250 per road roller. Subsequent orders for the period up to 30-9-1965 were placed with the firm without any tender enquiry and without any offer from the firm but at rates and terms and conditions identical to those mentioned in the orders for 57 road rollers placed in June, 1961. However, the discount of Rs. 250 per road roller which had been availed of in all contracts placed from June, 1961, onwards was withdrawn by the firm from 18th December, 1963, which resulted in increase in the price from Rs. 48,195 to Rs. 48,445. The Committee have been informed in a note that "This withdrawal was based on the firm's representation dated 3rd September, 1963 and was agreed to on the ground that this had been offered by the firm against one contract for 37 road rollers and the view held was 'Since M/s. U.P.C.C. indicated this discount only in case of one contract and their price without the discount would be quite favourable as compared to the prices asked for by the other two firms, I think, we may agree with the Directorate not to press for this discount'."

3.84. The note of the Department of Supply further states :—

“The firm on 6-7-1965 again asked for an increase in the price and as a result of negotiations, orders were placed on them at the negotiated price of Rs. 51,000. The increase in price was asked for by the firm due to increase in the price of raw materials, labour charges, wages, cost of power supplies, prices of fuels and lubricants imposition of extra duties, etc.”

3.85. The Committee enquired about the prices paid for the road rollers since 1961, to the other two firms viz. M/s. Jessops and M/s. Britannia as compared to M/s. U.P.C.C. (P) Ltd. The Department of Supply have furnished a table showing prices paid to different firms for supply of road rollers from 1961 onwards :

S. No.	Name of the firm	Rates paid	Period
1.	M/s. U. P. C. C.	Rs. 48,195	Subject to variation on Customs Duty, excise rate & Force Majeure Condition
		48,445	Do.
		51,000	Fixed price
2.	M/s. Jessops	48,623	Exclusive of excise duty and subject to variation on Customs Duty, excise rate wages & steel.
		49,328	Inclusive of excise duty (Rs. 3040) and subject to variations on customs duty, excise rate wages and steel.
		51,000	Fixed
		51,000	Subject to variation on (i) levies & (ii) statutory levies imposed after 1-10-64
3.	M/s. Britannia	47,560	Inclusive of escort charges Rs. 250/- each inclusive of excise duty. Subject to variation on Custom Duty.
		48,500	Inclusive of excise duty & transit insurance. Fixed.
		49,500	Fixed
		50,000	Subject to variation on wages & excise duty on engine.
4.	M/s. Garden Reach Workshop new-comer	51,000	Fixed for <i>ad-hoc</i> order of 60 Nos.

3.86. Asked how the performance of the other firms' road rollers compared with UPCC's, the Secretary, Deptt. of Supply, stated that the performance of the other firms, road rollers was better than that of UPCC's.

3.87. The Committee asked whether at the time of negotiating the revised price of road rollers with the firm from 1st October, 1965, the technical defects in their road rollers as reported by the various consignees were taken into consideration. The Secretary, Department of Supply, stated that the Negotiating Committee, under the Chairmanship of the Joint Secretary, Department of Supply "which went into the question of the revision of prices was only posed a limited question. That was about revision of prices. They were not concerned with the question of performance at all..... The past performance of the various firms was not brought to their notice."

3.88. The Director General, Supplies & Disposals, stated: "I should like to say that Director General should have brought it to their notice when he made the recommendation to the Government. When the recommendation was made, he did not have knowledge, he had no knowledge of the past performance of this firm. It was not brought to his notice. He acted on the office record given to him."

3.89. The Committee asked about the basis on which the Finance Ministry agreed to the demand of the firm to withdraw the discount of Rs. 250 and later to increase the price to Rs. 51,000. The representative of the Ministry of Finance stated: "With regard to the discount of Rs. 250 what happened was that the company wrote a very brief letter on 3rd September (1963) saying that they had offered the Rs. 250 discount specifically in regard to this 1961 offer of 37 road rollers. They observed that this discount had also been included in the A/T's which have been placed subsequently. However, they were not able to give this discount to future A/T's because this had been given in respect of the 37 road rollers as a special case..... I find that at that time when this question was considered in the D.G.S. & D. and also by Finance it was accepted that this discount of Rs. 250 had been offered by the firm only for these 37 road rollers and they had not separately accepted it for subsequent road rollers."

3.90. "Secondly, with regard to the merits of the case I find there is some noting that, at that time, other road roller manufacturers were also coming up for increase in their prices. So in that background Director General recommended and Finance accepted that this Rs. 250 discount need not be continued because in any case it did not apply to the later cases."

3.91. "So far as the second case is concerned which happened in 1965 and in which I was personally present at the meeting held in the Ministry of Supply again the same pattern of placement of orders was continuing at that time. The papers which came to us for consideration were therefore on this limited question of fixation of price. I would like to point out, Sir, that at that time when we took this decision of revising the price it was decided that the new

price would apply for a period of one year from 1st October, 1965. During that period, within these two to three months period, we revised the price of Jessops as well as Britannia on similar consideration of the limited question of price."

3.92. Asked whether it was the practice for the Ministry of Finance to approve of all such contracts on the basis of rising cost of materials and components or this was an individual case the representative of the Ministry of Finance replied: "What was being done after 1961 was that the lowest basic tendering and contract was done. Subsequently after 1962 when because all the production was frozen and allocations were made after a quarterly review, the A/T's were being placed on the lowest price. If you take normal contracts which are against open tenders or limited tender enquiries where you have a price, you have a delivery date etc. one would not think of revising the price during the pendency of that contract but here the situation became somewhat different as I see from the papers." Asked whether the decision was applicable retrospectively or to future A/Ts., the witness stated: "We applied this decision from 1st October, 1965." Asked if this change in price would not apply to A/Ts. placed prior to this period the witness replied in the affirmative. Asked if the Ministry of Finance had tried to satisfy themselves about the performance of the road rollers supplied by the firm before agreeing to the increase in the price, the representative of the Ministry of Finance replied: "Because the limited question of price fixation was before us, we just did not deal with the question of their performance, what they could do and so on as this was being considered by the DGS&D quarterly."

3.93. **The Committee feel that the request of the firm of September, 1963, regarding withdrawal of discount of Rs. 250 per road roller should have been examined by the Deptt. of Supply and the Ministry of Finance in the light of the relaxation in the terms of payment already agreed to by them in July, 1963. Since the terms of payment had already been relaxed in July, 1963. which in itself gave a concession to the firm of about Rs. 1900 per road roller @ 4% discount earlier offered by the firm in their fifth request, the withdrawal of discount of Rs. 250 per road roller was an additional benefit to the firm.**

3.94. The Committee are surprised to note that, when the Negotiating Committee finalised their negotiations about the increase in price of the road rollers supplied by the firm in September, 1965, the office of the DGS&D did not specifically bring to the notice of the Committee the poor performance of the firm against the various A/Ts placed on them in the past. The Committee feel that the past performance of the various firms along with the quality of their road rollers should have been brought to the notice of the Negotiating Committee, so that the demand for an increase in price could have been examined in proper perspective. It is also strange to note that the Ministry of Finance did not enquire about the performance of the firm against previous contracts or about the working of the road rollers supplied by them, while agreeing to the increase in price of road rollers.

Role of Ministry of Finance

3.95. The Committee inquired whether the loss to Government could not have been avoided if the officers of the Ministry of Finance

had been more vigilant with reference to:

- (i) the examination of the financial position of the firm; and
- (ii) the relaxation of the terms of payment.

3.96. The representative of the Ministry of Finance stated: "One would say that the Deputy Financial Adviser who was dealing with the case from time to time was aware of the unsatisfactory or tight position of the company. On the question of the financial position of the firm, I find from some files which I have seen that some papers connected with its registration which the firm had asked for, were available in the Registration Section of the DGS & D. That Section had noted that the financial position of the firm was not satisfactory and further action was felt necessary. The registration of a firm is matter for decision by the DGS & D and I presume it is unlikely that this note would have been seen by the Finance office also. I cannot say definitely on this point because there is no specific noting about it but the file was not referred to the Finance Ministry."

3.97. "In March, 1960, when the consideration of purchase proposal of 30 numbers of the road rollers came up in the first instance, there was noting by the DGS & D about the unsatisfactory financial position of the firm on the file. This was seen in the Finance Ministry later on dealing with the file."

3.98. "In March, 1961 when the purchase of 37 road rollers was considered, a meeting was held in the DGS & D's room when the Deputy Financial Advisor was present. At this meeting the representatives of the company also were present. There the Company's representatives pointed out about their difficult financial position—I would not say 'unsatisfactory' because of blocking of their capital due to non-availability of wagons." The witness further stated "From time to time the company had also made proposals for relaxation in terms of payment. The basic point made in those proposals was that they were in a tight financial position and therefore they should be given certain earlier payment so that their ways and means position could improve."

3.99. The witness added that "in the matter of scrutinizing the financial position of an unregistered firm, there are certain rules and orders laid down in the Manual (DGS & D Manual of Office Procedure for Supplies, Inspection and Disposals). It is stated in the Manual that the Director of Supplies must in making his recommendation reasonably satisfy himself that the firm is competent for undertaking such an order. This he does after taking into account various documents which are to be received with the tender or subsequently—like incometax- clearance certificate, a report from local civil authorities, if necessary etc. The Manual lays down that this has to be examined by the Director of Supplies. I do personally feel that this matter does have a financial bearing and that normally the manual could not have overlooked this aspect and left it entirely to the Director of Supplies." The witness added that "I find however that there are specific provisions laid down in the manual as to when Finance must be consulted but in this

case no consultation with Finance is laid down. I do not know whether there is misunderstanding but it is seen that clearly the Director of Supplies is named in the Manual as authority, who should look into the matter. I, therefore, cannot say that in view of existence of such distinction the intention in the manual was not that these matters regarding registration should be within the competence of a particular officer if the DGS & D and therefore the decision is to be taken by him. Nevertheless from a broader aspect my personal view would be that if any major financial lacuna or problem does appear to a Finance officer he should not shut his eyes to it."

3.100. Asked how Finance accepted the plea of the firm about the shortage of wagons for relaxation in the terms of payment the witness stated that the position regarding the delay in despatches because of the shortage of wagons had been accepted right up to the level of the DGS & D and therefore, the specific proposal made by the DGS & D in this background regarding relaxation in the terms of payment in order to assist the firm in getting the money a little more quickly and improving their ways and means position to increase their production was accepted.

3.101. The Committee asked whether, in view of the fact that the relaxed terms of payment were applicable for a period of 6 months the Finance Ministry should not have also restricted their sanction for a period of six months. The Financial Advisor stated: "The decision was taken finally in the Ministry of Supply that this concession should apply for six months in the first instance..... This decision was sent to the Director General of Supplies and Disposals. After this decision was taken by the Ministry of Supply, at no stage did the Finance Ministry come into the picture in the implementation of this decision. Therefore, it did not come within their ambit of action to see that this concession should be so limited."

3.102. The Committee are surprised to learn that the DGS & D's Manual of Procedure for Supplies, Inspection and Disposals does not clearly lay down that the representative of the Ministry of Finance should be invariably consulted at the stage of the verification of the financial standing and soundness of a firm before its registration or for placing initial orders on an unregistered firm.

3.103. The Committee would like Government to examine the matter and lay down clear instructions so that Government's interests are fully safeguarded.

3.104. The Committee would also like the Department of Supply to ensure that all cases which involve any departure from standard terms of payment, with substantial financial repercussions, should be examined by the Financial Adviser concerned before final orders are passed.

3.105. The procedure for considering cases of revision of the purchase price should provide that the performance of the firm and of the

stores supplied by it should be specifically examined so that while revising the price the performance aspect is not overlooked.

3.106. Government should examine whether it would not be desirable to prescribe that where the Pay and Accounts Officer/Chief Pay and Accounts Officer attached to a Department, like the Department of Supply, notices any serious irregularity, he should bring the matter to the notice of the Head of the Department and endorse a copy to the Financial Adviser of the Department so that the administrative action required can be taken in consultation the administrative action required can be taken in consultation with the Ministry of Finance without loss of time. This would have the added advantage of keeping the Financial Adviser posted and payments are concerned.

CHAPTER IV

COMPLAINTS AGAINST THE FIRM

There were a number of complaints against this firm before and after the relaxation of the terms of payment in July, 1963.

Complaints before July, 1963, and Action Taken

4.2. During the four years from 1959 to July, 1963, when the firm as supplying road rollers produced by Agrind Fabrications Ltd., on standard payment terms, 23 complaints (Appendix I) were received from various indenting officers/consignees in respect of their performance. The complaints broadly related to:—

- (a) *delay in making supplies;*
- (b) defects in road rollers; and
- (c) poor service after sales.

These are dealt with below:

(a) Delay in making supplies.

4.3. This was a chronic feature of supplies made by the firm. Delays ranging from 6 to 8 months were quite common. In one case it extended even upto 29 months.

(b) Defects in Road Rollers.

4.4. A number of cases of defects in road rollers were reported from time to time by the consignees. The principal defects pointed out related to cracking of rolls. The Director General Supplies & Disposals discussed these complaints with the Director of Inspection and recorded a note on 23rd May, 1961 to the following effect:

"I discussed with Director of Inspection, regarding the performance of UPCC road rollers. He has given me a list of complaints received by him which shows that quite a large number of rollers have developed cracks in the rolls. We have, therefore, to be very, cautious in placing orders on UPCC."

4.5. The Deputy Director General (Supplies & Disposal) held a meeting with the firm's representatives on 25th May, 1961, at which the defects in the road rollers supplied by the firm were discussed. The firm's representatives stated that the main complaint was in respect of the cast iron rolls which were liable to crack. They said that the firm were switching over to steel rolls to remove this defect.

4.6. A serious complaint about the unsatisfactory performance of road rollers supplied by this firm was received from the Indian Aid

Mission, Nepal. The Head of the Mission wrote to the Director General (S&D) on the 24th April, 1962 as follows:—

“Within six months of the arrival of the road rollers they started going out of order. Our work programme has suffered greatly due to slackness on the part of suppliers to replace the defective parts promptly..... The rollers remained idle for practically 3/4th of the period and we have not been able to honour our commitments with His Majesty's Government of Nepal regarding the completion of Tribhuvan Rajpath Road.....the small saving that has been achieved by purchase of these rollers has been off-set by the repairs that were necessitated right from their supply date.”

(c) *Poor Service After Sales*

4.7. This service seems to have been uniformly poor. The Chief Engineer, Buildings & Roads, Rajasthan, in a letter dated 20th November, 1962, to the Director General (Supplies & Disposals) complained against the firm. He mentioned *inter-alia* that the firm, despite repeated letters, had not cared to put into working order the defective road rollers which were urgently needed for work connected with the emergency. The complaint was examined in the office of the DGS&D. The relevant Directorate in the office of the DGS&D indicated in a note that it was only after eight or nine months and repeated requests by the DGS&D., indenting authorities and the consignees, when the rollers were lying idle that the firm intimated that they had instructed their mechanics to report to the respective consignees. The note made out that the firm had completely ignored requests and had not realised the importance of the work for which the road rollers were required. The Deputy Director stated:

“At this stage there does not appear to be much to be done (against the firm) as the item is a short-supply item and the firm cannot be totally cut off from purchases from them.”

4.8. The delays, defective supplies and poor performance of the firm were regularly noted upon in the purchase file of the DGS&D before the placing of orders. In addition, on 16th January, 1959, the Deputy Director noted that some road rollers inspected for supply to Government consignees had been sold by the firm to other parties.

4.9. Numerous letters and warnings were issued to the firm on account of the shortcomings noted above. Despite this, the firm's performance continued to give rise to complaints throughout the period prior to July, 1963. The question as to why orders continued to be placed on the firm, despite its poor performance, was brought out in a note dated 2nd November, 1962 by the dealing Deputy Director:

“We are more or less compelled to order on this firm due to subject store being a very short supply item in this country.”

4.10. The Committee are unable to appreciate this attitude of helplessness on the part of the office of the D.G.S.&D. The Committee are perturbed to find that even before the proclamation of the Emergency, the Directorate of Supplies and Disposals had paid scant regard serious complaints made by the Head of the Indian Aid Mission, Nepal, the Chief Engineer, Rajasthan, etc. about the poor performance of the road rollers. The Committee feel that the facts warranted deterrent action being taken against this unregistered firm for supplying unsatisfactory road rollers instead of the unmerited indulgence shown to them.

Complaints after relaxation in terms of Payment in July, 1963

4.11. There were a number of complaints in respect of the supply of road rollers by the firm after the relaxation in terms of payment was agreed to in July, 1963. A list of 59 complaints received against this firm upto August, 1966, is in Appendix III. These complaints were from three sources, viz.:

- (a) from consignees;
- (b) from the Pay & Accounts Officer; and
- (c) from the Asstt. Accounts Officer (Audit).

4.12. These complaints are discussed in the subsequent paragraphs.

Complaints from Consignees

4.13. A number of consignees complained against the supply of road rollers by this firm. These consignees, among others, included the Director General, Border Roads, State Government etc. Complaints from the consignees fell under five broad headings viz.:

- (a) non-receipt of road rollers,
- (b) delay in supply of road rollers;
- (c) incomplete supplies;
- (d) supplies with deviations from specifications; and substitution of 3 cylinder engines for 4 cylinder engines after inspection of the road rollers; and
- (e) intimation of wrong railway receipts numbers.

4.14. A summary of the complaints and the action taken thereon in the office of the D.G.S. & D. in 29 cases is given at Appendix IV.

4.15. The Committee deal with some of the more important complaints in the following paragraphs:—

Complaints by D.G.B.R. about delay in despatch of road rollers

4.16. There were a number of complaints from the Director General, Border Roads (D.G.B.R.) regarding delay in despatch of the road rollers after inspection. As early as 17th January, 1964, the D.G.B.R. wrote to the Director of Supplies (Vehicles), (D.G.S. & D.) complaining that though nine road rollers against A/T No.

SP-1/90054-P/II/UPCC/329 dated 12-9-1963 were inspected on 4th October, 1963 and wagons were also arranged on 22nd November, 1963, the road rollers were despatched only in the 2nd/3rd week of December, 1963.

4.17. In the same letter, the D.G.B.R. also stated that against A/Ts VI/90053-P/II/UPCC/352 dated 27-9-1963, 28 road rollers were inspected during October, 1963; 29 road rollers during November, 1963 and three road rollers on 4th December, 1963, but only 21 road rollers had been despatched by the firm inspite of their arranging for wagons long ago. The letter stated: "It is felt that the firm is not making much effort to expedite the despatch, presumably, due to the fact that in this A/T, 90% payment has been authorised to them after inspection instead of after proof of despatch as is normally done."

4.18. On receipt of the above complaint, the office of the D.G.S. & D. addressed the firm on 21st February, 1964, to confirm that all the road rollers had been despatched. On 12th March, 1964, the firm replied that the supply had been completed by them, and necessary intimation had also been sent to the consignees *vide* their letter dated 12th February, 1964. On the basis of this letter from the firm, payments under the acceptance of tenders were finalised by D.G.S. & D. and liquidated damages waived.

4.19. The D.G.B.R. again complained on 23rd March, 1964 to the Director, Vehicles (D.G.S. & D.) about persistent delay in supply of road rollers by firm. The letter stated *inter-alia*:

"Your attention is invited to para 4 of our No. 67561/100/ Road Rollers/Es/BRD dated 12th Feb., 1964, (Appendix IV-A) in which it was stated that in order to achieve quicker deliveries the usual condition of payment after proof of despatch may be included in the A/T."

"It is noticed that in spite of our above request, 90% payment has been authorised after inspection, M/s. U.P.C.C. are still holding 55 road rollers duly inspected and in spite of our requests the progress towards despatches is very poor."

"You may please ensure that the firm despatches all the Road Rollers immediately these are inspected and passed. You may also please consider to amend the payment clause in this case."

4.20. The Committee have been informed that the following action was taken:

"This matter was examined in the office of D.G.S. & D. at the Assistant Director's level in the month of September, 1964, i.e. about 6 months later. It was noted that the D.G.B.R.'s letter of 12-2-1964 had been taken into account while placing the order and that since the payment terms had been introduced not very long before, it was enough if the firm was told to expedite deliveries. This office note was not.

shown to the Director to whom D.G.B.R.'s letter had been addressed."

4.21. The Committee regret to note that, in spite of the fact that delays in despatch of road rollers, after inspection and advance payment of 90 per cent. were brought to the notice of the DGS&D in January, 1964, and March, 1964 by the DGBR, the terms of payment were not revised. It is also strange that the complaint addressed by the Director General, Border Roads Organisation, to the Director, vehicles (DGS&D), on 23rd March, 1964 was examined in the office of the DGS&D in September, 1964, i.e. six months after its receipt, at the level of Asstt. Director only and that it was not brought to the notice of the Director to whom the DGBR's letter had been addressed.

4.22. The DGBR had already indicated in his two letters mentioned above that the DGS&D should consider the desirability of amending the payment clause and, if that had been done at that stage, a number of lapses which took place in this transaction subsequently could have been avoided.

Defects in the Road Rollers supplied to the Border Roads Organisation

4.23 A number of defects in the road rollers supplied by this firm to the Border Roads Organisation were brought out in the D.G.B.R.'s letter of 22nd February, 1966. This was followed by a U.O. letter dated 6th August, 1966 from the Secretary, Border Roads Development to the Secretary, Deptt. of Supply. This letter of 6th August, 1966, (Appendix IV-B) *inter-alia* referred to the defects in the road rollers supplied in 1963-64 as under:—

".....D.G.B.R. has furnished us a list indicating the nature of defects noticed in these rollers. A copy of the list is enclosed herewith for perusal. (See Annexure). These defects were intimated by D.G.B.R. to the firm and the latter were asked to rectify them by free replacement of component parts, suggest remedial action for rectification of these defects and also undertake improvements in future designs. The firm is also reported to have neglected the 'after sales' service. D.G.B.R. has reported that there has been no response from the firm despite reminders."

And again:—

".....It is for consideration whether D.G.S.&D. should place orders for any more Agrind Moore Road Rollers for Border Roads or projects executed by any agency in the hilly areas."

4.24. As a result of this U.O. letter dated 6th August, 1966, a meeting was held between the representatives of the firm and Inspection Wing on the 6th September, 1966. (Indentors' representatives did not attend, though specifically invited). The defects pointed out by the Indentors were brought to the notice of the firm and they agreed that they would rectify them if the indentors could give the necessary facility to enable their representative to visit

different sites. The Committee also find from the papers furnished to them that a reply to the D.G.B.R.'s letter of 22nd February, 1966, was given by the Director of Inspection (Calcutta) on 7th May, 1966 (Appendix V). No formal reply was, however, sent by the Deptt. of Supply to the Secretary, Border Roads Development to his U.O. letter of 6th August, 1966. During evidence, the Committee referred to the U.O. letter dated 6th August, 1966, from the Secretary, Border Roads Development to the Secretary, Deptt. of Supply, and enquired whether any further orders were placed on this firm for the supply of road rollers to the D.G.B.R. The Secretary, Deptt. of Supply, stated that no further orders were placed on M/s. U.P.C.C. on behalf of D.G.B.R.

4.25. It appears from the complaints made by D.G.B.R. that the Agrind Moore Road Rollers were not found suitable for use in hilly areas. Earlier also there were complaints from the India Aid Mission in Nepal about the poor performance of these road rollers. The Committee feel that the office of the D.G.S.&D. should have investigated more expeditiously and thoroughly the complaints about unsatisfactory performance of these road rollers instead of complacently continuing to place orders with the firm.

Complaints by Pay & Accounts Officer, Calcutta and Chief Pay and Accounts Officer, New Delhi

4.26. The Pay & Accounts Officer, Department of Supply, Calcutta, the Pay & Accounts Officer and the Chief Pay & Accounts Officer, Department of Supply, New Delhi, addressed in all 15 letters from November, 1963 to March, 1966, to the Directorate General, Supplies & Disposals, enumerating various complaints received against the firm. These letters are reproduced in Appendix VI.

4.27. The very first letter of the Pay & Accounts Officer, Calcutta, dated 2nd November, 1963, addressed to the Directorate General of Supplies & Disposals, dealt comprehensively with the delay in the despatch of 77 road rollers by the firm after taking advance payment representing 90% of the cost. The A/Ts in question pertained both to the period before July, 1963, and after the relaxation in terms of payment. The relevant extracts from the letter of the Pay & Accounts Officer dated 2nd November, 1963 are reproduced below:—

“The following advance 90% payment on proof of inspection, have been made to the firm against the under mentioned A/Ts. for supplies of the road rollers, quoted against each A/T. But it appears that the firm have not been able to despatch all the road rollers for reasons known to them. No 5% bills with proof of despatch has yet been received. On the other hand one consignee has expressed his inability to accept 90% debits, as he has received neither R.R. nor the road rollers, for which debits were raised. You are therefore requested to issue necessary instructions to firm to expedite despatch of the rollers if not already done, and to the consignees to accept the debits, as per

terms of the A/T 90% payments are made on proof of inspection only."

A/T No.	Consignee	Quantity of Road Rollers	Amount of 90% payment
			Rs.
1. SVI 817073-P/II UPCC/60 dt. 22-2-63.	O. C., ESD (M) Kankinara.	21	9,45,228.50
2. SVI/5263-N/II/UPCC/ 263 dt. 30-7-63	(i) Executive Engineer P.W.D. (R&B) Abhayapuri.	12	
	(ii) Executive Engineer Maha- nadi Bridge Dvn., Cuttack.	2	
	(iii) Executive Engineer Balasore High Way, Dn. Balasore.	4	
	(iv) Dy. Engineer, National High Way, Sub-Divn. Bassein No.-I, Bassein.	4	9,48,321.00
3. SVI/5556/N/II/UPCC/ 270 dt. 3-8-63	Asstt. Engineer, R.P.S., Stores Sub-Divn., Chambal Project, Rawatbha, C/o. P.B. No. 9 Kota	2	87,935.20
4. SVI/24547-N/II/UPCC/ 271 dt. 3-8-63	Executive Engineer (T) C. Rly. Secundrabad.	1	43,967.60
5. SVI/54024-P/II/UPCC/ 272 dt. 3-8-63	A. C. O. S. (S&C) N. F. Rly. Siliguri.	2	86,210.00
6. SVI/54021-P/II/UPCC/ 275 dt. 5-8-63	A.C.O.S. (Construction), N. Rly. Robertsganj, Distt, Mirzapur, U.P.	1	43,967.00
7. SVI/2842-N/II/UPCC/ 276 dt. 6-8-63	..		No payments.
8. SVI/4283-P/II/UPCC/ 321 dt. 4-9-63	Executive Engineer (B), Power House Divn. Raxaul.	2	86,211.00
9. SVI/81575-P/II/UPCC/ 323 dt. 6-9-63.	The Barrack Stores Officer, Tank Factory, at Pattab hiram Milly Siding.	1	43,105.50
10. SVI/90054-P/II/UPCC/ 329 dt. 12-9-63	E. C. Project, Vartak, C/o. 56 APO, Rly. Station New Missa- mari.	9	3,87,949.50
11. SVI/90053-P/II/UPCC/ 352 dt. 27-9-63	Do.	16	6,89,688.00
		77	33,62,583.30

4.28. The Committee have been informed by the Department of Supply that the letter dated 2nd November, 1963, from the Pay & Accounts Officer, Calcutta, was not traceable in the office of the D.G.S. & D. It was, therefore, difficult to say as to whether any reply was sent thereto or any action was taken thereon.

4.29. The Committee are surprised to know that the first complaint dated 2nd November, 1963 from the Pay & Accounts Officer, Calcutta, is not traceable in the office of the D.G.S. and D.

4.30. The Committee would like Government to investigate how this important letter was not brought on record and take suitable action against the party at fault.

4.31. The Committee cannot help feeling that had this complaint (made within four months of the relaxation of terms) received the serious consideration that it deserved, many of the complications which followed later from the persistence of the firm in delaying or defaulting in supply might have been obviated.

4.32. It may be convenient to deal with the remaining letters from Pay and Accounts Officers, Department of Supply, under two broad heads:

- (i) Complaints pertaining to A/T's placed before 17th July, 1963, and
- (ii) Complaints pertaining to A/T's placed after 17th July, 1963, i.e. after the relaxation in the terms of payment to the firm.

Drawal of advance payment by the firm by quoting wrong railway receipts. A/T No. SVI/52363-N/II/61 dated 22-2-1963.

4.33. The office of D.G.S.&D., New Delhi, placed an order for supply of 30 road rollers on UPCC. (P) Ltd., under A/T No. SV-1/5263-N/II/61 dated 22-2-1963. The A/T provided for standard terms of payment namely 90% payment on proof of despatch after inspection and 10% on production of consignees' receipt. The Pay & Accounts Officer, Department of Supply, Calcutta, became suspicious about the actual despatch of road rollers by the firm to the consignees after drawal of 90% advance on proof of despatch after inspection. He investigated the facts and reported the matter to the Director of Supplies, Office of the D.G.S.&D., in his D.O. letters dated 14th June, 1965, 21st June, 1965, 27th July, 1965 and 21st September, 1965 (Appendix VI). The Pay & Accounts Officer summarised the position in a statement enclosed with his letter of 21st September, 1965, which is reproduced below:

V/1 No. SV-1/5263-N/II/UPCC/ 61 dt. 22-2-63
for supply of 30 Road Rollers.

Terms of payment: 90% on despatch of stores after inspection and 10% on consignee's receipt.

Contract delivery date 31-3-63 or earlier.

Sl. No.	Name & Address of the consignee.	Qty. on Order	No. and date of R.R.	Amount of advance payment for full quantity.	Date of Advance payment.	Whether bill has been submitted or not	Acknowledgement of the consignee.	Special remarks if any
1		3	4	5	6	7	8	9

1. Ex. Engr. P.W.D. (R & E), Bilashipara, Golokguni, Rly. Str., Assam.

Rs. 86211/-
Price of the A/T variable Cl. 17 (f) No. Balance bill submitted yet.
Consignee vide letter No. ACT/5723 dt. 20-5-65 stated that no roller has been recd. consignee vide letters ACT/8/63/Pf II/ 6395 dt. 2-6-65 & 7175-79 dt. 17-6-65 have confirmed that the rollers have been received recently by road delivery.

8-5-63
Consignee's statements taken together unmistakably show that the store stated to have been despatched by rail on 4-5-63 was actually recd. by road and after 20-5-63.

2. Ex. Engr. P.W.D. (R & B), Abhayapuri, P. O. Abhayapuri at Bongaigaon Rly. Station.

266215-16
654534 dt. 6-5-63
86211/-
9-5-63
-do-
Consignee vide letter No. 5884 dt. 1-7-65. confirmed the receipt of the rollers through R.R. Nos. G. 043542-43 dt. 9-11-63.
Consignee's statement shown unmistakably that store was actually despatched six months after the date of despatch declared in firm's advance 90% bill.

1	2	3	4	5	6	7	8	9
3	Ex. Engr. P.W.D. (R & B), Gouripur P.O. Gouripur Assam st. Gobikganj, Rly. Stn.	6 Nos.	656257 269544-45 dt. 25-5-63 656424 269779 dt. 28-5-63 P.269013. P. 269021-22 dt. 21-5-63 656423 269780 dt. 28-5-63	Rs. 86211/- <u>43104/50</u> 129315/50	28-5-63 & 30-5-63	Price of the A/T variable Cl. 17 (F) No. Balance bill submitted yet.	Consignee in his letter No. G-4/6997 dt. 17-6-65 stated that only accessories had been received vide R.R. Nos. quoted by the firm consi- gnee in his letter No. G-4/7483 dt. 5-7-65 confirmed that all the rollers have since been recd. and are working satisfactorily	Consignee's statement taken together unmi- stakably show that the main and most valua- ble component (Road Roller) of the stores stated to have been despatched in May and June, 1963 was actually recd. after 17-6-65.
		3 Nos.	270838 270844 270843 dt. 31-5-63	<u>258642/-</u> 129316/50	4-6-63	-do-		

4.34. The Pay & Accounts Officer, Calcutta, in his letter dated 21st September, 1965, also pointed out *inter alia* that "As the A/T stipulates payment of advance 90% cost of stores on proof of despatch after inspections and as the facts show that the stores were not despatched strictly in conformity with the declaration made by the supplier in advance payment, bills, it appears that a *prima facie* case of fraud by the firm has been established and that all action due in such event should be initiated from your end."

4.35. The Department of Supply have stated in a note to the Committee that on receipt of the complaint from the Pay & Accounts Officer, Calcutta, the following action was taken:—

"The matter was taken up with the firm and there was correspondence between the DGS&D, the P&AO and the firm as well as the consignees. Ultimately, it was found that all the road rollers had been supplied by the firm to the consignees although 2 Nos., for which payment had been claimed against R/Rs, had been despatched by road instead of rail. The P&AO, New Delhi wrote a letter dated 11-10-1965 to the DGS&D in which he stated that he had received a letter from the P&AO, Calcutta to the following effect:

"P&AO(S), Calcutta, has since informed this office that all the cases in which supplies had not reached the consignees but in which advance payments were drawn, as reported earlier, stand regularised as the consignees have intimated receipt of stores though long after the date of despatch as mentioned by the firm in the advance payment bills. The supplies were received by consignees either under different R/Rs or in some cases by road instead of by rail as indicated on the advance 90% bills."

"In view of the position intimated by the P&AO(S), Calcutta, it does not seem to be necessary to withhold hereafter advance payments to the firm for which specific provision exists in the contract. These are, therefore, being released."

4.36. This letter was examined in the C&W Section of the DGS&D. It was taken to apply to all cases in which complaints had been made by the Pay & Accounts Officer, Calcutta. Despite the Pay & Accounts Officer's report that all cases had been regularised, the DGS&D addressed a letter to the firm on 1-11-1965 in which the firm were told that they had obtained payments fraudulently by quoting wrong R/R Nos. It was added:

"This is most irregular practice in your part and you are advised in your own interest to desist from such irregularities in future as any recurrence of such action on your part is likely to adversely affect your registration with this Directorate General."

4.37. The Committee had called for copies of the entire correspondence that passed between the Pay & Accounts Officers, the Directorate General of Supplies & Disposals and the Department of Supply.

They find that the Pay and Accounts Officer, New Delhi had in continuation of his letter dated 11th October, 1965, which has been reproduced by the Department of Supply in their reply to the Committee (see para 4.35) had addressed another D.O. letter No. SM3-(432)VII/1972-73 dated 23/26-11-1965 to the Deputy Director General (Genl), Office of the Director General of Supplies & Disposals, New Delhi. Relevant extracts from this letter are reproduced below:—

“Kindly refer to my D.O. letter No. SM3(432)VII/1584 dated 11-10-1965 addressed to Shri..... regarding fraudulent payments obtained by M/s. United Provinces Commercial Corporation (P) Ltd., Calcutta against A/T No. SV-1/5263-N/II/UPCC/61 dated 22-2-1963.

P.A.O. (Supply) Calcutta has now intimated that one of the consignees under the subject A/T, who had previously acknowledged receipt of stores in full and good condition has now reported that the two rollers supplied by the firm are not fully equipped as required under the A/T and also bear no inspection marks as well. This fact has also been reported to your office *vide* P.A.O. Calcutta's D.O. letter No. SAV/SV-1/UPCC/1190 dated 14-10-65. He has also withheld payment to the suppliers of their current bill covering the advance 90% payment of Rs. 86,211/- made against the particular supply.

I shall be grateful if you kindly confirm the action taken by P.A.O. (Cal.) as mentioned above and also expedite further necessary action in this case.”

4.38. The Chief Pay & Accounts Officer, New Delhi, in his D.O. letter dated 26th/28th March, 1966 to the Addl. Director General Supplies and Disposals, drew attention to these letters of the Pay & Accounts Officer, Calcutta pointing out that the firm appeared “to have obtained fraudulent payments against A/T No. SV-1/5263-N/I/UPCC/61 dated the 22nd February 1963 by quoting bogus R/R Nos. in the 90% advance payment bills.”

4.39. The Committee were informed during evidence that the Central Bureau of Investigation had been asked to look into this alleged fraudulent practice of U.P.C.C.(P) Ltd.

4.40. It would appear from the facts that the firm Ltd. drew 90% of advance payment on proof of despatch after inspection of road rollers within three or four months of the placing of the A/T in February, 1963.

4.41. As regards the supply of road rollers, the following three instances bring out the performance of the firm:

4.42. The firm indicated in the bill dated 8th May, 1963 for 90% advance payment that two road rollers had been despatched by rail to the Executive Engineer, Bhilashipara Division on 4th May, 1963. These road-rollers were actually received by the consignee by road in May, 1965, i.e. after two years.

4.43. In the second case, the Executive Engineer, P.W.D., Abhayapuri, intimated that the road rollers were actually received by him six months after the date of despatch declared in the firm's bill for 90% advance payment and that the R/Rs quoted in the bill for 90% advance payment were different from the R/R's under which the road rollers were actually received.

4.44. In the third case, the Executive Engineer, P.W.D., Gouripur Division, intimated that he received only accessories against the R/R sent by the firm in respect of the road rollers. These road rollers were actually received by him in July, 1965, i.e. after a period of over two years of the date of despatch indicated in the R/R quoted by the firm.

4.45. The Committee find it difficult to appreciate how the office of the DGS&D could content themselves with the issue of a mere warning letter to the firm on 1st November, 1965 and how they expected this to put a stop to questionable practices being indulged in by the firm. The Committee cannot help feeling that it was this gross laxity on the part of the office of the DGS&D which encouraged the firm to persist in their dubious practice of taking advances from Government without taking earnest steps to despatch the road rollers to the consignees.

Drawal of advance Payment by the firm without Despatch of Road Rollers A/T No. SV-1/5263-N/II/UPCC/740 dated 30-6-1964.

4.46. The Pay & Accounts Officer, Calcutta, in his D.O. letter dated 12th March, 1965 to the Director of Supplies, Office of D.G.S.& D., New Delhi, set out the salient facts of the case, relevant extracts from which are reproduced below:

"Please refer to the A/T No. SV-1/5263-N/II/UPCC/740 dated 30-6-1964 placed on M/s. United Provinces Commercial Corporation (P) Ltd., Calcutta for the supply of Road Rollers against the Consulting Engineer (Road Development), Ministry of Transport and Communication (Road Wing), New Delhi, indent No. SP-14(4)/62-MP dated 17-11-1962. The A/T in question, is an order for the supply of 75 Nos. Road-Rollers valued at Rs. 36,33,375/-. The terms of payment as stipulated in clause 17(e) of the A/T being 90% of the cost after inspection, the firm has already obtained advance 90% payment for the entire quantity of stores during July to September, 1964 i.e. within a period of three months from the date of placement of the A/T.

2. It further transpires from the records of my office that only two road-rollers have been despatched under R/R/ Nos. G. 265814 dated 25-12-64 and G. 214465 dated 20-2-65 to two different consignees so far as against a total number of 75 road rollers for which balance 5% payment has also been received as per terms of the A/T. It is observed that advance 90% payment were received by the firm in both the above cases in early September, 1964 while the stores

were despatched in December, 1964 and February 1965 respectively.

3. A reference was made by my office to 13 consignees as per A/T on 2-12-64 after payment of advance 90% to the firm enquiring if the stores were received by them in the meantime. As many as four consignees have since intimated that none of them has yet received the stores. A few consignees have intimated their grave concern over this and have taken a serious view of the matter. It is, therefore, for consideration whether in the interest of the consignees who have not yet received the stores, but received 90% debit for the cost of stores, my office may effect recovery of 90% cost from the outstanding bills of the firm."

4.47. This was followed up by the Pay & Accounts Officer, Calcutta, with the Director of Supplies, Office of D.G.S.&D., New Delhi, through his D.O. reminders dated 24/25th March, 1965, 27th April, 1965, and 2nd June, 1965.

4.48. The Chief Pay & Accounts Officer, New Delhi, followed up the matter with the Addl. Director General of Supplies and Disposals through his D.O. letter dated 28th March, 1966. Relevant Extracts from the letter of the Chief Pay & Accounts Officer's letter are reproduced below:

"The P&AO Calcutta in the meantime has further reported that against A/T No. SV-1/5263-N/II/UPCC/740 dated the 30th June, 1964, which is for the supply of road rollers and which provides for 90% + 5% + 5% payments on inspection, despatch and receipt of stores by consignee respectively, the firm had obtained 90% payment for the full quantity ordered, during the months of July to September, 1964, but that it has despatched only 31 road rollers and that too long after the inspection was completed—the minimum time lag between the dates of inspection and despatch being 119 days. Balance 5% payment, which was admissible after despatch of stores has also been obtained by the firm against 31 road rollers but no bill for the final 5% payment supported by consignee's receipt certificates have been received so far. Claims for 5% payment admissible on proof of despatch, for the remaining 44 road rollers have not yet been received and it is doubtful if these road rollers have been despatched at all although the date of delivery stipulated in the A/T expired long ago. In this connection, I would refer to your office letter No. SV-1/5263-N/II/ dated the 6th September, 1965, addressed to the P&AO(S), Calcutta and request you to consider the desirability of investigating whether (1) abnormal delay in despatch of stores all along has actually been due to booking restrictions and non-availability of wagons, (2) the remaining 44 road rollers already inspected in the year 1964 are still lying with firm in good condition, and (3) the 31 road rollers for which 5% payment has been claimed by quoting R/R Nos. have actually been received by the consignees.

If as a result of such investigation, the firm is found to have indulged in drawing payments fraudulently and/or to have deliberately delayed despatch of stores to consignees, it may be considered if the concession of advance 90% payment on inspection may not be withdrawn from the firm in respect of all A/Ts. containing such terms and also whether the firm might be blacklisted."

4.49. The Committee have already commented on the inadequacy of Government action in issuing on 1st November, 1965, to the firm a mere letter of warning to desist from irregular practices. The Committee feel that had the Directorate General of Supplies and Disposals given careful consideration to the concrete suggestions made by the Pay and Accounts Officer, Department of Supply, Calcutta, to recover the advance payments taken by the firm without despatching the road rollers from the outstanding bills of the firm, Government would have been saved considerable financial loss. They also feel that had the three points for action posed by the Chief Pay & Accounts Officer in his letter of March 1966, namely: investigation into the abnormal delays in despatch of road rollers by the firm, physical verification at the firm's premises of the road rollers already inspected and paid for but not despatched, and verification of receipt of road rollers from consignees; been proceeded with, the malpractices indulged in by the firm would have come to light earlier. The Committee would like Government to investigate why adequate action was not taken on these communications of the Pay & Accounts Officer, Department of Supply, Calcutta, and Chief Pay & Accounts Officer, New Delhi. They also feel that a procedure should be devised by which such complaints from senior accounts officials of the Department received the personal attention of senior officers of the Department so that remedial measures are initiated without loss of time.

Remedial Measures to Avoid Recurrence of such Instances.

4.50. The Committee desired to know from the representatives of the Department of Supply and the Directorate General of Supplies and Disposals as to what remedial measures were proposed to be taken to guard against the recurrence of such instances where firms manage to take money on inspection and despatch by indicating fictitious or wrong R/R/ Nos. in the bills for 90% advance payment. The Secretary, Department of Supply, stated that it was the first case where irregularities of this nature had happened. The Director General, Supplies & Disposals, added:

"We find now that there is no fool-proof system. That is the question we are addressing ourselves right now." The witness added that railway receipts showed that certain goods had been despatched by the supplier to the consignee and the description of the goods was given but not always in sufficient detail."

4.51. The Directorate General of Supplies and Disposals have now devised a proforma in which the consignees are required to send intimation about receipt of stores expeditiously to the DGS&D.

4.52. The Committee also find that a provision already exists in the standard form of A/Ts that the railway receipt should be sent by the supplier to the consignee direct by registered post under intimation to the office of the D.G.S. & D.

4.53. The Committee would like the Department of Supply/ Directorate General of Supplies & Disposals to go fully into the matter in consultation with the Ministry of Railways and major indenting departments with a view to devise a fool-proof procedure for ensuring that a supplier cannot get away with advance payment without actually despatching complete goods after inspection.

Late issue of instructions about the consignees—not a cause for delay in despatch of road rollers.

4.54. One of the reasons for which the supplies could not be made in time, as alleged by the firm, was the change in the instructions about the consignees. During evidence, the Committee drew the attention of the Secretary, Deptt. of Supply to this and enquired if "In some cases the consignment orders were changed as much as two years late and delay in delivery was due to this." The Secretary, Deptt. of Supply, stated that "these variations had to be made because the works for which road rollers were required had been completed and so consignees never wanted the road rollers.... That is precisely the reason why variation took place because the delay was two years". To a question "whether the firm have a valid excuse for the delayed supply", the witness replied: "No valid excuse."

4.55. The Committee have been informed by the Department of Supply in a written note "all the 106 contracts placed from the year 1961 onwards have been reviewed which reveal that the consignment instructions were given in 86 acceptances of Tender initially and in 20 acceptances of Tender, consignment instructions were given subsequently on receipt of definite consignment instructions from indentors. The consignment instructions were amended in 47 cases (involving 560 road-rollers). The maximum time-lag was one month and 23 days and the minimum time-lag was one day."

5.56. It would thus appear, that the time taken in the issue of consignees instructions in the office of the D.G.S.&D. was not the primary cause of the delay in the despatch of road rollers by the firm. The Committee suggest that the matter should be further investigated by Government.

Non-availability of wagons—not a cause for delay in despatch of road rollers as alleged by the field.

4.57. The Divisional Engineer, Highways and Rural works, Guindy (Madras), in his letter dated 27th September, 1965, to the Asstt. Director of Supplies, office of the D.G.S. & D., pointed out that the Divisional Traffic Superintendent, Shalimar had informed him that there was no outstanding indent for wagons at Shalimar from M/s. UPCC (P) Ltd., for despatch of road rollers to Madras. The firm had, however, informed the D.G.S. & D. in their letter dated 10th August, 1965, that they were unable to despatch the road rollers

due to restrictions in railway booking. The Divisional Engineer stated that from the reply of the Divisional Superintendent, Shimla, it was clear that the firm had not contacted the railway authorities at all.

4.58. Similarly, the Executive Engineer, P.W.D. (Patiala), while forwarding copy of the telegram dated 10th January, 1966, informed the D.G.S.&D. that the firm had not been able to despatch road rollers even though the railway authorities had intimated that there were no restrictions on the booking of wagons since 13th October, 1965.

4.59. As mentioned earlier in this Chapter, the Director General, Border Roads, had also in his letter dated 30th March, 1964 (Appendix VII) pointed out that the complaint of the firm regarding non-availability of wagons was not correct.

4.60. The Director General, Border Roads, in his letter No. 67/561/100/RR/396/ES/BRD dated the 20th October, 1964, had *inter-alia* reported to the Director of Supplies (Vehicles), office of D.G.S. & D. as under:

"It is also brought to your notice that M/s. Jessops & Co., Ltd., Calcutta have had no difficulty in despatching the Road Rollers during the Eastern Sector during the same period and delay in despatch by M/s. UPCC is not understood."

4.61. The Committee drew attention of the Secretary, Department of Supply, to these complaints and asked why the explanation of the firm regarding non-availability of wagons was accepted by the officers concerned. The Secretary, Department of Supply stated: "That is being looked into".

4.62. The Committee also find that the Director (O&M and CDM) of the office of the D.G.S. & D. in his report dated 19th November, 1966, had *inter-alia* stated:—

"It was test checked that other suppliers of road rollers i.e., M/s. Jessops, M/s. Greaves Cotton and M/s. Britannia, all situated in Calcutta were on an average not taking more than 30 days in arranging despatches of the road rollers after inspection. If so, M/s. UPCC could not reasonably advance the plea that they were facing difficulties in obtaining railway booking for arranging timely despatches of these road rollers after inspection."

4.63. The Committee are not able to appreciate how the Directorate General of Supplies and Disposals, Delhi did not make adequate use of their offices at Calcutta to verify the truth of the firm's contention that such excessive delays from six months to two years were due to non-availability of wagons. If the Directorate General of Supplies and Disposals, Delhi had pursued the matter either directly with the Railways or tried to ascertain the position regarding despatch of road rollers by the other two firms, M/s. Jessops and Britannia, they would have come to know that non-availability of

wagons was not the real cause of delay in the despatch of road rollers. The Committee regret the lack of vigilance shown by the Directorate General of Supplies and Disposals in investigating these complaints and would like that responsibility for this laxity should be fixed and disciplinary action taken against the persons at fault.

Substitution of 4 Cylinder Engines by Cylinder Engines.

4.64. The Executive Engineer, Bijni Division informed the Pay and Accounts Officer, Calcutta, in his telegram dated 3rd September, 1965 that he had received 2 road rollers fitted with 3 cylinder engines instead of 4 cylinder engines and that these engines had no inspection marks on them.

The Chief Engineer, B.&R., P.W.D., Rajasthan, in his letter No. F.8(4)10/D-4075/Sec. III/66, dated 1st March, 1966 had intimated the D.G.S.&D. that.....

"the firm has made a lot of changes after inspection of the Road Rollers and drawing 90% cost in advance. The Engines fitted with the Road Rollers have completely been changed by replacing 3 cylinder Engines instead of 4 cylinder Engines mentioned in the A/T which are not considered suitable, as the BHP of Fordson Dextra 3 cylinder engine is 32 BHP whereas that of Fordson Major 4 cylinder engine provided in the A/T is 51.8 BHP. It is really a serious irregularity on the part of the firm to have changed engines completely after their final inspection and drawing 90% cost in advance."

The Chief Engineer in his another letter No. F.8(4)(12)/O-3749/Sec. III/66, dated 1st March, 1966, had also pointed out that.....

"The Engine Fitted with the Road Rollers is Fordson Dextra 3 cylinder 32 BHP, whereas as per detailed specifications mentioned in the A/T, this should be Fordson Major 4 cylinder 51.8 BHP. Hence the supply of Rollers is quite contrary to the specifications given in the A/T."

4.65. The Ministry have stated in a note to the Committee that: "between September, 1965 and April, 1966, 5 complaints were received from different consignees to the effect that, after inspection, the firm had substituted 3 cylinder engines in place of 4 cylinder engines. Further enquiries have been made and it has been found that complaints of this nature have been made in respect of 21 road rollers. It is possible that similar substitution may have been done by the firm in other cases as well. Consignees are being requested to carry out a check and report any further instance of this fraud so that suitable action may be taken against the firm."

4.66. The Committee enquired how the firm substituted 3 cylinder engines for 4 cylinder engines in 21 road rollers and what action was taken in this regard. The D.G.S. & D. stated that the original specifications mentioned the fitting of 4 cylinder engines (51.8 HP). In about 1965, the firm started substituting Dextra Engines 3 cylinder

46 HP and this seemed to have been done in the case of 21 road rollers. Subsequently, the firm approached the D.G.S. & D. for an amendment letter. Then there was a technical examination of the adequacy of the 3 cylinder engine and it was held that this was an adequate substitute for the 4 cylinder engine.

4.67. The amendment letter was issued in the case of 2 road rollers supplied to the Superintending Engineer, Ahmedabad, but no such amendment letter was issued in respect of the remaining 19 road rollers supplied with 3 cylinder engines after inspection. The witness added that, subsequent to the issue of the amendment letter, the firm was permitted to supply road rollers with 3 cylinder 46 HP Dextra engine. Asked if the fitting of 3 cylinder engines did not affect the efficiency of the road rollers the witness stated: "From the technical point of view, it was acceptable. But from the legal point of view, it was a deviation from the A/T in 21 cases." Asked further if the question was examined from the point of view of reducing the cost, the witness replied: "That was also looked into". He added that when the 3 cylinder engines came into the picture sometime in 1965, the general costs had increased appreciably. Certain figures given by the firm were examined and it was agreed, in consultations with the Ministry of Finance, that no reduction price need be obtained.

4.68. Asked whether any change with regard to the engine was allowed in the case of the other suppliers, the witness stated that the other manufacturers were using Parkins 4 cylinder 42 HP engines made in India. In the case of M/s. UPCC (P) Ltd., the engine was imported and it was understood that the foreign manufacturers had discontinued the manufacture of 4 cylinder engines and were manufacturing only 3 cylinder engines with 46 H.P. On the firm's representation, technical examination was carried out by the Director of Inspection and it was found that 3 cylinder engines would serve the purpose equally well.

4.69. The Committee enquired: Why road rollers with 4 cylinder engines were ordered from the firm if those with 3 cylinder engines, which might have been cheaper, could serve the purpose. The Secretary, Deptt., of Supply, stated that the firm had originally offered the road rollers with 4 cylinder 51.8 H.P. engine and therefore the question at that time was to accept or reject it. It was only in 1965 that the firm reported that the manufacture of the 4 cylinder engine had been discontinued by the foreign manufacturers and it was then that the question of substituting it by 3 cylinder engine arose and was considered.

4.70. The Committee are distressed to note that in 21 Road Rollers the firm seem to have substituted 3 cylinder engines in place of 4 cylinder engines after inspection of the road rollers. The Committee feel that substitution of 3 cylinder engines in place of 4 cylinder engines, after inspection, is a serious matter and requires further investigation. The Committee need hardly add that after investigation necessary action should be taken against the parties at fault.

4.71. It has also been observed that in one case, the Executive Engineer, Bijni, in his telegram dated 3rd September, 1965 informed the Pay and Accounts Officer that the firm had supplied 2 road rollers fitted with 3 cylinder engines instead of 4 cylinder engines and that they bore no inspection markings. The Committee are unable to understand how the engines which bore no inspection markings of the D.G.S.&D. were fitted in the road rollers and supplied by the firm. They desire that this case may be investigated with a view to find out the *modus operandi* of the firm and the loopholes in the procedure.

The Committee desire that the Government should investigate as to how the firm supplied to the Chief Engineer, Rajasthan the Fordson Dextra 3 cylinder engines with only 32 BHP as against the Fordson Major 4 cylinder engines with 51.8 BHP, as provided in the A/T.

4.72. The Committee desire that the remaining cases involving 16 road rollers should also be thoroughly investigated and responsibility for the lapses fixed on the parties at fault.

Reference by the Assistant Accounts Officer (Audit)

4.73. On the 6th September, 1966, the Asstt. Accounts Officer (Audit) wrote to the Directorate (D.G.S. & D.'s office) in which he brought out the following alarming information:

- (a) Out of 709 road rollers ordered upto August, 1965, only two were despatched within the delivery dates stipulated in A/Ts.
- (b) Inasmuch as progress payments had been sanctioned to give a fillip to production and supply of road rollers, it was evident from the delays which had occurred in despatch that this purpose had not been served.
- (c) 90% advance payment had been made to the firm for 201 road rollers which had not been despatched. This had resulted in irregular retention of Government money amounting to Rs. 89,59,575.00.
- (d) The two other suppliers of road rollers were making supplies well in time without the facility of special payment terms.

4.74. This letter at last resulted in a complete re-examination of the entire matter, and the special payment terms for the firm were withdrawn on 23rd September, 1966. The other matters arising out this letter are dealt with in Chapter No. VI dealing with the latest position in regard to this case.

4.75. The Committee have dealt in the preceding paragraphs with some of the complaints received from different sources against the supply of road rollers by this firm. They are left with an unfortunate impression that the organisation of the D.G.S.&D. did not respond to the needs of the case and failed to take prompt and adequate action on receipt of these complaints. As early as 2nd November, 1963, i.e. within 4 months of the relaxation in terms of payment, the Asstt. Pay and Accounts Officer, Calcutta, had brought to the notice of the D.G.S.&D. the delays in the despatch of road rollers after 90% payments had been drawn by the firm on proof of inspection. In January, February and March, 1964, the D.G.B.I. complained about the delays in despatch of road rollers by the firm despite availability of rail wagons, after drawal of 90% payment on inspection. He specifically pointed out that the D.G.S.&D. might consider the revision of terms of payment so that the firm got payment after proof of despatch and not on completion of inspection. The Committee regret to note that it did not receive the serious attention, it deserved. Even when the Pay and Accounts Officer brought to the notice of D.G.S.&D. from March, 1965, onwards cases of inordinate delay and drawal of advance payment on the basis of wrong R/Rs, effective action was not taken either to investigate the matter fully or to revise the terms of payment, but a mere warning was issued to the firm which could hardly in any material way safeguard the Government's financial interests. It was only when Audit pointed out the various lapses in this case on 6th September, 1966, that a thorough re-examination of the entire case of supply of road rollers by M/s. UPCC (P) Ltd., was carried out, and the special terms of payment withdrawn.

4.76. Another disquieting feature of this case is that the firm in some other cases had sent accessories instead of actual road rollers and yet claimed 90% payment on proof of despatch. In still other cases the firm seem to have substituted 3 cylinder engines instead of 4 cylinder engines after the road rollers had been inspected.

4.77. The net result of the failure to act on the part of the office of the D.G.S.&D. had been that the firm got 90% advance payment on proof of inspection, amounting to about Rs. 1.92 crores in respect of 419 road rollers, which they did not despatch at all. What is still worse, 391 road rollers for which payment had been obtained did, not 'exist at all', according to the Ministry's own note.

4.78. The Committee feel that the veriable series of lapses indicated above on the part of the firm as well as on the part of the office of the D.G.S.&D. require through examination with a view to taking suitable deterrent action against the parties at fault and to devising remedial measures to avoid a recurrence of such instances in future.

CHAPTER V

PROGRESS WING

The duties and functions of the Progress Wing have been aptly described thus in the Manual of Office Procedure for Supplies, Inspection and Disposals:

"The Progress Wing has been set up to implement the slogan of the Department 'D.G.S.&D. delivers the goods' by the scheduled date. Essentially, therefore, it watches coverage of indents and follows up contracts so that supplies are arranged by the specified delivery dates. For this purpose it will maintain close liaison with the Indentor, Suppliers, Inspector and Purchaser and ensure that there is no undue delay in regard to allotment of raw materials, issue of import licences, amendments, to contracts, inspection and despatch of stores etc. Progress Officer shall maintain constant and personal contact with the Supplies Officer at all levels and assist them in the prompt removal of bottlenecks though the ultimate responsibility for timely fulfilment of the contracts must rest with the Supplies Officers."

5.2. Paras 243 to 248 which describe in detail the working of the Progress Wing are reproduced in Appendix VIII. Some of the more important instructions contained in these paras are mentioned below:

- (a) All inspection notes received in D.G.S. & D. will be passed on to the Progress Wing in the first instance ———. The Progress Wing will watch the deliveries against the contracts upto the stage of final inspection of stores except in the case of contracts placed on unregistered firms where they are specially required to chase the contracts till the store is actually despatched;
- (b) Active progressing will be done through Field Officers posted at "....." to whom lists of outstanding, A/T in their respective areas will be furnished alongwith copies of acceptances of tender/Supply Orders every month by the Progress Wing at Headquarters. The Field Officers will visit the firms once a month or more often where necessary in order to ascertain the exact position and prospects of supply, as well as bottlenecks, if any, causing delay in completion of the contracts. With a view to assist the firms and expedite delivery of stores, remedial action to the extent possible will be taken by the Field Officers themselves. The lists will then be returned every month to the Progress Cells at Headquarters and Regional Offices for noting the factual position in the

relevant A/T cards and initiating action on other pending issues broughtout in the Field reports. The Field Officers will endeavour to visit all local firms in rotation so that no A/T is left out, though they will concentrate on A/T where delivery period has expired or is about to expire. They will similarly pay greater attention to chasing of A/T for fabricated and indigenous stores, as well as those issued against Works Programme. Express, Operational and Urgent indents and other important contracts and Educational Trial/Development orders.

- (c) A special watch will be kept on:
- (i) items of bulk purchase.
 - (ii) Urgent and Operational demands from Defence.
 - (iii) Critical items of requirements of Defence and P. & T Department.
 - (iv) Any other items indicated for special chasing.

5.3 The Committee drew attention to the following clauses in A/Ts placed on the firm for the supply of road-rollers from time to time:

- “(i) In terms of clause 11 of the General Conditions of contract and time for the date of delivery of the stores stipulated in the Acceptance of Tender should be deemed to be the essence of the contract and delivery must be completed not later than the date specified therein. Ex-tensions will not be given except in exceptional circumstances.”
- (ii) The Railway Receipts were required; “To be sent to the consignee direct by Registered Post under intimation to this office.” (D.G.S.&D.)”.

5.4. The Committee enquired whether in view of the specific conditions in A/T's and the aforementioned provisions in the Manual of Office Procedure for Supply, Inspection and Disposals, any special watch was kept on the despatch of road rollers by the unregistered firm of U.P.C.C. (P) Ltd., after inspection and getting 90% of the cost as advance. The Committee have been informed by the Department of Supply in a note as follows:—

- (i) In actual practice it was found that field progressing of the kind visualised in the instructions could not be done with the staff resources allotted for the purpose. In course of time, the field officers were progressing only selected A/T's specially marked for this purpose. Even in these cases, they generally called for information from the firms either by a letter or over the telephone. Actual visits of firms' headquarters were more frequent in the northern area, where the number of A/T's was comparatively less than in the eastern region with Headquarters at Calcutta. The number of A/T's placed in the Calcutta region accounted for about 30% of all the A/T's issued by the D.G.S.&D., apart from the A/T's issued by

the Calcutta Office itself. It is an ironic fact that the area where the strongest field progressing was required actually received the least attention due to the meagre staff allotted for this purpose.

(ii) The Vidyalkar Study Team, appointed by Government in July, 1964, had this to say about post-contract progressing in their report which was published in November, 1965:

"Although the Manual lays down that all contracts should be progressed, our investigations reveal that, in actual practice, the field staff progress only those contracts which are placed by their own regional office or for which specific requests are received from the contracting office. Non-compliance with the letter of the instructions of the Manual is understandable for compliance would increase tremendously the volume of work and would necessitate at certain places the provision of more than double the staff at present engaged in field work. On merits too, it should not be necessary to progress every contract."

(iii) Following modifications have been made in the functions of the Progress Wing as a result of the recommendations of the Vidyalkar Committee:—

- (a) Progress Wing has been absolved of the responsibility for pre-A/T progressing which has been entrusted to the Purchase Directorates.
- (b) The post-A/T progressing has been limited to the following categories of A/Ts only:—
 1. Supplies against Rate and Running Contracts.
 2. Operational/Urgent contracts.
 3. Contracts where assistance of raw material is required.
 4. Contracts against works Programme indents.
 5. Contracts for critical items of requirements of Defence, Railways & the Posts & Telegraphs Departments.
 6. Contracts for developmental items."

(iv) "The A/Ts placed on M/s. UPPCC Private Ltd. for the supply of Road Rollers were not specially marked for progressing. It was also not indicated to the Progress Wing that this firm was not registered with the D.G.S.&D., for indigenous Road Rollers. No active or field progressing was carried out by the field staff."

(v) "Some of the A/Ts on UPPC for road rollers which were sent to the Progress Wing in Calcutta were endorsed for assistance in procuring railway wagons. Enquiries made show that the firm approached the Progress Wing only rarely for such assistance. Therefore, while on the one hand, M/s. UPPC requested progress payments on account of delays in obtaining railway wagons, on the other hand, they made little effort to seek the assistance of the Progress Wing for this purpose."

(vi) "Out of the numerous complaints made by the consignees and the Pay and Accounts Officer in regard to supplies of Road Rollers by M/s. UPPC, some were sent to the Progress Wing in Calcutta for investigation and report. In one case, as no reply was received from the firm for 2 months, the Assistant Director of Progress in the office of the D.G.S. & D., Calcutta was asked to depute a Junior Field Officer to get the detailed particulars and report. Progress reports were required every week thereafter. Instead of deputing a Junior Field Officer to the firm, the Assistant Director sent for the firm's representative and obtained information which he reported to Headquarters. The officer has been dealt with for failure to depute a Junior Field Officer as ordered".

(vii) "This method of enquiry was in line with the general method of functioning of the Progress Wing, particularly in the Calcutta region. Had the progress wing been staffed to properly carry out the functions for which it was intended, it is not unlikely that the irregularities, delays etc. in the supply of road rollers would have been brought to light much earlier."

(viii) "Proposals for strengthening the Progress Wing adequately are at present under consideration. In addition, orders have been issued to plug other lacunae, that had been found in the functions of the Progress Wing. For example, it had been laid down that progress payment contracts should be chased by the Progress Wing by cross-checking and spot verification of proof of inspection, despatch and receipt by the consignees. When the Progress Wing is adequately strengthened, their services will also be utilised for investigating into serious complaints."

5.5. The Committee asked during evidence whether any steps had been taken to ensure proper co-ordination between the authority dealing with the complaints from consignees and the Supply Officers in the office of the D.G.S. & D. The Director General, Supplies & Disposals stated that "Follow up action was the function of the Progress Wing. The Progress Wing is to chase the suppliers and also to contact the consignees where necessary..... Unfortunately the Progress Wing was not well equipped to do this work. The result is these complaints, even those which were referred to Progress Wing, were not investigated thoroughly. That is what happened in this case."

5.6. Asked if the proposed strengthening of the Progress Wing of the D.G.S. & D's., organisation would really eliminate lack of co-ordination between the section dealing with complaints from consignees and that dealing with suppliers, the witness replied; "We expected it will be done."

5.7. The witness added that instructions had been recently issued that complaints of a serious nature should be brought to the notice of the Director General personally and the Department of Supply, and that these would specifically be entrusted to senior officers of the Progress Wing for investigation and report.

5.8. The Committee have been informed that in the light of the experience gained in the present case, the Directorate General of Supplies & Disposals have reviewed the position regarding pro-

gressing of supplies against contracts where progress/advance payments are authorised. The Directorate General of Supplies & Disposals have accordingly issued an Office Order No. 43A (Progress Payments) on the subject on 25th May, 1967, which is reproduced below:—

“Advance payments in the shape of 90% on proof of inspection, 5% on proof of despatch and the balance 5% on receipt of stores in good condition, were provided for under certain contracts placed in the past. It is observed that complaints regarding the performance of the firms received in these cases were not adequately investigated either by the purchase Dte. concerned or by the progress wing.”

“As progress payments represented Government assistance to contractors, it is clearly a progress function to chase such cases in order to ensure that supplies are made in good time and the advances taken are not misused by the firm in any way. Complaints regarding delay in supplies or non supply of stores received in the purchase Dte. should also be referred immediately to the Progress Wing for a thorough investigation of the case.”

“D.G. has ordered that Purchase Dtes. should make out lists of all cases in which progress payments have been made. This should be done by the end of May, 1967. These lists should be sent to the Progress Wing which will ensure that the progress functions enumerated above are carried out in an effective manner. In doing so progress wing should make local inquiries and spot investigations. The practice of getting information from the suppliers themselves, usually over the telephone, is no guarantee of the accuracy of the information supplied by the firms. The progress field staff should visit suppliers works and make such other local visits/inspections as may be necessary. The aim throughout should be to see that the stores of proper quality are supplied within the stipulated delivery periods and that the firms do not misuse the advances given to them. In particular, inquiries will have to be made to check whether the stores purporting to have been despatched are actually despatched. For this purpose test checks of R/Rs and transports documents will be necessary.”

“All concerned should note these instructions for strict compliance.”

5.9. The Committee cannot help concluding that one of the contributory reasons for the failure to detect the inordinate delay by the firm in the despatch of road rollers after inspection was the fact that the A/T's placed by the office of D.G.S.&D. on the firm were not specially marked for progressing by the Progress Wing. The Committee consider that, when special terms of payment in relaxation of standard terms were sanctioned to the firm, the office of the D.G.S.&D., should have taken care specifically to ask the

Progress Wing to keep a special watch on the progress of the despatch of road rollers after inspection.

5.10. The Committee are also constrained to find that when complaints were specifically marked to the Progress Wing, Calcutta, for investigation and report, the officer concerned did not investigate the matter fully by inspecting the firm's factory or Godown but instead sent for the firm's representatives and obtained information which he reported to Headquarters". The Committee desire that the above lapses on the part of the office of the D.G.S. & D., and of the Progress Wing should be fully investigated with a view to fix responsibility and take suitable disciplinary action against the officers concerned.

5.11. The Committee need hardly add that now that Government have the considered recommendations of Vidyalkar Committee and have taken decision thereon, it should be possible to take suitable measures without loss of time to ensure that the Progress Wing is put in a position fully to discharge the functions devolving on it.

5.12. The Committee cannot too strongly stress that the Progress Wing and other agencies concerned in the D.G.S.&D., should keep a special watch regarding the despatch and delivery of goods against progress payment contracts or contracts where standard terms of payment have been relaxed by checking and spot verification of proof of inspection, despatch and receipt by the consignees.

5.13. The Committee note that the Directorate General of Supplies & Disposals have issued comprehensive instructions on 25th May, 1967, on progressing of supplies against contracts where progress/advance payments are authorised. The Committee would like Government to ensure that all contracts where progress payments have been authorised are reviewed to make sure that the goods for which advance payments have been made are actually received by the consignees in time. They would like Government to ensure that the procedure envisaged for making "local enquiries" and "on the spot investigations" for making sure of the receipt of goods by consignees in given effect to by the filed organisation in letter and in spirit.

Inspection Procedure

5.14. The Committee asked about the procedure followed for inspection of stores. The D.G.S. & D., stated that the inspecting officer endorsed the various technical certificates given by the firm's own inspectors, checked the production figures with engine numbers etc., tested the road-rollers in work on gradients, tried brakes etc., and fixed an inspection mark on each road roller. Asked about the nature of inspection mark indicated by the Inspector the witness stated: "A slight hammer blow, A mark is left on the body of the road roller". The witness added that the inspection procedure had recently been revised. The revised procedure was different from the original procedure in that previously road rollers were inspected after they had been completely fabricated but under the revised procedure there was stage by stage inspection.

5.15. The Committee asked whether the Deputy Director of Inspection performed his functions properly in this case. The Secretary, Department of Supply, stated: "The position is that we have asked the C.B.I. to go into the matter as to whether the inspection done by the Inspection Office was faulty or not and the supervision of the Director of Inspection was correct or not or whether there was any collusion".

5.16. The Committee find that the Additional Director General, Supplies & Disposals, in his note dated 20th October, 1966, had observed:

"Inspection of Road Rollers—A very disconcerting feature of the whole thing is that they have received payments after proof of inspection; in other words, only after the inspection certificate has been issued. If this was the case, then where are the road rollers, 400 of them? Therefore, it is quite obvious that either they have duped the inspector and got the same roller inspected over and over again by mutilating his inspection marks, or there has been some unfortunate collusion between the firm and the Inspectors."

5.17. This matter also came up for discussion between the Secretary, Department of Supply, and the representative of Messrs. UPCC in their meeting held on 26th October, 1966. The relevant extract from the minutes of that meeting is reproduced below:—

"Secretary inquired from them as to how the firm had drawn payment in respect of the road rollers which were not available. Had they got the same road rollers inspected time and again, or had they obtained inspection certificates from the inspecting officers of DGS&D without the actual inspection. Firm's rep. stated that a lot of their material had been pilfered. They were investigating the matter and had been able to locate some components of road rollers and are continuing their efforts for the balance. This explanation was not considered satisfactory."

5.18. It is also noticed from the papers furnished to the Committee that the total number of road rollers inspected from 1st December, 1963, upto September, 1966, was 962. The average rate

of inspection of road rollers per month from January 1964 was as follows:—

Months	Number of Road Rollers inspected		
	1964	1965	1966
January	28	28	37
February	12	11	9
March	31	13	25
April	18	20	24
May	44	32	24
June	36	38	17
July	36	18	34
August	32	27	42
September	27	41	20
October	39	40	
November	40	47	
December	16	42	
	359	357	232

5.19. The Committee find from this statement that in the months of May, 1964, to August, 1964, October, 1964 and November, 1964 and further from September, 1965, to December, 1965, the firm on an average made available for inspection road rollers greatly beyond their production capacity. The Committee are not able to understand as to why this aspect did not attract the attention of the inspecting officers. The Committee were given to understand by the Secretary, Department of Supply, that they were going into the matter as to whether the inspection done by the inspecting officers was faulty and the supervision of the Director of Inspections was adequate and whether there was any collusion. The Committee desire that this aspect should be investigated expeditiously with a view to find out how far the Inspection Wing and the officers of the DGS&D failed to carry out their responsibilities properly and how far there was collusion, if any, with the firm.

5.20. The Committee would also like Government thoroughly to investigate the procedure for impressing inspection marks on road rollers and stores so as to make sure that these cannot be erased or otherwise tampered with. In fact, it would be advantageous if inspection of goods fabricated or manufactured in the country is carried out in stages to make sure that they strictly conform to the prescribed standards.

CHAPTER VI

PRESENT POSITION OF THE CASE

Out of 1229 road rollers ordered from the firm from 1959 to 1966, the firm have delivered only 765 road rollers. Orders for 13 road rollers were cancelled, and 451 road rollers are outstanding. Against these 451 outstanding road rollers, the firm have drawn 90 per cent advance payment in respect of 419 road rollers, amounting to Rs. 1,91,86,857.50 but the rollers have not yet been despatched.

6.2. As already mentioned in para 1.10 (Chapter I) the period of delay in despatch of road rollers by the firm after they had drawn 90 per cent payment on inspection ranges from one to 25 months.

Measures to deal with the suspected fraud

6.3. On receipt of the letter dated 6.9.66 from the Asstt. Accounts Officer (Audit) referred to in para (Chapter IV), the case was examined in the relevant Directorate.

6.4. The Director (in the DGS&D) proposed that the special payment terms should be withdrawn and the outstanding payments due to the firm should be withheld. The matter was brought to the notice of the Director General Supplies & Disposals on 23rd September, 1966. A meeting of all officers concerned, including Finance was held the same day and the following steps were taken.

- (a) The Pay & Accounts Officer was asked to withhold all payments to M/s. U.P.C.C. (P) Ltd., and to refer their bills to the D.G.S.&D.
- (b) The special payment terms were to be discontinued and the standard payment terms adopted.
- (c) Statements of deliveries were to be obtained from the firm, the P&AO and the consignees, and the correct supply and delivery position ascertained.
- (d) An administrative inquiry was to be made as to why road rollers for which 90 per cent payment had been obtained had not been despatched.
- (e) No further rate contract, running contract or price agreement would be concluded with the firm and any decontrol road rollers would not be applicable to M/s. UPCC until the matter was cleared."

6.5. The Ministry have informed the Committee in a written note that "Further inquiries made by Government in accordance

with the above decision revealed that the firm had obtained 90 per cent advance payment amounting to Rs. 1,91,86,857.50 for 419 road rollers which had been delivered to the consignees. It further transpired that out of 419 road rollers for which the firm had drawn advance payment, they had only 28 completed road rollers, lying in two different yards, and that, therefore $419 - 28 = 391$ road rollers, for which payment had been obtained, did not exist at all."

6.6. "The matter was brought to Government's notice on 27th September, 1966. Representatives of the firm met the Secretary, Deptt. of Supply, on 1st October, 1966 and were told to refund the entire amount irregularly drawn by them along with interest. The firm said it would be difficult for them to refund the entire amount, but offered to pay reasonable interest. On 3rd October, 1966, the firm confirmed their willingness to pay reasonable interest. There was a further meeting in the room of the Secretary, Deptt. of Supply on 26th October, 1966." According to the minutes of the meeting:

"The Secretary, Department of Supply also told them that whatever the case may be on their side, the present imperative need was that the money over drawn by the firm must be repaid to the Government. As a first step they should deposit a sum of Rs. 50 lakhs within a week and they come forward with an acceptable suggestion for repayment of the rest of the amount".

According to the note furnished by the Department of Supply:

"The firm stated that they would not be able to refund the entire amount or even Rs. 50 lakhs. Instead, they made the following offer:

- (a) A cash and pay order for Rs. 10 lakhs.
- (b) Four post-dated cheques for Rs. 10 lakhs each, payable upto March, 1967, against the collateral security of shares of a face value covering the amount.
- (c) For the balance, to be determined, an insurance guarantee with a promise that it would be converted into a bank guarantee within 15 to 20 days. This bank guarantee would be encashable in case they failed to adhere to the stipulated schedule of delivery of completed road rollers."

6.8. The Department's note further states:

"This offer was not accepted since it did not conform to what was required of the firm. The firm were told that examination of the balance sheets of the two firms showed that M/s. UPCC had sufficient free resources to meet Government's requirements. The firm said that they would reconsider the matter and would make further proposals within a few days. They pointed out that their capacity to fabricate and supply road rollers would be adversely affected if any overt action was taken against them as their credit would be immediately affected."

"At a subsequent meeting with the firm held in the room of Secretary, Ministry of Supply on 7-11-65 the firm offered to pay forthwith a sum of Rs. 15 lakhs in cash and a further sum of Rs. 5 lakhs by 20-11-66. To cover the balance amount, they offered an insurance guarantee by the end of November, 1966, which would be converted into a bank guarantee within three or four Weeks thereafter. A letter dated 7-11-66 was sent to the firm stating as follows:—

- (a) Immediate cash payment of Rs.15 lakhs and payment of a further sum of Rs. 5 lakhs by 20th November, 1966 would be accepted.
- (b) The firm would have to furnish a bank guarantee by 30th November, 1966 for the balance amount. This would have to be in form specified by Government and on a bank approved by them. The bank guarantee would have to provide for refund of the entire balance by 31st December, 1966, with interest.
- (c) Acceptance of these amounts would be without prejudice to any action which the Government might decide to take against them under law."

While the Committee appreciate the action of the Department of Supply in refusing to tie Government's hands in regard to further action against the party, they are unable to appreciate in what way the demand made by Government in their letter of 7th November, 1966 was an improvement on the firm's earlier offers of 3rd and 5th November, 1966 in one of which they had offered a collateral security of shares of the face value of Rs. 40.24 lakhs to cover four post-dated cheques of Rs. 10 lakhs each encashable from 3rd December, 1966 to 3rd March, 1967.

6.9. The note received from the Department of Supply further states: "The firm paid Rs. 15 lakhs by two cheques on 9th November, 1966. They did not make any further payments nor did they furnish the bank guarantee as required by them, despite issue of a reminder dated 25-11-66. To this the firm sent a reply dated 1-12-66 in which they referred to an earlier letter dated 17-11-66. In this letter the firm conceded that payments exceeding Rs. 2:25 crores had been received by them, but disputed the number of road rollers said to have been supplied. They affirmed their willingness to negotiate with the authorities regarding further supply of road rollers and concluded that they could only continue to supply the backlog of road rollers until the accounts 'between the parties are finally adjusted'."

The Department of Supply have concluded that:

"Since a report had been made to the C.B.I. in the meantime, that is on 25-11-66 it was decided not to send a reply to firm's letter dated 1-12-66."

6.10. The Committee have been informed that following action has been taken in the matter by the Department of Supply:—

- “(i) The actions and omissions of the firm in regard to the supply of road rollers constitute a *prima facie* case of fraud. A report dated 25-11-1966 was accordingly made to the C.B.I. for investigation. The Central Bureau of Investigation were also requested to bear in mind the possibility of collusion by officials of the DGS & D with the firm. The case is still under investigation.
- (ii) On 19th January, 1967, the Reserve Bank of India was requested not to allow remittances abroad by the firm till such time as Government dues were fully recovered.
- (iii) Arbitration proceedings against the firm in respect of the outstanding road rollers for which they had drawn 90 per cent advance payment were initiated in April, 1967. An arbitrator has been appointed for this purpose.
- (iv) All the contracts entered into with the firm and its sister concerns are being re-examined to ascertain whether any irregularity or fraud has been committed by the firm.”

The Department of Supply have further intimated that:

“A circular was issued on 6-1-67 by the Ministry of Supply to all the Ministries of Government of India and Chief Secretaries of State Governments and Union Territories requesting them *inter alia* to intimate payments due to the firm.

On 24-2-67, a circular was issued requesting the officers concerned in the Government of India not to do any business with this firm or any of its branches and its territorial office, and the fact that such instructions had been issued has been intimated to others concerned.”

6.11. Asked during evidence as to why the request made by the firm on 5th November, 1966, offering an insurance guarantee which was to be converted into bank guarantee later was rejected, the Secretary, Deptt. of Supply, stated: “Every time the firm made that proposal they wanted that no action should be taken against them. . . . It was not a question of rejection straight-away. Rs. 15 lakhs would be accepted; Rs. 5 lakhs as deposit will also be acceptable, but the firm must give us a bank guarantee within a reasonable time. Immediately after that we could not withhold action any further. The moment we reported the matter to the Central Bureau of Investigation they did not deposit Rs. 5 lakhs, though we repeatedly reminded them; but they were not interested in that any more.” He added: “Repeatedly they have stated that they are willing to supply these road rollers to us over a period of say, a year or 8 or 9 months and that they are prepared to liquidate the outstandings. Before they do so, they have asked for various things from our side to be done which we do not find them possible to agree. For example, they have said that whatever payments we have withheld by way of our issuing circulars to State Governments asking them to withhold the payments should be paid to them.”

6.12. Referring to the offer of the firm to complete supplies by May, 1967, the representative of Government was asked whether “by taking the decision to reject the Insurance Guarantee to be actually

converted into Bank Guarantee on the basis of completion of supplies how have you improved the matters", and whether the Minister was consulted further in the matter. The Secretary, Deptt. of Supply, stated that "At every stage when the firm came forward with this proposal they said we should not take any steps in the matter either to report the matter to Police or any other overt action otherwise they will not be in a position to give road rollers. Now, supposing we had not taken any steps then we would have been blamed that here is a firm which have committed fraud and no action has been taken. This matter was brought to the notice of the Minister and he was told that we could not delay the matter more in reporting the matter to Special Police Establishment".

6.13. Referring to the rejection of the offer of the firm to complete the supply of the road rollers provided no overt action was taken against them, the Committee asked whether it would be correct to say that "they had doubts about the capacity of the firm to carry out its assurance once immunity was given." The Secretary, Deptt. of Supply replied "Yes, Sir, that is so."

6.14. With regard to the stoppage of payments to this firm from September, 1966, a question was asked: "Is it not a violation of the surviving A/Ts and uncompleted A/Ts?" The DGS&D stated: "In our standard form of contract there is provision that we can make a deduction from other A/Ts. in respect of the payments due to us. They (the contracts) are still alive."

Position regarding supplies made by the firm since December, 1966

6.15. The Committee understand from the Ministry's note that "the firm have offered 37 road rollers for inspection since December, 1966. These road rollers have been inspected according to the revised inspection procedure. Only 5 Nos. have been despatched. It appeared that further despatches were not taking place because completed road rollers as well as components in the firm's possession are subject to charges by various banks from whom the firm have taken advances. It was intimated by the firm during a discussion that these advances amounted to Rs. 90 lakhs, and the charge which the banks have on each road roller was Rs. 30,000.00. It was decided to take over 32 inspected road rollers in the firm's possession, and a letter was issued to them for this purpose on 15-4-1967".

6.16. The Committee asked during evidence if the remaining 32 road rollers had been taken possession of by Government. The Secretary, Department of Supply, stated that they had taken over in all 9 road rollers. 5 road rollers were taken over earlier and another 4 were delivered by the firm after a great deal of effort.

6.17. Asked how the road rollers belonging to Government could be hypothecated to a bank, the representative of the Ministry of Law stated: "The contracts are F.O.R. type contracts, that is only after the goods are placed on the rail it becomes the property of the seller. Although the money has been advanced, the title to the goods still remains with the sellers". The witness added that

in this case "hypothecation does not create a valid charge under the Companies Act because it is a company, the Charges should have been registered with the Registrar of Companies. We found it has not been registered. There is no valid charge and no pledge."

6.18. The representative of the Central Bureau of Investigation was asked whether he had been informed about the hypothecation of road rollers. He replied in the negative. The Secretary, Department of Supply stated: "I find that I have recorded a note myself on 3rd May after Mr..... had seen me when I have said that these road rollers had been hypothecated by the bank from which UPCC had received advance at the rate of Rs. 30,000 per road roller". He added that thereafter enquiries were made as to whether the hypothecation had been registered with the Registrar of Companies and it was found that it had not been done. He stated that they were now making a reference to the banks to find out the exact position. He further stated that the matter would also be brought to the notice of Central Bureau of Investigation.

6.19. The Department of Supply have informed the Committee in a written note dated 4th July, 1967 that :

"The Ministry of Finance, Department of Economic Affairs have after consulting the Ministry of Law, informed this Department that the Reserve Bank of India can obtain information and documents from the banks only for the purposes of the Banking Regulations Act, 1949. This pre-supposes that the Reserve Bank itself wants the documents and information for its own use under the Banking Regulations Act, 1949. Therefore, they have expressed their inability to verify the contention of the firm that 32 Road Rollers lying with them have been hypothecated with the Banks".

6.20. Asked why the C.B.I. had not taken possession of the road rollers, the Secretary, Department of Supply, stated that the case was reported to the C.B.I. on the 25th November, 1966, and the desirability of taking possession of the road rollers was pointed out to them. It was for them to decide about taking possession of the property having regard to the details of the case. The C.B.I. had submitted an interim report containing merely a factual statement, and they had been asked to expedite the investigation.

6.21. The representative of the C.B.I. stated that the case was registered in December, 1966, and immediately thereafter the records of the firm were taken into possession. Asked if the assets of the firm had been seized, the witness stated that "after establishing a *prima facie* case we would be able to seize the property. We have seized the records". Asked if any arrests had been made, the witness stated that 3 persons were arrested and had been hauled out.

6.22. Asked about the time expected to be taken in completing the investigation, the representative of the C.B.I. stated that "the

first set of charge sheet we hope to place before the court in three months. Investigation will continue. There are various aspects. It will take quite a little time."

Offers by the Firm

6.23. (i) The Secretary, Department of Supply, informed the Committee during evidence that "The latest proposal was that they would be prepared to give 20 road rollers per month provided we give them release orders for 10 or 12 road rollers for sale to other parties for which full payment would be made to them by those parties. This has to be examined carefully. We do not know also whether this firm will actually supply the rollers as promised because in the past they had not fulfilled their promises. We have got to be cautious in dealing with them. This specific proposal is under our examination and the tentative idea is whether the firm would be in a position to furnish a revolving bank guarantee for each month. We have got to consult the Ministry of Law."

(ii) The Committee understand from a note dated 15th June, 1967 furnished by the Ministry that "In March, 1967, M/s. UPCC (P) Ltd. made an offer that they would be prepared to accept two Directors nominated by the Government on the Board of Directors of M/s. UPCC (P) Ltd. to look after the Government interests till the pending supplies of the road rollers were completed. Before a final view could be taken on this proposal, it was felt necessary to obtain a clear and precise financial position of M/s. UPCC (P) Ltd. and M/s. Agrind Fabrications Ltd. The Department of Company Affairs have, accordingly, undertaken an investigation into the financial position of the two Companies under Section 209 of the Companies Act. A preliminary investigation report has been received. This is, however, not complete as the books and documents seized by the C.B.I. were not available to the Investigating Officer. The CBI have, however, since made available all the books and documents etc. seized by them to the Department of Company Affairs for completing the investigation. As desired by the Department of Company Affairs, the CBI have also been requested to seize the books of accounts and other relevant documents of the partnership firm of M/s. UPCC and to make them available to the Department of Company Affairs. A final decision on the offer of the firm regarding the appointment of the two Government nominated Directors on the Board of Management will be taken on receipt of the investigation report from the Department of Company Affairs on the present financial position of the two firms in question."

6.24. The Secretary, Department of Supply, also stated during evidence that "a senior officer went to Calcutta and, after consulting the records the report he gave was not satisfactory because a number of records were seized by the CBI. Later a meeting was held in my room when a representative of the CBI was present and he agreed a proper liaison will be maintained between CBI and Department of Company Affairs."

6.25. The Committee have been informed by the Department of Supply that "the Department of Company Affairs, who have investi-

gated into the assets of M/s. UPCC (P) Ltd., have reported that the latest balance sheet of the company is only as on 31st December, 1965, and that thereafter the accounts of the Company have not been compiled."

6.26. The Committee hope that the Government will ensure that a prompt and thorough investigation is made by the Department of Company Affairs, the Central Bureau of Investigation and the Department of Supply, in close co-ordination with one another, to ascertain the assets of the firm in question and to suggest concerted measures to safeguard the Government's financial interests. Government should also consider urgently the question of taking possession of the assets of the firm to ensure that these are not in any way dissipated. The Committee would in particular like the Government to go into the question of accounts of the firm after December 1965. The Committee need hardly suggest that money, if any, passed to UPCC and to other associated firms should be particularly checked, to make sure that assets of UPCC (P) Ltd., which owe Government Rs. 1.92 crores, are not in any way dissipated.

Position regarding Arbitration

6.27. Demand notices as a preliminary to arbitration were issued to the firm on 13th January, 1967, in consultation with the Ministry of Law. Arbitration proceedings have already been instituted in terms of the provision made in the contract for recovering all the overpayments drawn by the firm. An arbitrator was appointed by the Director General of Supplies and Disposals on 15th April, 1967.

6.28. The Committee asked during evidence, "Why, when the Company is not disputing the amount of money, that is due to the Government and in spite of their default, should there be arbitration?" The Secretary, Department of Supply stated that "According to the terms of the contract since arbitration is provided for, it is absolutely necessary to refer the matter to arbitration." Asked if there was any dispute in this case, the witness replied, "There is a dispute in the sense that we have asked the firm to refund the money which they have drawn from the Government as advance payment. Now they have refused to refund the amount."

6.29. The Committee were informed by the representative of the Ministry of Law that "the latest position according to Punjab High Court's decision is that a particular arbitrator is also to be specifically agreed to by the other party. For that purpose a notice had gone and as soon as we get their acceptance the arbitration proceedings will get started."

6.30. Asked about the steps proposed to be taken to recover the money from the firm, the Secretary, Department of Supply stated, "Without going through arbitration proceedings, we cannot do anything except perhaps getting an interim attachment order, for that we have to prove that the firm is trying to dissipate the assets." Asked if it was not possible to move the Courts of Law for obtaining

an attachment order before going in for arbitration, the representative of the Ministry of Law stated that "unless we start arbitration it is not possible to move the Court for attachment before judgement." The Secretary, Department of Supply stated that this aspect of getting an interim attachment order was going to be considered.

6.31. The Committee have been informed in the Ministry's note dated 21st July, 1967, regarding present position of the arbitration in this case, that "..... claims statements have been filed in 25 cases. These have been posted to the firm and the firm have been asked to file counter-statements by 17th July, 1967, 27th July, 1967 and 3rd August, 1967. M/s. UPCC (P) Ltd. have not so far responded."

6.32. The Committee need hardly stress that expeditious action should be taken to set the arbitration proceedings going. They would also like Government expeditiously to examine the question of obtaining an attachment order against the firm and taking further action to safeguard the financial interests of the Government.

Disciplinary Proceedings against Officers responsible for various Lapses.

6.33. The Ministry have stated in their note that the disciplinary aspect in respect of actions and omissions for which staff of DGS&D are responsible is being examined and suitable action will be taken wherever necessary. The CBI were also requested to bear in mind the possibility of collusion by officials of the DGS&D with the firm.

6.34. During evidence the Director General, Supplies and Disposals, informed the Committee, "Specifically we have requested CBI to take account of the possibility of collusion by the various members of the staff of the DGS&D either on the purchase side or on the inspection side. We have also initiated an administrative enquiry into the various loopholes that have to be plugged and the extent to which we can plug these loopholes. Disciplinary proceedings are going on. Administrative enquiry is virtually over."

Missing files.

6.35. The Committee asked whether any files on the subject were missing. The DGS&D stated that "We have not been able to find nine files..... So far as we know, they disappeared while they were in the Vehicles Directorate of the DGS&D". He added that they came to know about this fact in December, 1966, and they were making efforts to locate them.

6.36. Asked if all other files had been put in safe custody, the Secretary, Department of Supply replied, "that has been done." He stated that, "nine files related to the earlier period. They were very old files. But certainly we are looking into it whether it is possible to take any possible action against the officers concerned. For the time being we were trying to determine how these files disappeared so that we can fix responsibility, they call for the explanation of the officer concerned and if necessary, take action against him." He added, "There are a very large number of files involved—above 50 or

so, out of which nine files are missing which I presume were not very important because they were very old cases." He also informed the Committee that it was very difficult to say as to when these files disappeared.

6.37. The Committee desire that the loss of files from the office of the DGS&D may be investigated and suitable action taken against the persons at fault.

6.38. The Committee note that the Central Bureau of Investigation have already been asked to investigate the possibility of collusion between the firm and the members of the staff of DGS&D either on the purchase side or on the inspection side. The Central Bureau of Investigation may also be informed of the loss of these files in case the efforts to trace them in the office of the DGS&D fail.

6.39. Since any delay in finalisation of the investigation might make it difficult to pinpoint responsibility in this case, the Committee desire that the Central Bureau of Investigation should finalise their investigation expeditiously.

CHAPTER VII
PERFORMANCE OF THE FIRM REGARDING ORDERS
PLACED FOR OTHER STORES

The Department of Supply furnished a statement (Appendix IX) showing the position regarding the orders placed on the firm for the supply of stores other than road-rollers. The data in column 4 of the statement indicates the extent of delay in supply against stores other than road-rollers, for which the contracts were placed with the firm. These delays ranged over 2 years in certain cases. No liquidated damages have been levied except in one case where liquidated damages of Rs. 1,000 were levied against the firm (cf Sl. No. 1 of the statement). In a number of cases, the question of regularisation of liquidated damages is still to be considered.

7.2. The Department have further stated that "the performance of the firm in respect of supply of other stores has also not been satisfactory as they had, in certain cases, drawn advances without despatch of stores. All these contracts, therefore, require to be thoroughly investigated with a view to assess the total amount of dues recoverable from the firm on account of non-supply, belated supply and defective supply, and to see whether the firm could not be prosecuted for criminal breach of trust."

7.3. In a note submitted to the Committee subsequently, the Department of Supply have stated that, "Government have looked into the performance of M/s. UPCC in respect of other cases and it has been noticed that generally there have been delays in supplies in almost all the orders placed with them."

7.4. "In one-case, orders were placed for supply of four Dizers with four sets of tyres. The Dozers were to be imported from the USA and the tyres were to be of indigenous origin. The terms of delivery were F.O.R. Calcutta and payment terms were 80 per cent on proof of despatch and 20 per cent on receipt of stores in good condition by the consignee. Firm claimed 80 per cent payment on the basis of full quantity having been supplied. Consignee has reported that he received the four Dozers but only one set of tyres instead of four. The firm have thus drawn payment for three sets of tyres without actually supplying the tyres. The price of these three sets of tyres as per contract, works out of Rs. 48,902 @ Rs. 16,300.68 each. For the stores actually supplied, the firm have still to receive balance 20 per cent payment which amounts to Rs. 44,897.34. As against this, the firm have drawn payment of Rs. 39,121.60 being 80 per cent of the cost of three sets of tyres. The excess payment is being recovered from the 20 per cent payment which is still due to the firm. *Prima facie*, a fraud has been committed and the case is being referred to the CBI for investigation."

7.5. "In respect of another order for the supply of 25 Nos. Soil Stabilisers, the firm claimed 80 per cent payment for 23 Nos. on proof of despatch quoting certain R/R Nos. On investigation it has been confirmed by consignees that they have received 19 units less 4 compactors—each unit is made up of two parts, one stabiliser and the other compactor. Investigations have also revealed that 8 units are still lying at the port of Calcutta. Thus the firm have fraudulently obtained payment in respect of four units as also four compactors against the 19 units received by the various consignees."

7.6. "8 Nos. are still lying at the port of Calcutta since three years and a lot of demurrage has accrued apart from pilferage and deterioration in their condition. The question of getting the balance units cleared from the port and arranging for their despatch to the consignees is under correspondence with the firm."

7.7. In a note dated 13th July, 1967, the Department of Supply has stated that, "other contracts with M/s. UPCC (P) Ltd. and their subsidiary/associated firms have been scrutinised and no other case of fraud has come to light so far."

7.8. The Committee are perturbed to note that there have been delays in almost all the orders placed on the firm for supply of stores other than road-rollers. They desire that the question of levying liquidated damages against the firm should be carefully examined by the DGS&D.

7.9. What is more serious is that, the review of two cases regarding the supply of Dozers and Soil Stabilisers have revealed that the firm had fraudulently drawn 80 per cent advance payment on proof of despatch without despatching the complete stores.

7.10. It appears to the Committee that the firm has a persistent tendency to claim payment from Government fraudulently without delivering the goods. The Committee consider that Government should examine thoroughly, without delay, the performance of the firm and its associated companies regarding the supply of stores. The Committee need hardly stress that, where malpractices have been indulged in by the firm or its associated companies, stringent action should be taken against them to safeguard the public interest. The firm and associated companies should also be proceeded against, under the law, if fraudulent practices are established on investigation by the Central Bureau of Investigation.

CHAPTER—VIII

CONCLUSIONS

A perusal of the preceding chapters tells the story of a veritable chain or series of lapses on the part of various governmental authorities. It would be stretching credulity too far to believe that each individual lapse can be explained by its special circumstances and that the fact they all took place in regard to the same deal can be considered coincidental. It is this pattern that persists throughout the case that was a matter of concern to the Committee and should be a matter of concern to Government.

8:2. In order to set the matter in proper perspective, it may be worth while listing briefly the serious lapses that have been taken note of in the earlier chapters:

~~Deptt. of Supply, DGS&D~~

(1) The placing of orders for 1,229 road rollers at a cost of Rs. 6.01 crores on an unregistered firm from 1959 to September, 1966, without any attempt at verification of its financial standing and production capacity and without insisting on a deposit by way of security.

(2) The granting in July, 1963, of a relaxation in the standard terms of payment which enabled the firm, to draw 9 per cent of the cost of a road roller on inspection without any proof of despatch:

- (a) in spite of the receipt of no less than 23 complaints against the unsatisfactory performance of the firm;
- (b) in spite of the turning down of six similar requests made earlier by the firm; and
- (c) without consulting the Chief Pay and Accounts Officer.

(3) Failure to connect six earlier requests of the firm dating back to March 1960 while examining their seventh request. Another disquieting feature is that the offer of 4% discount made by the firm in the fifth request, which would have reduced the price of a road-roller by about Rs. 1,900 was not taken up with the firm while examining the seventh request. This gave the firm an unintended concession of about Rs. 20 lakhs on 1053 road rollers, for which relaxed terms were made applicable from July 1963.

(4) The failure to scrutinise the proposal regarding relaxation in terms of payment in all its aspects, the failure to make provision for an indemnity bond or effective security from the firm, and the insertion in the contract instead of a clause which did not adequately safeguard the financial interests of the Government.

(5) The failure to include even this clause in A/Ts issued after December, 1963.

(6) The failure to carry out a review of the relaxation in the terms of payment at the end of a period of six months as was contemplated in June, 1963, despite:

(a) the delay in the despatch of road rollers after drawal of 90 per cent advance payment by the firm having been brought to the notice of the DGS&D in November, 1963, by the Pay and Accounts Officer, Calcutta; and

(b) the complaint received in January, 1964, from the Director-General, Border Roads, about inordinate delay in the despatch of road rollers after drawal of 90 per cent advance by the firm.

(7) The failure to verify whether the relaxed terms actually resulted in increased production as they were meant to.

(8) The failure to mark the A/Ts. placed on the firm to the Progress Wing, resulting in failure to detect inordinate delay by the firm in the despatch of road rollers.

(9) The failure to investigate effectively and to report on complaints specifically marked to the Progress Wing, Calcutta.

(10) The failure to exercise effective inspection so as to ensure that inspection marks on road rollers were not erased or tampered with and that the same rollers were not produced more than once for inspection.

(11) The failure to take timely action either to revert to the standard terms of payment or to institute a comprehensive inquiry despite:

(a) several complaints received about gross delay of two years and more in the supply of road rollers by the firm;

(b) complaints by the Pay and Accounts Officer of the Department of Supply hinting at the questionable designs of the firm; and

(c) evidence that was available that it was not the non-availability of railway wagons that was the cause of the delay in the despatch of road rollers.

(12) The failure to take timely action to adjust the price of 67 road rollers, for which orders were cancelled after payment of 90% as advance against other payments due to the firm.

(13) The failure of Government to use its pivotal position to recover the advances made to the firm by refusing to issue release orders in favour of quasi-governmental indentors until the advances were returned.

(14) The failure to raise the question of the unsatisfactory performance of the firm and of the road rollers supplied by it even in October, 1965, when the Negotiating Committee considered the question of enhancement of the price of road rollers.

8.3. The cumulative result of these series of lapses by various governmental authorities has been that the firm drew 90% advance payment on proof of inspection and delayed the despatch of road rollers. At the end of December, 1966, the firm had yet to deliver 419 road rollers against which they had drawn advance payment amounting to about Rs. 1.92* crores. The amount of interest on this advance up to 31-12-1966 works out to as much so about Rs. 29 lakhs.

8.4. The Committee would be failing in their duty if they did not draw attention to the gravity of these lapses which in their cumulative effect indicate either collusion or gross negligence of a culpable kind on the part of certain officers. The Committee expect that these lapses will be investigated and severe disciplinary action taken against all who are found guilty of failure to safeguard the financial interests of the country.

8.5. On the basis of the material before them, the Committee find it difficult to take a complacent view of the behaviour of Messrs U.P.C.C. Private Ltd. Having approached Government and secured a relaxation in the terms of payment very much to their advantage on the plea that this would enable them to increase production, they did not utilise the advances for the purposes intended and indulged in even greater delays in delivery than before the concessions were made. They failed to deliver 419 road rollers against which they had drawn 90 per cent advance payment. The delay in despatch greatly increased after July 1963 when the terms of payment were relaxed, such delay being 12 to 25 months in 80 cases; 6 to 11 months in 232 cases; 3 to 5 months in 148 cases and 1 to 2 months in 94 cases. This was during a period when other suppliers of road rollers did not generally take more than a month to despatch road rollers after inspection.

8.6. The firm went further and obtained payments on the basis of false Railway Receipts. In another case the road rollers were actually delivered by road after two years of the declared date of despatch by rail in the advance payment bill. In one case they sent only accessories instead of road rollers as mentioned in the Railway Receipt. There are 19 reported cases where 4 cylinder engines in the road-rollers were replaced by 3 cylinder engines after inspection. Between July 1963 and September 1966, the firm drew 90 per cent advance payments to the tune of about Rs. 1.92 crores against 419 road-rollers which they did not deliver.

8.7. The Committee cannot but take a very serious view of the manner in which the firm persisted in dubious activities over a period of more than three years.

*According to the Ministry's note dated 21st July, 1967, the latest position is that 403 road rollers are outstanding from the firm for which an advance payment of Rs. 1.85 crores (approximately) has been made.

8.8. The Committee note that some departmental instructions have been issued not to do any business with this firm or its associate firms and the fact that such instructions have been issued has also been intimated to others concerned. This, however, can hardly be considered adequate. In the Committee's view, the most expeditious action needs to be taken in consultation with the Ministry of Law, Department of Company Affairs the Reserve Bank of India and the Central Bureau of Investigation to ensure that the firm do not dissipate their assets or pass funds on to their associate companies and in particular to UPCC, the partnership firm. The Committee expects Government expeditiously to complete the current investigations and to take strict action against the firm so that it may act as a deterrent.

8.9. The Committee also suggest that Government should expeditiously examine the performance of the firm and its associate companies regarding the supply of stores other than road-rollers so as to ascertain if any malpractices have been indulged in and to take suitable action to safeguard the public interest.

8.10. This said case has revealed a large number of short-comings in the organisation of the Directorate General of Supplies and Disposals particularly in regard to processing and placing of A/Ts, dealing with the complaints of consignees, the procedure of inspection and the progress of movement of stores and supplies. In the Committee's view, the procedure relating to these aspects in the organisation of the D.G.S. and D. needs to be critically reviewed without delay.

8.11. The Committee would like Government to exercise greater vigilance in regard to all existing contracts where progress payments or payments in relaxation of standard terms have been authorised.

8.12. The Committee, while dealing with this case, have been conscious of a feeling of oppression caused by the numerous points at which the absence of adequate supervision has made itself felt and the handling of the tax-payers' money has been characterised by a kind of casualness and light-heartedness, that was not to be expected from those entrusted with the handling of public funds and the safeguarding of the public interest. In the result, the fullest advantage was taken of this lapse on the part of certain officers of Government by the firm in question.

NEW DELHI,

July 31, 1967.

Shravana 9, 1889 (S).

M. R. MASANI,

Chairman,
Public Accounts Committee.

APPENDICES

APPENDIX I

Chronological History of Complaints regarding Delay in supply and defects in supply received from various indenting officers/Consignees against different acceptance of Tenders of Road Rollers concerning M/S U.P.C.C. Calcutta prior to July, 1963.

Sl. No.	Date	Complaints
1	2	3
1	15-12-58 SE7/5021-F/II/2335 dt. 24-4-58	On 15-12-58, the Asstt. Electrical Engineer, Independent Aviation and Electrical Sub-Division, New Delhi pointed out a number of defects in the road roller and No. of accessories short supplied.
2	2-5-59 SPIA/6543-F/II/2269 dt. 13-12-57.	On 2-5-59, Asstt. Inspecting Officer, Coimbatore, pointed out to the firm with copy to this office certain defects in the road rollers supplied to Asstt. Engineer, P.W.D. Mahe.
3	15-12-60 ES7/5866-K/II/2711 dt. 19-3-60.	On 15-12-60, the Executive Engineer, (Mechanical) Chambal Hydel Scheme M.P. wrote to the firm pointing out a number of defects in the Road Rollers.
4	23-12-60 SE7/5866-K/II/2711 dt. 19-3-60.	On 23-12-60, the stores officer Chambal, Hydel Scheme, M.P. sent a telegram stating that the hind rollers of Road Rollers were badly damaged and there were construction defects.
5	31-12-60 SE7/5866-K/II/2711 dt. 19-3-60.	On 31-12-60, the Chief Engineer, Hydel Scheme M. P. wrote to the DGS&D that out of 3 Road Rollers against the A/T 2 Nos. had gone out of order after working hardly for about 10 to 15 hours due to constructional defects in the hand axle and rollers. He is requested for the cancellation of 3rd Road Roller and stated that in its place any other roller of standard make might be accepted.
6	21-3-61 SVI/SE7/13134-L/II/ 2846 dt 22-9-60.	On 21-3-61, the Superintending Engineer P.W.D. B&R Kota Circle sent a savingram to DGS&D stating that the delivery date already expired but road rollers not received and works were suffering.
7	21-3-61 SE7/2499-L/II/2845 dt. 22-9-60.	Do.
8	2-6-61 SE 7/5002-K/II/2709 dated 19-3-60.	On 2-6-61, the Executive Engineer Tribhuvan, Rajpath Divn, Kathmandu, complained that Agrind Moore Road Rollers

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- were giving a lot of trouble and two of them were lying out of order and the other two were working off and on due to mechanical failures. He added that the rollers of road rollers were made of cast iron which was unsuitable for consolidation work. One of the rollers of one road roller had so badly cracked that it had affected the brake drum.
- 9 4-8-61 SE7/5002-K/II/2709 dated 19-3-60. On 4-8-61, Shri Keswani, Member (Roads) Indian Aid Mission, Nepal wrote semi-officially to DS (Engg), complaining that the road rollers developed defects immediately on their arrival and that even though the defective road rollers had been examined in May, 1961 by the representative of the firm no result had been achieved and added that the work of the division which had to be completed by certain date fixed by the Government of India was being hampered.
- 10 23-10-61 SE7/4567-L/II/3057 dt. 22-8-61. On 23-10-61, the Central Road Research Institute wrote to DGS&D to say that the delivery date had since been over but neither the supply nor any intimation for the supply had been received from the suppliers and work was suffering a lot.
- 11 4-12-61 SVI/SE7/22072-L/II/3007 dt. 21-7-61. On 4-61-61, the Divisional Superintendent (Works) Olavakkot reported that the firm failed to supply the road rollers in spite of a telegram from his end. The non-supply of stores by the stipulated date had caused much inconvenience and loss to the Rly. Administration and to tide over this, arrangements had to be made to obtain one road roller on rent from local sources.
- 12 16-1-62 SE7/5002/K/II/2709 dt. 19-3-60. On 16-1-62, the Director Indian Aid Mission, Nepal wrote semi-officially to DGS&D saying that within six months of the arrival of the road rollers they started going out of order and spares had to be purchased from time to time to give them in working order.
- 13 4-3-62 SE7/5462-L/II/UPCC/3073 dt. 31-8-61. On 4-3-62 the Municipal Commissioner Visakhapatnam requested to instruct the tenderer for the supply of the road roller at an early date as the time extended upto 15-2-62 had lapsed and the work withheld for want of road roller.
- 14 26-3-62 SVI/SE7/13134-L/II/2846 dt. 22-9-60. On 26-3-62 the Executive Engineer Mandi Division Kota sent post copy of his telegram to DGS&D in which he stated that the work wheel of roller Engine had given way, casting was defective and he asked the firm to get it replaced immediately as progress of works was being held up.

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- 15 27-3-62 SE7/2499-L/II/2845
dt. 22-9-60. On 27-3-62, the Executive Engineer PWD
B&R Divn. Kota wrote to SGS&D saying
that the rear wheel of one roller had cracked
and that the firm was informed telegraphi-
cally on 26-2-62 but no action had been
taken by them for replacement of wheel.
- 16 24-4-62 SE7/5002-K/II/2709
dt. 19-3-60. On 24-4-62 the Director Indian Aid Mis-
sion Nepal wrote DGS&D Demi-officially
to issue instructions so that not only the
firm was made to remove the defects im-
mediately but also to make the firm re-
imburse *in toto* to the amount that had been
spent on their repairs and on spare parts etc.
He added that a small saving achieved by
purchase of these rollers had been off set by
the repairs that were necessitated right from
their supply date.
- 17 11-5-62 SE7/5754-K/II/2710
dt. 19-3-60. On 11-5-62, the Asstt. Secretary, Public
Works Department, M. P. furnished a
copy of his earlier letter dt. Aug. 1961
wherein it was stated that only two road
rollers had been supplied by M/S. UPCC
within a period of more than one year and
it was requested that the remaining 12
road rollers might be cancelled if there was
no financial implication involved and orders
for the same numbers placed on some other
reliable firms.
- 18 8-6-62 SE7/13134L/II/2846 dt.
22-9-60. On 8-6-62, the Executive Engineer, Mandi
Divn. Kota in his post copy of his telegram
to the firm wrote to the DGS&D. that in
spite of issuing a number of telegram and
letters no action to put the roller in working
order after replacing their damaged wheels
had so far been taken by the firm.
- 19 21-7-62 SE7/22072-L/II/3007,
dt. 12-7-61. On 21-7-62 the General Manager, Southern
Railway, perambur reported that in spite
of three extension granted upto 30-6-62
the firm had not yet supplied the road
rollers though they were supposed to supply
the same by 31-7-61 and it was not known
when the firm would in a position to execute
the order.
- 20 17-8-62. SE7/5462-L/II/UPCC/
3073 dt. 31-8-61. On 17-8-62 the Indenting Officer wrote to
DGS&D saying that although they had
informed that according to firm the road
roller had been supplied, no road roller had
been received by him. The Director of In-
spection had informed the I/O in July, 1962
that the firm had failed to offer even one
road roller for inspection and test.
- 21 10-9-62. SE7/5462-L/II/UPCC/
3073 dt. 31-8-61. On 10-9-62, the Indenting Officer wrote
demi-officially that two years had passed
but the firm had not cared to supply the

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- road rollers inspite of reminders though they obtained payment (Rs. 47,895/-) two-years ago. He added if the road rollers could not be supplied the amount might be refunded to the Municipality immediately.
- 22 14-9-62 SE7/15089-M/II/UPCC /3064 dt. 29-8-61. On 14-9-62 the Controller of Stores N.E. Rly. Gorakhpur stated that the extended delivery period 30-6-62 had also expired but the prospect of supply was still unknown.
- 23 15-1-63. SE7/15089-MII/UPCC/ 3064 dt. 29-8-61. On 15-1-62, the Chief Engineer N.E. Rly. Gorakhpur reported that the road rollers had not been despatched and that the firm might be asked to despatch the same as his works were suffering for want of the same.
- 24 15-5-64 SE7/13134-L/II/2846 dt. dt. 22-9-60. On 15-5-64 the P&A.O. Calcutta forwarded to DGS&D a copy of the Superintending Engineer, Kota's letter dated 8-4-64 wherein it was stated that the rear wheel replaced by the firm in Nov. 1963 had also cracked after consolidation of $1\frac{1}{2}$ mile length.
- 25 22-5-64 SE7/15089-MII/UPCC/ 3004 dt. 29-8-61. On 22-5-64, the Chief Engineer, N.E. Rly. Gorakhpur reported that the matter was taken up with the firm regarding early despatch of road rollers but no reply had been received even though the D/P was 31-1-64. He further mentioned that the road rollers were hired from the local civil authorities to complete the work.

APPENDIX II

COPY OF LETTER No. 1726 DATED 6TH APRIL, 1963.

From:—

United Provinces Commercial Corporation Private Ltd., Hanuman Road, P.B. No. 633, New Delhi.

To:—

The Director General of Supplies & Disposals,
Parliament Street,
New Delhi.

Increase in production of Road Rollers.

D/Sir,

We are pleased to advise you the progress with regard to the delivery against the Road Roller orders placed by you and pending with us.

March Supply

In the last month, we had received release order with all amendments for 20 units—18 against the D.G.S. & D. orders and 2 were private party allocations. All the 18 units relating to the D.G.S. & D. A/Tenders have been offered for inspection and stores accepted. Most of the consignments have been despatched and some are still awaiting despatch pending allotment of wagons.

Release order for 6 more have been issued—5 for the private parties and one against D.G.S. & D. A/Tender. Stores against the D.G. S. & D. A/T have been offered for inspection and duly accepted. Most of the private orders have been delivered. One order each for Heavy Electrical Bhopal and ONGC are awaiting amendment for Perkins as against Fordson engines. As soon as the amendments are received, these will be despatched.

April Supply

We have received release order for 30 Nos. for supplies against I.D.A. requirements. These A/Tenders are with Fordson engines and we are still awaiting amendment for these to be with Perkins to enable us to offer these stores for inspection.

May Supply

We have in hand an order for 32 Road Rollers for Border Roads and these are required with Fordson engines. We have a consignment of Fordson engines, which is expected to reach here in the first week of May and we will be able to complete the supplies of these 32 units with Fordson engines by the 15th of June, 1963.

With regard to supplies from June onward, we are awaiting your release orders along with A/Tenders.

Whilst on the subject of the increased production, we would like to advise you that during the later part of November and December, we were to effect supplies for 52 units—22 to Bihar and 30 to West Bengal and these supplies were completed in view of the fact that the consignees were taking delivery at Calcutta after initial inspection and were making immediate payment to us. If, however, it will be possible that you could effect payment as soon as stores are tendered for inspection and have been duly accepted it would be possible for us to give you 30 Road Rollers and even more per month.

As mentioned to you time and again, when we are not able to get wagons and goods were held up in our godown, it is not possible to continue production till the goods, specifically made against your orders are despatched and payment received. This is the bottle-neck and we wonder if you could resolve this matter in the interest of increasing the production as it has been done in the case of Vehicle Manufacturers where the payment is made against Inspection Notes.

We also enclose herewith a copy of our letter dated 18-2-63. As it would be found that nearly 1,80,000/- is outstanding since a long time being 10 per cent for certain supplies, which have been effected and the Road Rollers working since 1961. We appreciate that the D.G.S. & D. have certain formalities to complete to get clarifications from the consignees for waivement of L.D. etc. but besides the amount which is already blocked further amounts are adding up every month as and when supplies are completed. If these funds were released or atleast progressive payment made, the funds could be made available for further production.

Thanking you,

Yours faithfully,
 for *United Provinces Commercial
 Corp. Private Limited,*
 Sd/- S. R. BHALLA,
Branch Manager.

D.G.S. & D. ROAD ROLLER ACCOUNT

Outstanding

- (1) U.P.C.C. Rs. 1,05,693.75
- (2) U.P.C.C. P. Ltd. Rs. 80,770/34.

MARCH—Ist release for $5+15=20$ Units

- Simla 3—Delivered
- Bhutan 1—Delivered
- Nifa Rangapur 3—Delivered
- Ranchi 3—Delivered
- Ghatsila 2—Delivered
- Fatehgarh 1—Inspected.
- Ovalkot 1—Inspected.
- Mansi 1—Inspected.
- Pandu 2—Inspected.
- MZF 1—Inspected.

Total 18

- Kurseong—COS (NF Rly)—1
- Agartala, Tripura—1

IInd release for 6 Units.

- Varanasi 1—Delivered.
- Pandu 1—Inspected.
- Bhopal 1—Amendment for Perkins not received.
- Orissa 2 Delivered
- ONGC 1—Amendment for Perkins not received.

APRIL—IIIrd release order for 30 Nos.—I.D.A.

- Amendment for Perkins Engine still awaited.
- Supplies could be completed within 30 days.

IV Release Order for $1+4=5$ Nos.

MAY—V Release Order for 32 Nos. Border Road with Fordson Engine

- Supplies will be completed as Fordson Engine Expected in May.

JUNE—Release Orders awaited.

APPENDIX II—A

(See para 3.73)

File No. SV-1/90054-P/II/UPCC/329 P.53/C.

Copy of a letter No. 57561/200/Road Rollers/ES/BRD dated 17th January, 1964 from Director General Border Roads, Kashmir House, DHQ P.O. New Delhi-11 addressed to Shri A. D. RAO, Director of Supplies (Veh.) DGS&D New Delhi.

Sub:—Supply of Road Rollers: DGS&D A/T Nos.

- (i) SV-1/90054-P/II/UPCC/329 dated 12th September, 1963—
for 9 Nos. Road Rollers.
- (ii) SV-1/90053-P/II/UPCC/352 dated 27th September, 1963—
for 60 Nos. Road Rollers.

As per A/T (i) above, all the 9 Road rollers were to be despatched by 31st October 1963. Even though the inspection of these machines was completed on 4th October, 1963 no action appears to have been taken by the firm to arrange the despatches. After a considerable chasing by this Directorate and by our Liaison Officer at Calcutta, request for arranging wagons through MILRAIL was received through our L.O. only on 16th November, 1963. Though allotment of wagons was made by MILRAIL on 22nd November, 1963, it is seen that the machines were despatched only in 2nd and 3rd week of December, 1963.

2. As regards 60 machines covered by the A/T at (ii) above, the A/T provides deliveries at 20 Nos. during each November 1963, December 1963 and January 1964. It is seen that 28 machines were inspected during October 1963, 29 machines during November 1963 and 3 machines on 4th December, 1963. So far, as known to this Directorate, only 21 machines have been despatched against this A/T in spite of Milrail sanctions for wagons having been obtained by us long ago. It is felt that the firm is not making much effort to expedite the despatches, presumably due to the fact, that in this A/T 90 per cent payment has been authorised to them after inspection instead of 'after proof of despatch' as in normally done.

It is requested that the matter may please be taken up with the suppliers to ensure despatch of the balance number of road rollers by 31st January, 1964 as the machines are very urgently required at destination.

APPENDIX III

Chronological History of complaints received from various quarters against different cases of Road Rollers concerning M/s. U.P.C.C. Private Ltd., Calcutta from July' 63 onwards.

Serial No.	Date	Complaints
1	2	3
1	17-1-64 SV-1/90054-P/UPCC/329 dated 12-9-63.	Letter dt. 17-1-64 from DGBR complaining that though 9 Nos. Road Rollers were inspected on 4-10-63 and they also arranged for wagons on 16-11-63, machines were despatched only in the 2nd and 3rd weeks of Dec. 63. In this they also stated that 2 Nos (Against A/T SV-1/90053-P/II/UPCC 352 dated 27-9-63) were inspected during Oct. 63, 29 during Nov. 63 and 3 Nos. on 4-12-63, but only 21 Nos. had been despatched by the firm in spite of their arranging for wagons long ago. They added that the firm were not making much effort to expedite despatches due to the fact that 90% payment had been authorised against inspection instead of proof of despatch and requested DGS&D to expedite the firm.
2	21-1-64 SV-1/90053-P/II UPCC/471 dated 23-12-63.	Director General Border Roads letter dated 21-1-64 reg. delays in supplies and D.O. reminder dt. 11-3-64.
3	23-3-64. SV-1/90012/R/II/UPCC/556 dt. 5-3-64.	Letter dt. 23-3-64 from Director General Border Road saying that in their letter dt. 12-2-64, they had suggested that in order to achieve quicker deliveries, the usual conditions of payment after proof of despatch be included in the A/T in spite of their request 90% payment had been authorised after inspection and that M/s. UPCC were still holding 55 R/Rs duly inspected.
4	30-3-64 SV-1/90053-P/II/UPCC/471 dated 23-12-63.	D.O. dated 30-3-64 from Director General Border Roads saying that firm's complaint regarding non-availability of wagons was not correct adding that firm was taking about 3 months after inspection to despatch.
5	28-4-64 SV-1/5263-N/II/UPCC/535 dt. 10-2-64.	Letter dated 28-9-64 from Min. of Transport New Delhi asking DGS&D to instruct the firm to complete delivery of 20 Road Rollers.
6	15-5-64 SV-1/4283-P/II/321 dt. 4-9-63	Endorsement dated 15-5-64 from Central Water & Power Commission saying that the firm had taken 95% payment nearly 6 months ago but that they had not despatched the stores.

1	2	3
7	18-5-64 SV-1/5263-N/II/UPCC/263 dt. 30-7-63.	XEN National Highway Division I Andhari 'Immediate' letter dt. 18-5-64 to DGS&D complaining about non receipt of balance 2 Nos. road rollers.
8	20-5-64 SV-1/34133-P/II/UPCC/496 dt. 6-1-64.	Letter dated 20-5-64 from the XEN Mechanical & Workshop Division, New Delhi saying that the road rollers had not been supplied by the firm though he had made special efforts to obtain a priority for railway wagons allotment, at Calcutta.
9	7-7-64 SV-1/4458-P/II/612 dt. 31-3-64.	Letter dated 7-7-64 from the Divisional Engineers H&RW T&M Division, Madras saying that the road rollers inspected on 16-4-64 had still not been received by him.
10	1-8-64 SV-1/5263-N/II/UPCC/535 dt. 10-2-64.	Letter dated 1-8-64 from the Min. of Transport, New Delhi to the firm with copy to DGS&D stating that 22 Road Rollers had since been inspected but the supply was not effected upto that time.
11	14-8-64 SV-1/5263-N/II/UPCC/605 dt. 23-3-64	Letter No. 4145/1(4) dated 14-8-64 from the Asstt. Engineer, PWD Maiden Sub-Division Calcutta. He asked to expedite the supply as due to delay there was great inconvenience in the execution of the project and loss to the Government.
12	31-8-64 SV-1/90012/R/II/UPCC/566 dt. 5-3-64.	Copy dated 31-8-64 from Director General Border Roads regarding abnormal delay in supplies.
13	Sept. 64 - SV-1/5263-N/II/UPCC/535 dt. 10-2-64.	Letter dated -9-64 (date not stated) from the Chief Engineer Patna to the firm copy to DGS&D asking them to expedite supply of Road Rollers as top priority Road Works were suffering badly.
14	9-10-64. SV-1/5263-N/II/UPCC/605 dt. 23-3-64.	O.M. dt. 19-10-64 from M/O Transport and Communication asking that firm be told to expedite despatches.
(a)	20-10-64 SV-1/90012/R/II/UPCC/556 dt. 5-3-64.	Letter dated 20-10-64 from Director General Border Road saying that inspite of milrail sanction firm took 5 months to despatch the stores and suggested penalty clause may be invoked.
15	5-12-64. SV-1/5263-N/II/UPCC/535 dt. 10-2-64.	Letter dated 5-12-64 from the Addl. Chief Engineer, Patna to the firm copy to DGS&D asking them to expedite despatch of Road Rollers to two consignees urgently as road work was suffering badly.
16	16-2-65 SV-1/5263-N/II/UPCC/605 dt. 23-3-64.	U.O. Note dt. 16-2-65 from Ministry of Transport & Communication.

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- 17 5-3-65.
SV-1/5263-N/II/UPCC/605 dt.
23-3-64. O. M. dated 5-3-65 from Min. of Transport and Communi-ation to Lt. Co. Kuriako DS(V).
- 18 12-3-65.
SV-1/5263-N/II/UPCC/740 dt.
30-6-64. D.O. letter dated 12-3-65 from P AO Calcutta to Shri N. K. Thadani DS (Prog) stating that on checking up the position with the consignees, he noticed that four consignees had not yet received the stores.
- 19 15-3-65.
SV-1/4097-R/II/UPCC/912 dt.
28-10-64. I/o's letter dated 15-3-65 regarding non receipt of Road Rollers.
- 20 23-3-65
SV-1/5263-N/II/UPCC/263 dt.
30-7-63. XEN NI. Highway Abbayapuri letter dated 23-3-65 to DGS&D complaining that against 12 Nos. firm had supplied 6 Nos. only and that too after 1½ years expressing doubts whether the firm would be able to complete supplies by the extended D/P i.e. 31-3-65
- 21 24/26-3-65,27-4-65 and 2-6-65
SV-1/5263-N/II/UPCC/740 dt.
30-6-64. D. O reminder dt. 24/26-3-65 from P&AO Calcutta.
Do. dt. 27-4-64.
Do. dt. 2-6-65
to D.O. at Sl. No. 19.
- 22 1-5-65
SV-1/4097-R/II/UPCC/912 dt.
28-10-64. D.O. No. Sp. 14(4)/62 dated 1-5-65 from Min. of Transport New Delhi. He stated that there was delay in supply and that as the stores required top priority basis, the equipment should be supplied without delay.
- 23 14-6-65
SV-1/5263-N/II/UPCC/61 dt.
22-2-64. D.O. dated 14-6-65 from P&AO Calcutta pointing out that this was another instance where the same firm and been found to indulge in activities which, if not fraudulent, were open to grave doubt.
- 24 17-6-65
SV-1/5263-N/II/UPCC/61 dt.
22-2-64. XEN Gauripur letter dt. 17-6-65 intimating that the road rollers were recd. by him in Mar/Apri'65 by Trucks through the firm had obtained payment to the extent of Rs. 3.92 lakhs immediately after inspection by quoting false R/R Nos. It was also stated that 2 of the R/Rs. did not bear inspection stamp even and besides a few parts were missing.
- 25 21-6-65
SV1/5263-N/II/UPCC/61 dt.
22-2-64. D.O. dt. 21-6-65 from P&AO Calcutta saying that the road rollers were recd. by the consignee recently by road instead of by rail adding that the despatch of the road roller by road may save the financial interest of the consignee but did not vacate or attenuate the fraudulent activity of the supplier in obtaining advance 90% payment for the stores over 2 years back in the false statement that the stores have been despatched by Rail. He also pointed out the possibility of double payment.
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1	2	3
26	28-6-65 SVI/2187/136-A/II/132 dt. 29-3-65	Government of Maharashtra letter dated 28-6-65 stating that though all the road rollers had been inspected the firm had despatched not a single one.
27	12-7-65 SVI/222/71/039/11-5-65 II/203 dt. 27-5-65	Post copy of telegram dt. 12-7-65 from the Supdt. Eng. Akola Irrigation Circle, Akola to the firm, copy to DGS&D asking them to arrange dspatch of 2 Road Rollers which were to be supplied by 30-6-65.
28	27-7-65 SVI/5263-N/II/UPCC/61 dt. 22-2-63.	D.O. dt. 27-7-65 from P & AO Calcutta to DS(V) intimating that the consignee at Abhayapuri received the road rollers but under different R/Rs and dates and that the the consignee at Gouripur reported that none of the 9 road rollers stated to have been despatched to him in May 1963 had yet been received by him but that he had how-ever received all the R/Rs quoted in firm's bills and after taking delivery discovered in all consignments merely accessories without road rollers.
29	11-8-65 SVI/222/71/039/11-5-65/II/203 dt. 27-5-65	Letter dated 11-8-65 from the Supdtg. Engr. Akola Irrigation Circle Akola to the firm copy to DGS&D asking firm to rail two road Rollers immediately as they were inspected on 25-6-65.
30	30-8-65 SVI/5263-N/II/UPCC/61 dt. 22-2-63.	D.O. letter dt. 30-8-65 from P & AO New Delhi to DDG(G) saying that the firm had obtained payments by quoting bogus R/Rs etc.
31	3-9-65 SVI/5263-N/II/UPCC/61 dt. 22-2-63.	XEN Bijni telegram dt. 3-9-65 saying that he received 2 road rollers fitted with 3 cylinder engines instead of with 4 cylinder engine and that they had no inspection mark on them.
32	21-9-65 SVI/5263-N/II/UPCC/61 dt. 22-2-63.	P& AO Calcutta D.O. dt. 21-9-65 stating that that the stores were not despatched by the suppliers in confirmity with the declaration made by them in advance payment bills and it appeared that a <i>prima facie</i> case of fraud by the firm had been established and that all actions due in such event should be initiated from your end.
33	27-9-65 SVI/2187/087-A/II/6 dt. 8-1-65	I/O's letter dated 27-9-65 stating that there was no booking restriction and that the firm had never contacted the Rly. authorities.
34	28-9-65 SVI/222/71/039/11-5-65/II/203 dt. 27-5-65	Letter dated 28-9-65 from the Supdt. Engr. Akola to DGS&D asking them to expedite the firm to despatch the Road Rollers.
35	29-9-65 SVI/2017/174-A/II/89 dt. 6-3-65 :	XEN T&M Division letter dt. 29-9-65 regarding delays in supplies.
36	8-10-65 SVI/218/71/072/II/165 dt. 29-4-56	DS. Gen. Admn. Branch Bombay telegram dt. 8-10-65 regarding non supply of Road Rollers.

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37. 14-10-65
SVI/5263-N/II/UPCC/61 dt.
22-2-63. D.O. dt. 14-10-65 from P&AO Calutta stating that consinee at Bijni had received road rollers fitted with 3 cylinder engines instead of 4 cylinder which had no inspection mark and that this fact unmistakably suggests the tendency of the firm to supply uninspected and deficient stores contrary to the General conditions of contract and thus brings into light the fraudulent intention of the supplier.
38. 22-10-65
SVI/2187/136-A/II/132 dated
29-3-65 D.O. Letter dt. 22-10-65 from Under Secretary, Govt. of Maharashtra, regarding balance 23 Nos. adding that L/D should be imposed from 5 % to 10 %.
39. 8-11-65
SVI/218/71/072/II/165 dt.
29-4-65 Deputy Secretary, Govt. of Maharashtra letter 8-11-65 regarding non-supply of road rollers.
40. 6-12-65
SVI/222/71/039/11-5-65/II/
203 dt. 27-5-65 Letter dated 6-12-65 from the Supdtg. Engr. Akola to the Chief Operating Supdt. S.E.Rly Calcutta with copy to DGS&D to allot two wagons to M/s UPCC for despatching Road Rollers.
41. 13-12-65
SVI/5263-N/II/UPCC
605 dt. 23-3-64 D. O. letter dt. 13-12-65 from Planning Officer (Mech) M/O T Communication.
42. 31-12-65
SVI/2227/043-A/II/
150 dt. 8-4-65 XEN Ukai Div. Ukai letter dt. 31-12-65 saying that the firm should be asked to produce a certificate from the Rly. authorities that no wagon could be made available from 1-5-65 till date.
43. 5-1-66
SVI/2016/212/A/II/
133 dt. 29-3-65 SE Mechanical Circle, Ahmedbad letter dated 5-1-66 intimating that the firm supplied road rollers with 3 cylinder instead of 4 cylinder,
44. 5-1-66
SVI/2017-173A/265
dt. 15-7-65 Chief Engineer, Major Irrigation A.P. Letter dt. 5-1-66 saying that the performances of this firm was not satisfactory in his project and that the A/T should be cancelled.
45. 10-1-66
SVI/2017/1383/280
dt. 23-7-65 Post copy of telegram dated 10-1-66 from the EXN PWD B& R Patiala saying that Rly. authorities had informed him that there were no booking restrictions and that emergency works were held up.
46. 18-1-66
SVI/2187/130-A/II/132
dt. 29-3-65 Letter No. SK/543 dt. 18-1-66 from the XEN B & C Division Jalgaon. He had reported delay in supply of Road Rollers and defects in them.
47. 1-3-66
SVI/2017-199-A/II/43
dt. 11-2-65 Chief Engineer, B & RPWD Rajasthan letter dt. 1-3-66 saying that a firm supplied road rollers fitted within 3 cylinders instead of 4 cylinders and that the firm changed the engine after inspection

48. 1-3-66
SVI/201/71/190/II
208 dt. 27-5-65
49. 2-3-66
SV-I/201/71/741/
dt. 15-10-65/II/63
50. 9-3-66
SV-I/220/71/355/343/
dt. 16-9-65
51. 19-3-66
SVI/90053-P/II/UPCC/
352 dt. 27-9-63
52. 26/28-3-66
SVI/5263-N/II/UPCC/
740 dt. 30-6-64
53. 29-3-66
SV-I/2017/212A/II/335
dt. 7-9-65
54. 6-4-66
SVI/2187/136-A/II/
132 dt. 29-3-65.
55. 28-4-66
SV-I/5263-N/II/UPCC/
605 dt. 23-3-64
56. 29-6-66
SVI/220/71/308/7-8-65
II/412 dt. 22-10-65
57. 31-7-66
SV/2017/174-A/II/89
dated 6-3-65
- Letter dt. 1-3-66 from the Chief Engineer B & R PWD Rajasthan to the effect that the B & R Road Rollers supplied were not according to specification.
- I/O's letter dated 2-3-66 saying that A/T should be cancelled as the performance of these road rollers was not satisfactory.
- D.O. letter dt. 9-3-66 from the Chief Engineer PWD Gujarat Ahmedabad reg. delay in supplies and suggesting that if the firm was not in a position to supply the remaining 61 road rollers the order might be transferred to S/S Greeves Cotton & Co. or S/S Britannia Engg. Co.
- Post copy of telegram dt. 19-3-66 from the Officer Commanding, Kalka to DG S & D asking the office to advise firm to make good the deficiencies. Letter dated 26-3-66 from the Commandant Vartak Base, Misainari to the firm copy to DGS&D complaining about non-supply of certain tools/accessories of Road Rollers.
- Chief P & AO New Delhi D. O, dated 26/28-3-66
- XEN Baroda letter dated 29-3-66 that though the firm had taken 90% payment about 6 months earlier they had not despatched the stores.
- Letter dated 6-4-66 from Under Secretary Maharashtra Government intimating that the engine No.1 supplied with R/R did not tally with the I/N issued for the same.
- Demi Official letter from Sh. Bhavannani of T & C Ministry of dt. 28-4-66 saying that the position of supply to UP PWD as given by the firm was not correct. He also stated that some of the Rollers were fitted with 3 cylinders engines instead of 4 cylinders engines as provided in the A/T.
- D. O. No. SAV/12(4)/Suspense/were 780-83 dt. 29-6-66 from the P & AO Calcutta to Shri Verma ADS stating that the A.G. Gujrat was not accepting the debit on the ground that the Road Rollers were not received.
- XEN Vijayawad letter dated 31-7-66 regarding non-receipt of the balance 2 Nos. even after lapse of one year and four months after inspection.

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58. 6-8-66
SVI/90054-P/UPCC/329
dt. 13-9-63

U.O. Note dt. 6-8-66 from Sh. S. K. Mukherjee Secy. BROB to Shri K. Ram Secretary M/O Supply for-warding a list of defects noticed in Agrind Moore road rollers and saying if an view of these defects any more orders should be placed on UPCC for Agrind Moore Road Rollers.

59. 20-8-66
SVI/218/71/1267/6-12-65
II/25 dt. 29-1-66

Letter dated 20-8-66 from the I/O saying that the consignee had informed him that the road rollers stated to have been despatched on 23-6-66 by goods train had not so far reached him.

APPENDIX IV

Sl. No.	A/T No. and date	Particulars/nature of complaints	Action taken
1	2	3	4
1	SVI/505-N/II/JPCC/61 dated 22-2-63	D.O. dated 14-6-65 from P.&A.O. Calcutta pointing out that this was another instance where the same firm had been found to indulge in activities which, if not fraudulent, were open to grave doubt.	DS(V) remarked on the d. o. 'please examine and put up a draft reply' letter was addressed to the firm on 5-7-65 to explain how the consignee had reported about receipt of road rollers when they had informed on 21-4-65 that supplied against this A/T had already been completed. They were asked to offer their comments and to quote R/R No. and date under which the road rollers were despatched. Firm replied on 12-7-65 saying that the road rollers had been delivered back and that they were surprised to receive our letter. The exact dates of despatch as ascertained from the firm are as reverse.
In this	A/T means.	Acceptance of Tender.	'JPCC means
I/N means	Inspection Note	'D's means	'The United Provinces Commercial Corporation (P) Ltd.
L/D means	Liquidated damages	'DDS Means	'Deputy Director of Supplies'
I/O means	Indenting Officer	'ADS means	'Asst. Director of Supplies'
D/P means	Delivery period	DDG means	'Dy. Director General'
R/R means	Rly. Receipt	P & A.O. means	'Pay & Accounts Officer.'

(Vide letter No. dated 28-7-65)

	R/R Nos. & dt.
1. Raangja-Assam 3 Nos.	267879 } 16-5-63 655330 } 267880 }
2. Sorbhog-Assam 1 No.	655329 } 16-5-63 267882 }
3. Sorbhog-Assam 2 Nos.	269014 } 21-5-63 269023 } 269024 }
4. Gauripur-Assam 2 Nos.	269013 } 21-5-63 269021 } 269022 }
5. Gauripur-Assam 2 Nos.	656257 } 25-5-63 269344 } 269345 }
6. Gauripur-Assam 1 No.	656424 } 28-5-63 269779 }
7. Gauripur-Assam 1 No.	656423 } 28-5-63 269780 }
8. Gauripur-Assam 3 Nos.	270838 } 31-5-63 270844 } 270843 }
9. Bijini 3 Nos.	270836 } 31-5-63 270837 } 270842 }
10. Nonguigaon 2 Nos.	266215 } 6-5-63 266216 } 654534 }
11. Bilasipara 2 Nos.	265644 } 4-5-63 265645 } 654437 }
12. Bijini 2 Nos.	267021 } 11-5-63 267022 } 267023 }

13. Sorbhog 3 Nos.

263052 }
263956 } 20-4-63
263055 }
263051 }
263053 } 20-4-63
263054 }

14. Nalbari 3 Nos.

30 Nos.

D. O. dt. 21-6-65 from P&AO Calcutta saying the road rollers were recd. by the consignee recently by road instead of by rail adding that the despatch of the road roller by road may save the financial interest of the consignee but did not vacate or attenuate the fraudulent activity of the supplier.

XEN Gauripur letter dt. 17-6-65 intimating that the road rollers were recd. by him in Mar/Apr '65 and that two of them did not bear inspection stamp even.

Firm was addressed on 21-7-65 to intimate the R/R No. and date under which the stores were despatched and also to explain why they were sent by road on 30-4-65 when they were inspected and accepted in 1963. An interim reply was sent to P & AO Calcutta saying that the matter was under consideration and that a further communication would follow shortly. Firm replied on 28-7-65 saying that on receipt of consignee's letter, they made enquiries and after locating the road roller which was lying at the transshipment area, sent the same to the party by road. They also furnished the R/R Nos. and date under which the road rollers were despatched.

D. O. dt. 27-7-65 from P&AO Calcutta to DS(V) intimating that the consignee at Abhayapuri received the road rollers but under different R/R and dates, and that the consignee at Gauripur reported that none of the 9 road rollers stated to have been despatched to him in May 1963 had yet been received by him but that he had however received all R/Rs quoted in firm's bills and after taking delivery discovered in all consignments merely accessories without roadrollers.

The firm were addressed on 21-8-65 to explain by 5-9-65 on all these points failing which action would be taken in the matter. A d.o. was sent to P&AO Calcutta on 21-8-65 saying that the firm had informed that they had supplied the stores but that the matter had again been taken up with the firm and a further communication would follow. Firm replied on 26-8-65 that the discrepancy in R/R Nos. was due to diversion of road rollers at several railway points which resulted in re booking and hence the charges in R/Rs. Regarding the complaints of the consignee at Gouripur dated 23-12-64 that he had received only accessories, the firm enclosed a copy of letter dated 5-7-65 from the consignee stating that he had since received all the road rollers.

D. O. letter dt. 30-8-65 from P&AO New Delhi to DDG(G) saying that the firm had obtained payments by quoting bogus R/Rs etc.

An interim reply was sent by DD (CDN) on 3-9-65 saying that the matter was being examined. The matter was examined by O & M Section. In the mean time another d. o. dt. 11-10-65 was received from the P& AO New Delhi saying that he had been informed by the P&AO(S) Calcutta that the supplies had since been made by the firm and therefore there was no necessity to withhold payments. In view of this a warning was issued to the firm on 1-11-65 without using the word 'Warning' with the approval AD. G.

P&A. O Calcutta d.o. dt. 21-9-65 stating that the stores were not despatched by the suppliers in confirming with declaration made by them in advance payment bills and it appeared that a *prima facie* case of fraud by the firm had been established and that all actions due in such events should be initiated from your end.

A. d.o. reply was sent to P.&AO Cal. on 7-10-65 saying that the matter was under active examination and that a further communication would be sent as and when any decision was taken. In view of P& AO. New Delhi letter dt. 11-10-65 and O&M letter to the firm dt. 1-11-65— no further action was considered necessary in this case.

BEN Bijini telegram dt. 3-9-65 saying that he had received 2 road rollers fitted with 3 cylinder engines instead of with 4 cylinder engines and that they had no inspection mark on them. J

ADS in his note dt. 3-9-65 expressed surprise how this could happen and suggested that firms comments might be called for but at the same time agreed that post copy of the telegram might be awaited as the telegram was not clear.

D. O. dt. 14-10-65 from P & A. O. Calcutta stating that consignee at Bijini had received road rollers fitted with 3 cylinder engines instead of mark 4 cylinder which had no inspection mark and that this fact unmistakably suggests the tendency of the firm to supply unimpaired and deficient stores contrary to the General conditions of contract and thus brings into light the fraudulent intention of the supplier.

Letter was issued to the firm on 11-11-65 asking them to intimate the reason why road rollers fitted with 3 cylinder engine had been supplied instead of with 4 cylinder engines. They were requested to supply road rollers with 4 cylinder engine without delay. On 7-2-66 the consignee confirmed that the firm had supplied road rollers with 4 cylinder engines and taken back those supplied earlier.

2 SVI/5263-N/II/UPCC/
740/dt. 30-6-64

D. O. dated 12-3-65 from P&A.O. Calcutta to Shri N.K.T. Trizadani DS (Prog), stating that on checking up the position with the consignees, he noticed that four consignees had not yet received the stores.

D. O. reminder dt. 24/26-3-65 from P&A.O.

Calcutta.

Do. dt. 27-4-65

Do. dt. 2-6-65

This d.o. was passed on in original on 15-3-65 by Shri Trizadani to DS(V) Firm was addressed on 2-4-65 to intimate why road rollers inspected and accepted and against which to payment was made in July/Sept. '64 still remained undelivered. They were also requested to indicate if any assistance from DD (Prog.) was required. They were asked to explain why a serious view of it should not be taken by DGS & D. A copy of this letter was sent to P & A.O. Calcutta saying that a further communication would be sent on receipt of firm's reply. Firm replied on 7/12-4-65 saying that 21 road rollers had already been supplied. They added that the delay was mainly due to late receipt of consignee instructions and diversion instruction by the Ministry of T & C. The allotment however was not verified.

Chief P & A. O. New Delhi D.O. dated 26/28-3-66 Firm was addressed on 12-4-66 to explain why only 31 road rollers could be despatched when all the 75 Nos. were inspected on 18-9-64. If the delay was due to railway booking restrictions, they were asked to furnish documentary proof supporting the same. They were further asked to furnish despatch particulars latest by 20-4-66. Simultaneously a telex was sent to DD (Prog) Calcutta to find out reasons for delay in despatch. Firm replied on 18-4-66 giving reasons for delay as frequent changes in consignees instructions; transhipment of wagons from broad & meter gauge; non availability of suitable wagons emergency in the country. They also furnished despatch particulars. Another letter was sent on 10-5-66 to firm to give further details, D (Prog) Calcutta informed on 29-4-66 that delay was due to the reasons explained by the firm. Regarding

further details, firm replied on 19-5-66 that it was being complied by their H. Q. The matter was pursued and on basis of the details received from the firm on 9/13-6-66, firm was warned on 29-7-66 to desist from the practice of obtaining advance payment by quoting wrong R/R Nos and P&A.O was intimated of the action taken on 29-7-66.

3 SVI/5263-N/II UPCC/
263 dated 30-7-63

X. N National highway Divn. I, Andheri 'Immediate' letter dt. 18-5-64 to DGS&D complaining about non-receipt of balance 2 Nos. road rollers.

Firm were asked on 1-6-64 to despatch the remaining 2 Nos. without delay on 21-9-64, firm was again reminded and asked to give supply position and full details. Firm replied on 10-10-64 informing that the two road rollers were since sent on 5-10-64. On 18-11-64 consignee confirmed receipt of the road rollers.

XEN NL Highway Abhayapuri letter dated 23-3-65 to DGS&D complaining that against 12 Nos. firm had supplied 6 Nos. only and that to after 14 years expressing doubts whether the firm would be able to complete supplies by the extended D/P i.e. 31-3-65.

Matter was taken up with the firm on 19-4-65 asking them to intimate the latest supply position and explain why the rollers were not despatched when they had been inspected and accepted on 28-8-63. Firm replied on 22-4-65 saying that all except 2 Nos. had been despatched, and that these 2 Nos. could not be sent for want of booking facilities for Assam Area. On 14-5-65 consignee was informed of the position accordingly. The firms explanation was however not verified.

4 SVI/90034-P/UPCC/329
dt. 12-9-63

Letter dt' 17-1-64 from DGBR complaining that though 9 Nos. road rollers were inspected on 4-10-63 and they also arranged for wagons on 16-11-63, machines were despatched only in the 2nd and 3rd weeks of Dec. 63. In this they also stated that 28 Nos. (Against A/T SVI/90033-P/II/J. CC/352 dt. 27-9-63) were inspected during Oct. 63, 29 during Nov. 63 and 3 Nos. on 4-12-63, but only 21 Nos. had been despatched by the firm in spite of their arranging for wagons long ago. They added that the firm were not making much

Firm was addressed on 21-2-64 to confirm that all the road rollers had been despatched. On 12-3-64 firm replied that supplies had been completed by them as intimated by them to the consignee in their letter dated 12-2-64. A Tender was finalised and liquidated damages were waived. Final 5% payment was authorised without consignee's receipt. It has now been confirmed by the DGBR that the road rollers were received by the consignee *vide* his letter dated 15-12-66.

effort to expedite despatches due to the fact that 90% payment had been authorised against inspection instead of Proof of despatch, and requested DGS&D to expedite the firm.

U. O. Note dt. 6-8-66 from Sh. S. K. Mukherjee, Secy. BRDB to Shri K. Ram Secretary M/O. Supply forwarding a list of defects noticed in Agrind Moore road rollers and saying if in view of these defects any more orders should be placed on UPOC for Agrind Moore Road Rollers. -

5 SVI/90053-P/II(UPOC)/
471 dated 23-12-63

Director General, Border Roads letter dated 2-1-64 reg. delays in supplies and D.O. reminder dt. 1-3-64.

D. O. dated 3-8-64 from Director General Border Roads saying that firm's complaint regarding non-availability of wagons was no correct adding that firm was taking about 3 months after inspection to despatch.

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A meeting was arranged by DDG (P) among the I/ the firm and the inspection Wing DGBR did not attend the meeting. The following actions were taken. -

1. DGBRs report was sent to DI Calcutta for comments and necessary action;
 2. Firm's replies to DGBR's list were sent to DGBRs for comments and they were requested to issue necessary passes/permission to firm's representative to visit sites in security zone for rectifying defects; and
 3. It was proposed to place no more order on UPOC for Agrind Moore Road Rollers against Director General Border Roads, Indents are for projects in hilly areas.
- D. O. reply sent by DDG (D) to Director General Border Roads stating that firm experienced certain difficulties and suggested that he should instruct his L.O. at Calcutta to discuss with the firm and work out a procedure.
- In office note dated, 5-4-64, it was stated that the local Branch Manager of the firm explained that they could despatch only 6 Nos. per week as these rollers were to be lashed and that he had promised to give a letter indicating difficulty in lasting out the rollers. It was proposed to send reply to DGBR. After firm's letter was received. No. final reply was sent to DGBR as no reply was received from firm.

S 11/90012/R/II/UPCC/

Letter dt. 23-3-64 from Director General Border Road saying that in their letter of 12-2-64, they had suggested that in order to achieve quicker deliveries, the usual conditions of payment after proof of despatch be included in the A/T.

Copy dated 31-8-64 from Director General Border Roads regarding abnormal delay in supplies.

Letter dt. 20-10-64 from Director General Border Road saying that in spite of rail/rail sanctions firm took 45 months to despatch the stores and suggested penalty clause may be invoked.

7 SV115263-N/II/UPCC/
605 dt. 23-3-64

Letter No. 4145/1(4) dated 11-8-64 from the Asstt. Engineer FWD Maidan Sub-Division Calcutta. He asked to expedite the supply as due to delay there was great inconvenience in the execution of the project and loss to the Govt.

O. M. dt. 19-10-64 from M/O Transport and Communication asking that firm be told to expedite despatches.

U.O. Note dt. 16-2-65 from Ministry of Transport & Communications.

Matter was taken up with the firm on and they were asked to intimate the R/R number and date.

The Assistant Director in his note stated that the firm not only in this case but in a few other cases have delayed supplies due to one reason or the other. If DDS and DDG agree we may take up the matter strongly with the firm asking them to give full details of supply as specified by DGDR and ask them to offer their explanation about the same, before we can consider the question of penalising them DDS (V) and DDG agreed to the suggestion. Accordingly firm's explanation was called for on 23-11-64. Reminders were issued on 11-1-65 and again on 9-8-65 they were asked to (1) intimate the date on which the stores were put up for inspection; and (2) intimate actual instalment wise despatch particulars, showing R/R No. and date. Firm furnished details on 18-8-65.

The matter was taken up with the firm on 1-9-65 asking them to expedite the despatch of Road Rollers.

Reply was sent that the firm had already been addressed in the matter on 9-11-64 firm's reply dt. 4-11-64 stated that necessary arrangements had been made to despatch the road Rollers to different consignees.

Firm were addressed on 20-2-65 to intimate the names of the consignees in the area of Bihar to whom they had not supplied the road rollers. Again on 27-2-65 firm were told that the incident had complained that out of 109 Road Rollers, they had supplied only 2 Nos. although by then 95 Nos. should have been supplied. They were

also asked to ensure that the deliveries were made within the specified time limits.

On 20-4-65 the firm were asked to furnish supply position. A reminder was sent on 18-5-65. Firm intimated supply position vide their letter dated 20-5-65 that out of 78 Road Rollers (S) had been supplied.

O. M. dated 5-3-65 from Min. of Transport & Communications to Lt. Col. Kurhako DS(V).

The Director remarked "Take this up strongly with UPCC and accordingly a letter was sent on 5-1-66 stating that most of the I/Os. had complained that supplies made by them were far from satisfactory; that it was not comprehensible as to how distribution of their production was being done; that it was a sad state of affairs and did not reflect well on the firm. The firm was asked to intimate supply position of each A/T as on 31-12-65 and reasons for shortfall; the exact No. of Road Rollers manufactured by them in each quarter and their total No. upto 31-12-65. On 6-1-65 a letter was sent to P & A.O. saying that the M/O T & C had intimated that UPCC had failed in a No. of cases to despatch road rollers although it was imperative on them to despatch immediately they were inspected. P & A.O. was asked to intimate payment to the firm for road rollers inspected up to 31-12-65 in respect of the various A/Ts. On 10-1-66, the firm supplied the details stating that out of 173 Road Rollers allotted 68 were still to be supplied.

D.O. letter dt. 13-12-65 from planning Officer (Mech.) M/O. P & Communication.

Demi Official letter from Sh. Bhevanani of T. C. Note by Deputy Director saying 'the firm should also indicate latest delivery position consignee wise with the balance outstanding with reasons for delay in supply. C. Copy to inspection Ministry of dt. 28-4-65 saying that the position of supply to UP PWD as given by the firm was not correct.

Calcutta for his Comments. Deputy Director Progress.

He also stated that some of the rollers were fitted with 3 cylinder engines instead of 4 cylinders engines as provided in the A/T.

Calcutta and Deputy Director Progress General Hgrs. be requested for immediate latest report on the supply position and also weekly progress special report on this case "A letter was accordingly issued to the firm on 10-6-66 with copies endorsed to the other authorities DDS (V), also suggested firm be issued warning for the change of engines and asked for immediate detailed report as to why strict action be not taken against them".

A.D.O. letter was also sent on 1-12-66 to Shri R.S. Bhalla of M/O T & C to intimate whether all the road rollers had been received by consignees in respect this A/T.

8 SVI/4997-R/II UPCC/ I/O & s letter dated 15-3-65 regarding No. 912 dt. 28-10-64. receipt of Road Rollers.

The matter was taken up with the firm on 15-4-65. I.D. was addressed on 29-9-66 to intimate the position.

D.O. No. SP 14(4)/62 dt. 1-5-65 from Min. of Transport, New Delhi. He stated that there was delay in supply and the stores required on top priority basis, the equipment should be supplied without delay.

Prior to receipt of this D.O. the firm was asked on 1-5-65 that lists of complaints had been received from various indentors/consignees against different A/Tenders regarding non-supply of road rollers even within 6 months of the expiry of the delivery period. They were told that Road Rollers inspected and passed by D.I. Calcutta 4 or 5 months earlier had not been despatched. This office therefore took a serious view of the above state of affairs and they were requested to furnish a detailed supply position. Firm's reply was received on 4-5-65 stating that the Director of Inspection has been asked to amend the Inspection Notes regarding consignees on the basis of the final amendment issued on 22-1-65 to enable them to take necessary action regarding despatch of the balance rollers.

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- 9 SV-1/2187/087-A/II/6
dt. 8-1-65
I/O's letter dated 27-9-65 stating that there was no booking restriction and that the firm had never contacted the Rly. authorities.
Firm were addressed on 21-10-65 for early despatch.
- 10 SV-1/2017/199-A/II/43
dt. 11-2-65.
Chief Engineer, B & R PWD Rajasthan letter dt. 1-3-66 saying that firm supplied road rollers fitted within 3 cylinders instead of 4 cylinders and that the firm changed the engine after inspection.
The firm were asked on 22-3-66 to furnish the reasons for change of engine after inspection. Firm's explanation was also called on 5-5-66 and they were asked to remove the defects without any loss of time. The consignee was also asked to intimate after a fortnight if the firm did not remove the defects.
- 11 SV/2017/174-A/II/89
dt. 6-3-65.
XENT & M Division letter dt. 29-9-65 regarding delays in supplies.
Letter was issued to the firm on 21-10-65 and copy of this letter was endorsed to DD (Progress), Calcutta to intimate the position regarding booking restrictions.
- XEN Vijayawada letter dt. 31-7-66 regarding non-receipt of the balance 2 Nos. even after lapse of one year and four months after inspection.
Firm was asked on 2-9-66 to supply the road rollers immediately and whenever they found any difficulty in getting the wagons they should approach D.D. (Progress), Calcutta. This case was also referred to Dir. (Prog. Genl.) at HQrs. on 3-9-66 who issued a D.O. letter on 5-9-66 to AD (progress) Calcutta to take up the matter with the firm. The firm sent a reply confirming that they had completed the supplies on 1-11-66.
- 12 SV-1/2187/130-A/II/132
dt. 29-3-65.
Government of Maharashtra letter dated 28-6-65 stating that though all the road rollers had been inspected the firm had despatched not a single one.
A warning was issued to the firm that if no reply was received action would be taken to withhold 90% payment on production of I/Note. The firm intimated on 21-7-65 that they could not despatch 4 Nos. due to constant booking restrictions. The matter was taken up with AD (prog.) Calcutta on 10-8-65 to assist the firm in getting the wagons but no confirmation of the

fact of existence of brohing restrictions was obtained. Firm was also addressed on 10-8-65 to complete the supply at an early date as the road rollers were required very urgently.

The matter was taken up with the firm in 1-3-66 regarding expediting supply of Road Rollers and DD (Progress) New Delhi was asked to take up with DD (Prog.) Calcutta to see that the road rollers despatched immediately. The firm intimated on 5-3-66 that all the 3 Road Rollers were despatched to X-En Jalgaon copy of the letter was also endorsed to consignee.

Firm were asked to intimate why they were not despatching the road rollers when the I/O had already told them to despatch in open wagons if KF type wagons were not available. Regarding terms of payment and L/D the I/O was informed on 3-12-65 that L/D could be imposed maximum @ 2% per month or part of the month for delay in supply and that the terms of payment were 90%, 5% and 5%.

Letter was address to the firm on 14-6-66 to furnish the reasons for discrepancy. The firm intimated on 21-6-66 that they were looking into the matter. No reply has since been received so far.

Firm were asked on 25-2-66 to intimate reasons for this change and offer their comments. The firm were allowed to despatch the road roller with the revised specification as per A/L at p. 96/c dt. 17-5-66. The firm confirmed on 20-5-66 p. 103/c that they had supplied the stores to consignee at Baroda.

The firm were asked on 16-2-66 to produce the certificates from the Rly. authorities to the effect that no wagon could be made available

Letter No. SK/543 dt. 18-1-66 from the X-EN B&C Division Jalgaon. He had reported delay in supply of Road Rollers and defects in them.

D.O. letter dated 22-10-65 from Under Secretary, Government of Maharashtra, regarding balance 23 Nos. adding that L/D should be imposed from 5 per cent. to 10 per cent.

Letter dated 6-4-66 from Under Secretary Maharashtra Government intimating that the engine No. supplied with R/R did not tally with the I/N issued for the same.

SE Mechanical Circle, Ahmedabad letter dated 5-1-66 intimating that the firm supplied road rollers with 3 cylinder instead of 4 cylinder.

XEN Ukai Divl., Ukai letter dt. 31-12-65 saying that the firm should be asked to produce a certificate from the Rly. authorities

13 SV-1/2017/212/A/II/133 dt. 29-3-65.

14 SV-1/2227/043-A/II/150 dt. 8-4-65

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that no wagon could be made available from 1-5-65 till date.

The firm while it did not produce the required certificate confirmed on 9-8-66 that they had despatched the last road roller on 3-8-66.

15 SV-1/2018/71/072/III/165
dt. 29-4-65

D.S. Gen. Admn. Branch Bombay telegram dt. 8-10-65

The matter was taken up with the firm on 22-10-65 wherein they were asked to take proper steps to despatch the road rollers otherwise they would be forced to change the terms of payment. The case was chased by Progress Wing. The firm informed on 1-11-66 that they had since supplied the Road Rollers.

(2) Deputy Secretary, Govt. of Maharashtra letter dt. 9-11-65 regarding non-supply of road rollers.

16 SV-1/201/71/90/III/208
dt. 27-5-65.

Letter dt. 1-3-66 from the Chief Engineer, B&R WD Rajasthan, to the effect that the Road Rollers supplied were not according to specifications.

The firm as addressed on 23/24-3-66 to explain why they had supplied road rollers fitted with a lesser HP engine. The firm intimated that they could change the engine if the consignee was not satisfied with this engine but added that the road rollers with this engine were being supplied @ Rs. 51,000/- I/O was asked on 5-4-66 to furnish his comments on firm's letter No. comments from him have been received so far. The matter was however not pursued with either the firm or consignee.

17 SV-1/2017/173A/265
dt. 15-7-65

Chief Engineer, Major Irrigation A.P. letter dt. 5-1-66 saying that the performance of this firm was not satisfactory in his project and that the A/T should be cancelled.

The firm were asked to withhold despatches to this I/O till further orders and the I/O was told that it was not possible to release any road roller upto March, 1965. The A/T was also cancelled on 28-10-66.

18 SV-1/201/71/383/280
dt. 23-7-65.

Post copy of telegram dated 10-1-66 from the XEN PWD B&R Patiala saying that the Rly. authorities had informed him that there were no booking restrictions and that emergency works were held up.

The firm were addressed on 31-1-66 to despatch the road rollers immediately. The firm confirmed on 24-2-66 that they had supplied five Nos. out of 6 Nos. and balance 1 No. would be despatched on receipt of allotment.

- 19 SV-1/2017/1212A/11/335
dt. 7-9-65
- XEN Baroda letter dated 29.3.66 that though the firm had taken 90% payment about 6 months earlier they had not despatched the stores.
- 20 SV-1/220/71/355/343
dt. 16-9-65
- D.O. letter dt. 9-3-66 from the Chief Engineer PWD Gujarat, Ahmedabad reg. delay in supplies and suggesting that if the firm was not in a position to supply the remaining 61 road rollers the order might be transferred to S/S Greaves Cotton & Co. or S/s Britannia Engg. Co.
- 21 SV-1/218/71/1267/
6-12-65 11/2 dt.
29-1-66
- Letter dated 20-8-66 from the I/O saying that the consignee had informed him that the road roller stated to have been despatched on 23-8-66 by Goods train, had not so far reached him.
- 22 SV-1/201/71/741/
15-10-65/11/63 dt.
- I/O's letter dated 2-3-66 saying that the A/T should be cancelled as the performance of these road rollers was not satisfactory.
- 23 SV-1/489-P/11/321
dt. 4-9-63
- Endorsement dated 15-5-64 from Central Water & Power Commission saying that the firm had taken 100% Payment nearly 6 months ago
- Matter was taken up with the firm on 12-5-66 to explain why this A/T was not included in the list of outstanding A/Ts. The matter was also taken up with DD (prog.) Calcutta who intimated on 4-3-66 that the firm had despatched the road rollers on 19/22-3-66 and 29/31-3-66.
- The firm were asked on 30-3-67 to furnish the latest supply position. The I/O has asked for cancellation of A/T and the case has been referred to Ministry of Law on 3-1-67. As desired by Min. of Law this case is being considered along with the similar cases.
- The matter was taken up with the firm on 17-9-66 and they were asked to furnish the latest supply position, adding that they should re-ly within 15 days failing which P&AO would be asked to withhold payments. AD (Prog.) Calcutta on 14-10-66 (p. 39/c) confirmed despatch of stores consignee again wrote on 20-10-66 that the stores had still not reached him. On 29-11-66 consignee wrote to firm saying that he had received R/R for one road roller but not the road roller and requested them to investigate. Matter has been taken up with the consignee on 5-12-66 to intimate the latest supply position.
- I/O was requested on 22-3-66 to intimate to what was wrong with the performance of Agrind Moore road rollers supplied by UPCC and the firm were also asked on 1-8-66 to withhold despatch till further orders. Meantime I/O intimated receipt of one road rollers saying that he had accepted this consignment but that the remaining 3 Nos. should be cancelled. The outstanding quantity was cancelled accordingly. A letter was issued to the firm on 4-6-64 in which they were asked to explain the circumstances under which the road rollers could not be des-

patched even after six months of the receipt of payment.

but that they had not despatched the stores.

In reply to a telephonic talk the firm *vide* letter dated 3-6-64 gave the reasons for delay in supply which was mainly due to wagon difficulties along with other reasons. They further intimated on 20-6-66 that one Road Roller was supplied on 12-6-64 and other was despatched on 15-6-64.

Letter dated 20-5-64 from the XEN Mechanical & Workshop Division, New Delhi saying that the road rollers had not been supplied by the firm though he had made special efforts to obtain a priority for railway wagon allotment, at Calcutta.

24 SV-1/34133-P/III/
UPCC/496 dated
6-1-64

The matter was taken up with the firm on 22-6-64 and they were asked to despatch the road rollers by 30-6-64 failing which the road rollers would be purchased at their risk and cost. D/P was regularized to 11-9-64 without liquidated damages. The stores were received as confirmed by Indentor on 19-12-66.

25 SV-1/4438-P/II/612
dt. 31-3-64

Letter dated 7-7-64 from the Divisional Engineer, H&RW T&M Divn. Madras saying that the road rollers inspected on 10-4-64 had still not been received by him.

The firm were asked on 21-7-64 to supply the road rollers by 31-7-64 and the delivery period was regularized to 15-12-64 without liquidated Damages. The stores were received in full as confirmed by the Indentor on 29-3-67.

26 SV-1/5263-N/II/UPCC/
535 dt. 10-2-64.

Letter dated 28-4-64 from Min. of Transport, New Delhi asking DGS&D to instruct the firm to complete delivery of 20 Road Rollers.

The matter was taken up with the firm on 2-5-64 asking them to expedite despatch of Road Rollers.

Letter dt. 1-8-64 from the Min. of Transport, New Delhi to the firm with copy to DGS&D stating that 22 Road Rollers had since been inspected but the supply was not effected upto that time.

The firm was told on 13-8-64 though the Road Rollers were inspected the supply was not completed by them. They were asked to expedite despatch.

Letter dated -9-64 (date not stated) from the Chief Engineer Patna to the firm copy to DGS & D asking them to expedite supply of

The firm was told on 2-9-64 to expedite despatch of Rollers as top priority works was suffering badly.

Road Rollers as top priority Road Works were suffering badly.

Letter dated 5-12-64, from the Addl. Chief Engineer, Patna to the firm copy to DGS&D asking them to expedite despatch of Road Rollers to two consignees urgently as road work was suffering badly.

The firm was reminded on 17-12-64 and asked to state what steps were taken by them thereon to effect despatch of the Road Rollers to the two consignees.

27 SV 1/90953-P/II/UPCC/
352 dt. 27-9-63

Post copy of telegram dt. 19-3-66 from the Officer Commanding, Kalka to DGS&D asking the office to advise firm to make good the deficiencies. Letter dated 26-3-66 from the Commandant Vartak Base, Missamari to the firm copy to DGS&D containing about non-supply of certain tools/accessories of Road Rollers.

The firm were asked on 13-6-66 to make good the deficiencies. On 22-6-66, the Officer Commanding Vartak intimated that most of the deficiencies had been made good by the firm and balance would be done by them shortly.

28 SV-1/222/71/089/11-5-65/
II/203 dt. 27-5-67

Post copy of telegram dt. 12-7-65 from the Supdt. Eng. Akola Irrigation Circle, Akola to the firm, copy to DGS&D asking them to arrange despatch of 2 Road Rollers which were to be supplied by 30-6-65.

Firm was reminded on 23-7-65 asking them to arrange despatch of the two Road Rollers.

Letter dated 11-8-65 from the Supdtg. Engr. Akola Irrigation, Circle Akola to the firm copy to DGS&D asking firm to rail two Road Rollers immediately as they were inspected on 25-6-65.

Firm was asked on 30-8-65 to despatch the Road Rollers immediately as the same was required by consignee urgently.

Letter dated 28-9-65 from the Supdtg. Eng. Akola to DGS&D asking them to expedite the firm to despatch the Road Rollers.

Firm were asked on 11-10-65 to supply the Road Rollers to the consignee urgently.

Letter dated 6-12-65 from the Supdtg. Engr. Akola to the Chief Operating Supdt. S.E. Rly. Calcutta with copy to DGS&D to allot two wagons to M/s. UPCC for despatching Road Rollers.

Matter was taken up with the firm on 23-12-65 to intimate latest supply position copy endorsed to the Indentor.

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29 SV-1/220/71/308/7-8-65/
11/412 dt. 22-10-65

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D.O. No. SAV/2. 12(4)/ Suspense/ 780-83 da
29-6-65 from the P&A O. Calcutta to Shri
Verma ADS stating that the AG Gujarat
was not accepting the debit on the ground
that the Road Rollers were not received.

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On 1-8-66, the firm was told that the Chief Engi-
neer Gujarat had reported non receipt of the
stores though all the Road Rollers were under-
stood to have been inspected on 25-11-65. The
above state of affairs was very unsatisfactory and
they should furnish the supply position imme-
diately. D. D. (Prog.) Calcutta was asked
to get in touch with the firm and furnish reply
urgently.

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APPENDIX IV—A

(See para 4.19)

Delhi Tele: 33082

IMMEDIATE/By Hand

No. 67561/100/Road Rollers/ES/BRD
DTE GENERAL BORDER ROADS
KASHMIR HOUSE, DHQ PO
NEW DELHI-1.
12th February 1964.

To

Shri AD Rao
Director Supplies (Vehicles),
Dte. General of Supplies & Disposals,
Parliament Street,
New Delhi.

Subject.—Allocation of Road Rollers Against DGBR Indent No. 67561/Road Rollers/100/ES/BRD Dt. 23rd January 1964 for 100 Nos. Road Rollers (DGS&D No. SV-1/90012-R/II).

Reference DGS&D letter Nos. SV-1/Road Rollers/General/II dated 4th February 1964 and even number of 5th February 1964.

During the conference held in your office on 3rd and 4th February 1964 we were informed that against our indent for 100 road rollers of 35 H.P., only the following could be allotted during the current quarter.

- 22.....Britannia of 35 H.P.
- 20.....U.P.C.C. of 51.8 H.P.

The 51.8 H.P. rollers were offered at the same rate as for 45 H.P. It was also stated that in case we do not accept 51.8 H.P. Road Rollers we would lose this allotment as none other could be given to us during the quarter. As Road Rollers are urgently required we accept the above, and request that the firm may please be directed to stick to the delivery schedule.

2. In this connection your attention is invited to this Dte. letter No. 67561/200/Road Rollers/ES/BRD dated 8th August 1963 and DO No. SV-1/90063-P/II dated August 1963. In addition to crack in rolls the following defects have been brought to our notice in respect of Road Rollers previously supplied by Ms. UPCC.

- (i) Defective Steering design.
- (ii) Less pulling power at gradients.

3. We had accepted further supplies of these road rollers on the understanding that the design was considerably improved and the defects eliminated. Although considerable number of road rollers were inspected and passed by DGS&D in September/October 1963 the despatches commenced in December 1963 only. Had these machines been delivered to us earlier we would have by now obtained the performance report on the machines. We presume that our Inspection Dte. must have thoroughly checked the above points before passing these road rollers. This may please be confirmed before placing the fresh order for 20 Road Rollers.

4. You may please refer to para 8 of our letter No. 67561/200/Road Rollers/ES/BRD dated 17th January 1964, in which we have stated that the firm did not despatch the Road Rollers probably because they had received 95 per cent of the payment on inspection of the machines. To achieve quicker deliveries, it is requested that the usual condition of payment after the proof of despatch may please be included in the A/T.

5. Please acknowledge.

Sd/-
for DIRECTOR-GENERAL BORDER ROADS

APPENDIX IV—B

(See para. 4.23)

File No. SV-1/90054-P/II/UPCC/329 P.82/C.

Border Roads Development Board.

Sub:—Agrind Moore Road Rollers—Defects in.

During September 1963 and December 1963, the following orders for supply of 109 Nos. Agrind Moore Road Rollers were placed by D.G.S.&D., on M/s. United Provinces Commercial Corporation Pvt. Ltd., Calcutta

- (i) SV-1/90054-P/II/UPCC/329 dt. 12-9-1963 — 9 Nos.
- (ii) SV-1/90053-P/II/UPCC/352 dt. 27-9-1963 — 60 Nos.

(iii) SV-1/90053-P/II/UPCC dt. 13-12-1963	—	7 Nos.
(iv) SV-1/90053-P/II/UPCC dt. 23-12-1963.	—	33 Nos.
TOTAL		109 Nos.

These road rollers were delivered during 12/63 and 9/64.

2. Sometime back, it came to our notice that certain defects were noticed in 15 Road Rollers (Agrind Moore) by M/s. United Provinces Commercial Corporation in 1961. We therefore, requested D.G.B.R. to confirm that the Road Rollers supplied in 1963-64 did not have the same defects. D.G.B.R. has furnished us a list indicating the nature of defects noticed in these rollers. A copy of the list is enclosed herewith for perusal. These defects were intimated by D.G.B.R. to the firm and the latter were asked to rectify them by free replacement of component parts, suggest remedial action for rectification of these defects and also undertake improvements in future designs. The firm is also reported to have neglected the 'after sales' service. D.G.B.R. has reported that there has been no response from the firm despite reminders.

3. D.G.B.R. has also reported that, at the time of the purchase of these Road Rollers, the attention of D.G.S.&D. was drawn to the shortcomings of the Road Rollers noticed previously and raised the question of testing the machines. D.G.S.&D. decided that there was no necessity for retesting the machines which have been accepted by many important indentors and projects during the last two years.

4. In view of the above, Ministry of Supply are requested to look into the matter and ask the firm to take immediate steps to rectify the defects in the Road Rollers supplied by them. It is also for consideration whether D.G.S.&D. should place orders for any more Agrind Moore Road Rollers for Border Roads or projects executed by any agency in the hilly areas.

Sd/-

(S.K. MUKHERJEE).

Secretary.

Border Roads Development Board.

6-8-66.

Ministry of Supply (Shri K. Ram I.C.S.)

B.R.D.B. U.O. No. F.4(8)/BRDB-S/63 dt. 6-8-1966.

ANNEXURE

Defects observed on Agrind Moore Road Rollers 8/10 Tons

Sl. No.	Project	Details of Defective Component	Observations	No. affected
1	HQ CE (P) VARTAK	Tole Turning shaft and its flanged bush.	The four bolts securing steering flanged bush becoming loose frequently, it is subjected to extensive jerking and ultimately cracks/shears off.	19 out of 333
			Owing to shearing off the flanged bush, the alignment of the yoke turning shaft inside the bush changes thereby causing it to break from the yoke end.	
2	HQ CE (P) SEWAK	I Front wheel yoke pin.	The yoke pin cannot withstand the strain imposed by unevenness of road. Towing arrangement welded to yoke increases the deformation on yoke pin when the equipment is towed.	3 out of 4
		Front wheel yoke pin gets bent after approximately 100 hours run. Thrust plate of the yoke pin above cracks. Welding carried out for fabrication of various plates not satisfactory.		
		II Steering Unit.		3 out of 4
		The four bolts at head-piece to main frame size 3/8" width x 1 1/4" start getting their threads damaged (Ref. page 7 of parts catalogue, Ref. No. 22—this appears to be the basic defect weakening the steering unit at various points e.g., bolts universal joints to steering shaft get damaged, lock nut shaft bearing gets its threads damaged. Also refer page 43 of parts catalogue.)		

APPENDIX V

(See para 4.24 of Report)

GOVERNMENT OF INDIA

(DEPARTMENT OF SUPPLY) & TECH. DEVELOPMENT

Ministry of Supply, Technical Development & Material Planning

Directorate General of Supplies & Disposals

Office of the Director of Inspection, Calcutta-13.

No. PM/AT/DGBR/9

Dated the 7th May, 1966.

To

The Director General, Border Roads,
Kashmir House, D.H.Q. P.O.
New Delhi-11.

SUB: *A/T No. SV-1/247/6A/11/12, dt. 6-1-66 for 36 Nos. Road Roller placed on M/s. United Provinces Commercial Corporation Private Ltd., Calcutta against Indent No. 67561/Road Roller 1136/ES/BRD, dt. 6-4-64.*

REF: *Your letter No. 67561/136/291/DGBR/E3/ES, dt. 22-2-66 addressed to DGS & D New Delhi—————copy endorsed to this office.*

Sir,

Reference your above quoted letter, investigation as regards the design aspect of the Road Rollers in question has been carried out in respect to the points mentioned in the Appendix 'A' to the letter and comments are given in Annexure 'A'* to this letter.

A copy of the firm's comments on the points of your complaint are also enclosed* for your ready reference.

It has been observed from the firm's letter No. RBMD/020669, dated November 19, 1964 (copy enclosed for your ready reference*) addressed to you that out of the total No. of 129 Road Rollers including 36 Nos. against the above quoted A/T supplied to your different projects, only 12 Nos. had developed defects. The reasons for such defects had also been explained therein and necessary action in rectifying the defects had already been taken up by the firm's Service Department.

*Not printed.

It is also reported by them that the said Road Rollers are giving satisfactory service at your end.

Yours faithfully,
Sd/- C. R. SIRCAR,
Dy. Director of Inspection
for Director of Inspection Calcutta.
Sd/-
for Director of Inspection.

Copy to:
The D.G.S.&D (Supply Wing)
N.I. Building,
Parliament Street,
New Delhi.
for information.
Encl: As above.

APPENDIX VI

(See para 4.26 of Report)

Copy of letter No. SAV/SV1/UPCC(8)/1461-63, dated the 2-11-63: from Assistant Pay and Accounts Officer, Department of Supply, T.D.P.-2 Mission Row Extension, Calcutta-1, addressed to the D.G.S.&D. N.I. Building, Parliament Street, New Delhi.

Sub: 90 per cent payments to M/s. United Provinces Commercial Corporation Private Ltd., Calcutta, a proof of inspection against different Acceptance of Tender.

The following advance 90 per cent payments on proof of inspection, have been made to the firm against the undermentioned A/Ts. for supplies of the road rollers, quoted against each A/T. But it appears that the firm have not been able to despatch all the road rollers for reasons known to them. No. 5 per cent bills with proof of despatch has been received. On the other hand one consignee has expressed his inability to accept 90 per cent debits, as he has received neither R.R. nor the road rollers, for which debits were raised. You are therefore requested to issue necessary instructions to firm to expedite despatch of the rollers if not already done, and to the consignee to accept the debits, as per terms of the A/T 90 per cent payments are made on proof of inspection only.

A/T No.	Consignee	Qty. Road 90% payment Rollers. #	Amount of Rs.
1	2	3	4
1. SV-1/8170731/11/ UPCC/60 dt. 22-2-63	O.C. ESD(M), Kankinara	21	9,45,228.5
2. SV-1/5263-N/II/ UPCC/263 dt. 30-7-63	(i) Executive Engr. P.W.D. (R&B) Abhayapuri	12	
	(ii) Executive Engr. Mahanadi Bridge Dn. Cuttack	2	
	(iii) Executive Engr. Balasore High Way Dn. Balasore	4	
	(iv) Dy. Engineer, National High Way Sub-Division, Bassein No. 1 Bassein.	4	9,48,321.00
3. SV-1/5566-N/11/ UPCC/270 dt. 8-8-63	Asstt. Engineer, R S Stores Sub-Division, Chambal Pro- ject Rewathha, C/O P. B. No. 9 Kota	2	87,055.20

1	2	3	4
4. SV-1/24547-N/II/UPCC/271 dt. 3-8-63	Executive Engr.(x) C. Rly. Secundrabad.	1	Rs. 43,967.60]
5. SV-1/54024-P/II/UPCC/272 dt. 3-8-63	A. C. O. S. (S & Constn) N.F.Rly. Sahigurganj, Dist. Mirzapur (UP)	2	86,210.00]
6. SV-1/54021-P/II/UPCC/275 dt. 5-8-63	A.C.O.S.(Constn) N.Rly Roberts-ganj, Dist. Mirzapur (UP)	1	43,967.00 no payments.
7. SVI/2842-N/II/UPCC/276 dt. 6-8-63			no payments.
8. SV-1/4283-P/II/UPCC/321 dt. 4-9-63	Executive Engr. (B) Power House Divn, Raxaul.	2	86,211.00
9. SV-1/81575-P/II/UPCC/323 dt. 6-9-63	The Barrack Stores Officer, Tank, Factory at Pattabhram Milly Siding	1	43,105.59]
10. SV-1/90054-P/II/UPCC/329 dt. 12-9-63	C.E. Project, Vartak, C/o 56 APO Rly. Stn New Missamari	9	3,87,949.50
11. SV-1/90053-P/II/UPCC/352 dt. 27-9-63	Do.	16	6,89,688.00
			77 33,62,583.30

Copy to M/s. United Provinces Commercial Corporation Private Ltd., 6, Ganesh Chandra Avenue, Calcutta-13 for information and necessary action. They are requested to despatch the relevant stores to the respective consignees without further delay, if not already done and intimate the actual position of despatch to this office immediately.

Copy to the Executive Engineer, PWD (R&B), Abhayapuri Division, Abhayapuri for information and necessary action with reference to his letter No. AD|M|63|1|7318, dated the 27-9-63. He is also requested to accept the debits as 90 per cent payment has been made as per terms of the contract on proof of inspection only.

Copy of D.O. letter No. SAV/SV1/(I)/UPCC/2244 dated 12-3-65 from Shri P. K. Das Gupta, Pay & Accounts Officer, Department of Supply to Shri N. K. Thadani, Director of Supplies, D.G.S. & D., New Delhi.

Dear Shri Thadani,

Please refer to the A/T No. SV-1/5263-N/II/UPCC/740 dated 30-6-1964 placed on M/s. United Provinces Commercial Corporation (P) Ltd., Calcutta for the supply of Road Rollers against the Consulting Engineer (Road Development), Ministry of Transport and Communication (Road Wing), New Delhi, indent No. SP-14(4)/62-MP dated 17-11-1962. The A/T in question, is an order for the supply of 75 Nos. Road Rollers valued at Rs. 36,33,375/-. The terms of payment as stipulated in clause 17(e) of the A/T being 90 per cent. of the cost after inspection, the firm has already obtained advance 90 per cent. payment for the entire quantity of stores during July to September, 1964 i.e. within a period of three months from the date of placement of the A/T.

2. It further transpires from the records of my office that only two road rollers have been despatched under R/R Nos. G. 265814 dated 25-12-1964 and G. 214465 dated 20-2-1965 to two different consignees so far as against a total number of 75 road rollers for which balance 5 per cent. payment has also been received as per terms of the A/T. It is observed that advance 90 per cent. payment were received by the firm in both the above cases in early September, 1964 while the stores were despatched in December, 1964 and February 1965 respectively.

3. A reference was made by my office to 13 consignees as per A/T on 2-12-1964 after payment of advance 90 per cent. to the firm enquiring if the stores were received by them in the meantime. As many as four consignees have since intimated that none of them has yet received the stores. A few consignees have intimated their grave concern over this and have taken a serious view of the matter. It is, therefore, for consideration whether in the interest of the consignees who have not yet received the stores, but received 90 per cent. debit for the cost of stores, my office may effect recovery of 90 per cent. cost from the outstanding bills of the firm.

4. I shall be grateful to have a reply in the matter at your earliest.

Yours sincerely,

Sd./-

P. K. DAS GUPTA,
Pay & Accounts Officer.

Shri N. K. Thadani,
Director of Supplies (SV Dte.),
Office of the DGS&D,
Parliament St., New Delhi-1.

P. K. Das Gupta,
Pay & Accounts Officer.

D.O. No. SAV/SVI/(7)/UPCC/2340

GOVERNMENT OF INDIA
OFFICE OF THE PAY & ACCOUNTS OFFICER

P-2, Mission Row Extension, Calcutta—1.

Dated, the 24th/26th March, 1965.

Dear Shri Krishna,

Please refer to Shri Thandani's D.O. letter No. Dir. (Proj)/Misc/5/66 dt. 15.3.65 addressed to me, copy of which was forwarded to you along with my letter No. SAV/SVI/(7)/UPCC/2244 dated 12.3.65 regarding payment against A/T No. SVI/5263/N/II/UPCC/740 dated 30.6.64 placed on M/S. United Provinces Commercial Corporation (Private) Ltd., Calcutta.

I shall be grateful if you could kindly look into the matter personally and favour me with an early reply.

Yours sincerely,
Sd/- P. K. DAS GUPTA.

Shri K. Krishna,
Director of Supplies
(Vehicles),
Office of the DGS&D,
Parliament Street,
New Delhi—1.

P. K. DAS GUPTA,
Pay & Accounts Officer

D.O. No. SAV/SVI/(7)/UPCC/157

GOVERNMENT OF INDIA
OFFICE OF THE PAY & ACCOUNTS OFFICER
Department of Supply

P. 2, Mission Row Extension, Calcutta—1.

Dated, the 27th April, 1965.

Dear Shri Krishna,

Please refer to your office letter No. SVI/5263-N/II dated 2.4.65 addressed to M/S. United Provinces Commercial Corporation (Private) Ltd. Calcutta under copy to my office regarding payment against A/T. No. SVI/5263-N/II/UPCC/740 dated 30.8.64 for the supply of 75 number Road rollers against Ministry of Transport and Communication (Road Wing) New Delhi indent No. SP-14(4)/62-MP dated 17.11.62. In this connection my D.O. letter No. SAV/SIV/(7)/UPCC/2244 dated 12.3.65 forwarded to you by Shri Thandani may please be referred to.

I shall be grateful if you would kindly intimate the present position of the case at your earliest.

Yours sincerely,
Sd/- P. K. DAS GUPTA.

Shri K. Krishna,
Director of Supplies
(Vehicles),
Office of the DGS&D,
Parliament Street,
New Delhi—1.

P. K. Das Gupta,
Pay & Accounts Officer

D.O. No. SAV/SVI(7)/UPCC/360

GOVERNMENT OF INDIA

OFFICE OF THE PAY & ACCOUNTS OFFICER

Ministry of Works, Housing & Supply

P. 2, Mission Row Extension, Calcutta—1.

Dated 2.6.65

Dear Shri Krishna,

Kindly refer to my D.O. letter No. SAV/SVI/ (7) /UPCC/157 dated 27.4.65 in connection with the payment against A/T No. SVI/5263-N/II/UPCC/740 dated 30.6.64 for the supply of 75 members Road Rollers against Ministry of Transport & Communication (Road Wing) New Delhi indent No. SP-14(4)/62-MP dated 17.11.62.

I shall be grateful if you would kindly intimate the present position of the case at your earliest.

Yours sincerely,

Sd/- P. K. DAS GUPTA.

Shri K. Krishna,
Director of Supplies
(Vehicles),
Office of the DGS&D,
Parliament Street,
New Delhi—1.

P. K. Das Gupta,
Pay & Accounts Officer

D.O. No. SAV/SVI/UPCC/512

GOVERNMENT OF INDIA
OFFICE OF THE PAY & ACCOUNTS OFFICER

Department of Supply,

P. 2, Mission Row Extension, Calcutta—1.

Dated, the 14th June, 1965.

Dear Shri Krishna,

Kindly refer to the correspondence resting with my D.O. letter No. SAV/SVI/7/UPCC/368 dated 2.6.65 regarding payment against A/T. No. SV-I/5263-N/II/UPCC/740 dated 30.6.64 for supply of 75 Nos. of Road-Rollers placed with S/S. U.P.C.C. Ltd., Calcutta. The further communication promised in D.G.S. & D. letter No. SV-I/5263-N/II/dated 2.4.65 does not yet appear to have been received in my office although the firm was asked to explain the position in detail by a date over two months back. The same may kindly be expedited.

2. In this connection I am to report another instance where the same firm has been found to indulge in activities which, if not fraudulent, are open to grave doubt and detrimental to the interest of the consignee. The firm entered into a contract under A/T. No. SV-I/5263-N/II/UPCC/61 dated 22.2.63 to supply 30 Nos. of Road-rollers to nine different consignees and to obtain advance 90 per cent payment on proof of despatch after inspection. My office record shows that 90 per cent value of A/T. (Total value is Rs. 14,36,850/00) was claimed by and paid to the firm during May and June, 1963, i.e. within 3/4 months of the date of placing the A/T. As no 10 per cent claim against the A/T. has yet been forthcoming, enquiries were made from the consignees regarding receipt of stores. In reply one of the consignees, namely, Executive Engineer, P.W.D., Bilashipara Division, Bilashipara, Assam has reported that 2 Nos. of Road-rollers stated to have been despatched by the firm under Railway Receipts Nos. 654437, 265644 and 265645 all dated 4.5.63 have NOT been received at his end. The consignee has even asserted that relevant Railway receipts have not also been received by him and further alleged that his letter No. 4802 dated 24.4.65 to the firm enquiring of the particulars of despatch of store still lies unreplyed to. For your ready reference I am enclosing a copy of consignee's letter No. 5723

dated 20.5.65 along with enclosures. While it is arguable that the firm may not prefer balance 10 per cent claim till the provisional price under the A/T. is finalised, the fact that the consignee has not received the store even within two years of the date of despatch coupled with the absence of prompt attention by the firm to the Consignee's enquiry lends support to the doubt and apprehension that the store has NOT at all been despatched but that payment has been obtained on false statement.

3. In view of the position detailed above, my office has, for the present, taken following action in the matter:

- (a) A Special circular has been issued to the other consignees calling for acknowledgement of store by a target date.
- (b) Payment of one bill of the firm has been withheld so as to cover the advance 90 per cent payment amounting to Rs. 86,211/00 pertaining to the consignee named above and the fact has been duly intimated to the firm under letter No. SA5/SVI/UPCC/491-94 dated 11.6.65 with copy to D.G.S. & D., New Delhi.
- (c) In case replies from other consignees disclose similar non-receipt of stores, further bills of the firm will be withheld so as to cover the amount of respective advance 90 per cent payments under due intimation to the firm and D.G.S. & D.

I shall be glad if necessary investigation in the matter is conducted early and pending result of the same action taken/proposed to be taken by my office in the matter is confirmed immediately.

Yours sincerely,
Sd/- P. K. DAS GUPTA.

Enclo:—One copy of a letter.

Shri K. Krishna,
Director of Supplies
(Vehicles),
Office of the DGS&D,
Parliament Street,
New Delhi—1.

P. K. Das Gupta,
Pay & Accounts Officer.

D.O. No. SAV/SV-1/UPCC/528

GOVERNMENT OF INDIA

OFFICE OF THE PAY & ACCOUNTS OFFICER,
Department of Supply,

P-2, Mission Row Extension,
Calcutta-1

Dated, the 21st June, 1965.

Dear Shri Krishna,

Kindly refer to my D.O. No. SAV/SVI/UPCC/512 dated 14-6-1965 regarding payment for Road Rollers against As/T placed with S/s. U.P.C.C. Ltd., Calcutta.

2. I have since received from the supplier a letter dated 14-6-1965 enclosing a photostat copy of the consignee's (Executive Engineer, P.W.D., Bilashipara Division, Bilashipara) letter dated 2-6-1965 purporting to show that Nos. of Road Rollers have been recently received by him by road and not by rail. The consignee has also cautioned this office against the possibility of double payment as the stores have now been delivered by road, although the firm drew two years back advance 90 per cent. payment stating that the stores were despatched by rail. As the original letter of the consignee has not yet been received by my office, a copy has been called for from the consignee. As soon as the same is received, I shall forward to you a copy of the said letter. In the meantime what I would like to draw your attention to is that recent delivery by road of the store may save the financial interest of the consignee, but does not vacate or attenuate the fraudulent activity of the supplier in obtaining advance 90 per cent. payment for the store over two years back on the basis of false statement.

2. However, I await your reply in the matter with instructions as to release of the payment withheld (vide para 3 of my D.O. dated 14-6-1965) on receipt of reply from the consignee showing clear and full receipt of the stores.

Yours sincerely,

Sd/- P. K. DAS GUPTA,

21/6

Shri K. Krishna,
Director of Supplies (Vehicles),
Directorate General of Supplies and Disposals,
Parliament Street,
NEW DELHI-1.

(COPY)

D.O. No. SAV/SV-1/UPCC/584

P. K. DAS GUPTA,
Pay & Accounts Officer

GOVERNMENT OF INDIA
OFFICE OF THE PAY & AC-
COUNTS OFFICER,

Department of Supply,

P-2, Mission Row Extension, Calcutta.

Dated, the 26th June, 1965

Dear Shri Krishna,

Kindly refer to the correspondence resting with my D.O. No. SAV/SV-1/UPCC/528 dated 21-6-1965 regarding payment for Road Rollers against As/T placed with S/s. U.P.C.C. Ltd., Calcutta.

2. In this connection I am to report another instance where the same firm has been found to indulge in activities which, if not fraudulent, are open to grave doubt and detrimental to the interest of the consignee. Against A/T No. SE-7|5754-K|II|UPCC|3053 dated 18-8-1961 the firm obtained on 12.5.1964 90 per cent. advance payment amounting to Rs. 43,967/00 on the basis of inspection only on account of one Road Roller to be despatched to Executive Engineer, Irrigation Division, Shahdol (M.P.). As the corresponding 5 per cent. bill payable on proof of despatch was not received within normal period, enquiry was issued to the consignee and in reply he has stated in his letter No. 2728/SC, dated 2-6-1965 that the store has not yet been received by him.

3. However, pending investigation and receipt of your instructions in the matter as to recovery of 90 per cent. advance payment already obtained by the Firm fraudulently, I have asked my office to withhold payment to the firm of one or more bills covering the amount of Rs. 43,967/00.

Yours sincerely,

Sd/-P. K. DAS GUPTA.

Shri K. Krishna,
Director of Supplies (Vehicles),
Office of the D.G.S.&D.
Parliament Street, New Delhi-1.

Registered,

F. K. DAS GUPTA,
Pay & Accounts Officer.

D.O. No. SAV/SV-I/UPCC/739
GOVERNMENT OF INDIA
OFFICE OF THE PAY &
ACCOUNTS OFFICER,
Ministry of Food & Agriculture,
Deptt. of Supply & T.D.
Dated 27-7-1965.

Dear Shri Krishna,

I have to invite a reference to the correspondence noted in the *margin regarding payment for Road rollers against As. T. Placed with S/S. U.P.C.C. (P) Ltd., Calcutta and to state that neither any decision nor even an acknowledgement has been forthcoming. As the matter has been assuming serious proportions day to day, I would request you to expedite a reply.

- *1. D.O. No. SAV/SV-I/(7)/UPCC 2340 dated 26-3-65.
2. D.O. No. SAV/SVI/(7)/UPCC/157 dated 27-4-1965
3. D.O. No. SAV/SVI/(7)/UPCC/468 dated 2-6-65.
4. D.O. No. SAV/SVI/(7)/UPCC/512 dated 14-6-65.
5. D.O. No. SAV/SVI/(7)/UPCC 528 dated 21-6-65.
6. D.O. No. SAV/SVI/(7)/UPCC 584 dated 26-6-65.

2. In this connection I have to report the developments which have since taken place with regard to A/T. No. SV-I 5263-N/II/UPCC/61 dated 22-2-1963-an order for supply of 30 Road rollers against which 90 per cent. of Rs. 14,36,850/00 was claimed by and paid to the supplier during May June, 1963. The developments are as under.

(a) Executive Engineer, Bilashipara Division, Bilashipara, has since acknowledge receipt of 2 Road Rollers recently delivered by ROAD and has accepted the 90 per cent. debit amounting to Rs. 86, 211/00.

(b) Executive Engineer, Abhayapuri Division, Abhauapuri has acknowledged receipts of 2 Road rollers in good condition, but has emphatically pointed out, that the store stated to have been despatched under R/R Nos. 260215, 260216 and 654534 all dated 6.5.1963 (evidenced by the supplier's declaration on the body of advance 90 per cent. bill) was actually received by him under R/R Nos. G-043542 and C-043543 dated 9 i.e. after a lapse of six months.

(c) Executive Engineer, Gouripur Division, Gouripur has reported vide his letter No. G-4/6997 dated 17-6-1965 (copy enclosed) that NONE of the 9 Road rollers stated to have been despatched to him during May, 1963 have yet been received by him. He, however, received all the Railway receipts quoted by the supplier in the advance 90 per cent. bills for the Road rollers and after taking delivery from Railways, discovered in all consignment mere roller accessories without Road roller. He has also alleged that his letter No. G-4/8845 dt. 7-9-1964 and G-4/12651 dt. 23.12.1964 issued in this connection to the supplier still remain unreplied to.

3. In view of the position stated above, I have asked my office to withhold payment to the supplier of bill/bills for Rs. 3,87,950/00 covering 90 per cent. value of 9 Road rollers under due intimation to the supplier. I shall be glad if necessary investigation into the matter is made early and pending completion thereof, the action taken by my office is confirmed immediately.

Yours sincerely,

Sd/-P. K. DAS GUPTA.

Encl. Copy of a letter.
Shri K. Krishna, Director of Supplies
Office of DGS&D (Vehicles).
New Delhi.

COPY

B. Mason,

Pay & Accounts Officer

D.O. No. SM3(432)VII/1279

OFFICE OF THE PAY & ACCOUNTS OFFICER,
Deptt. of Supply & T. D., Akbar Road, ..

New Delhi-1, the 30th August, 1965.

31st

Dear Shri Mathur,

A firm named M/s United Provinces Commercial Corporation (P) Ltd., Calcutta, is reported to have obtained payment from the Pay & Accounts Officer, Department of Supply & Technical Development, Calcutta fraudulently by quoting bogus R/Rs in the 90 per cent advance payment bills. The case relates to A/T No. SV-1/5263-N/II/UPCC/61 dated 22.2.63 placed by your office for the supply of Road Rollers to the various consignees. According to the information available so far, in one case, the stores were sent by road instead of by rail. In another case they were despatched after about 6 months from the date of the R/R quoted in the 90 per cent bill and that too under different R/Rs. In yet another case for the supply of 9 road rollers only accessories were despatched without road rollers. The Pay and Accounts Officer, Calcutta, it appears has already informed Shri K. Krishna, Director of Supplies (Vehicles), the details of the case. He has also enquired of the various consignees whether they have received the road rollers for which advance payments were made. He has been instructed to withhold all advance payments to the firm till replies from all the consignees have been received and the total amount drawn fraudulently by the firm, is known. He has also been asked to adjust the final bills which are supported by consignees' receipts in the meantime, against such payments drawn fraudulently as may come to our notice.

Pay & Accounts Officer (Supply) Calcutta had requested Shri K. Krishna to confirm the action taken so far, but no reply has been received by him as yet. I shall be grateful, therefore, if you would

kindly confirm the action taken by the Pay and Accounts Officer as mentioned above and also expedite further necessary action in this case.

Yours sincerely,
Sd/- B. MASON

Shri J. S. Mathur,
Deputy Director General (Genl),
Office of the D.G. S&D, New Delhi.

COPY

Confidential

P. K. Das Gupta,
Pay & Accounts Officer.

D.O. No. SAV/SV-1/UPCC/1098.

GOVERNMENT OF INDIA.

OFFICE OF THE PAY & ACCOUNTS OFFICER,
MINISTRY OF WORKS, HOUSING & SUPPLY,
P-2, MISSION ROW EXTENSION, CALCUTTA-1.

Dated, the 21st September, 1965.

Dear Shri Krishna,

Kindly refer to the correspondence resting with Shri Kochhar's D.O. No. SV-1/5263-N/II dated 21.8.65 regarding payment for Road rollers to M/S. U.P.C.C. (P) Ltd., Calcutta against A/T No. SV-1/5263-N/II/UPCC/61 dated 22.2.63. The receipt of further communication promised therein is still awaited.

2. In this connection I am enclosing a statement showing particulars of 13 Road rollers against the above A/T in respect of which complaints had been received from the consignees. Firm's bills which were withheld in view of the complaints have since been released for payment in consideration of the fact that consignees have subsequently received the store in full and in good condition. As the A/T stipulates payment of advance 90 per cent cost of stores on proof of despatch after inspections and as the facts show that the stores were not despatched strictly in conformity with the declaration made by the supplier in advance payment bills, it appears that a *prima facie* case of fraud by the firm has been established, and that all action due in such event should be initiated from your end.

3. It is hoped that the matter is receiving due attention at your end and necessary instructions will be issued early.

Encl.: One statement.

Yours sincerely,

Sd/- P. K. DAS GUPTA.

Shri K. Krishna,
Director of Supplies (Vehicles),
D.G.S & D.,
Parliament Street,
New Delhi-1.

A/T No. SV-1/5263-N/II/UPCC/ 61 dt. 22-2-63
for supply of 30 Road Rollers.

Terms of payment: 90% on despatch of stores after inspection and 10% on consignee's receipt.
Contract delivery date 31-3-63 or earlier.

Sl. No.	Name & Address of the consignee.	Qty. on Order	No. and date of R.R.	Amount of advance payment for full quantity.	Date of Advance payment.	Whether bill has been submitted or not	Acknowledgement of the consignee	Special remarks, if any
1	Ex. Engr. P.W.D. (R & B), Bilashipara, Golkganj, Rly. Stn., Assam.	2 Nos.	265644-45 654437 dt. 4-5-63	86211/-	8-5-63		Price of the A/T variable Cl. 17 (f) No. Balance bill submitted yet.	Consignee's statements taken together unmistakably show that the store started to have been despatched by rail on 4-5-63 actually recd. by road and after 20-5-63.
2	Ex. Engr., P.W.D. (R & B), Abhoyapuri, P. O. Abhoyapuri at Bongaigaon Rly. Station.	2 Nos.	266215-16 654534 dt. 6-5-63	86211/-	9-5-63	do.	Consignee <i>vide</i> letter No. 5884 dt. 1-7-65. confirmed the receipt of the rollers through R.K. Nos. G. 043542-43 dt. 9-11-63.	Consignee's statement shown unmistakably that store was actually despatched six months after the date of despatch declared in firm's advance 90% bill.

Rs.

1	2	3	4	5	6	7	8	9
3	Ex. Engr. P. W. D. (R & B), Gouripur P.O. Gouripur, Assam St. Gobikgani, Rly. Stu.	6 Nos.	656257 269544-45 dt. 25-5-63 656424 269779 dt. 28-5-63 P. 269013. P. 269021-22 dt. 21-5-63 656423 269780 dt. 28-5-63	86211/- 43104/50 <hr/> 129315/50	28-5-63 & 30-5-63	Prize of the A/T Variable Cl. 17 (F) No. Balance bill submitted yet.	Consignee in his letter No. G-4/6997 dt. 17-6-65 stated that only accessories had been received <i>vide</i> R.R. Nos. quoted by the firm consignee in his letter No. G-4/7483 dt. 5-7-65 confirmed that all the rollers have since been recd and are working satisfactorily.	Consignee's statement taken together unmistakably show that the main and most valuable (Road component) Roller of the stores stated to have been despatched in May and June, 1963 was actually recd. after 17-6-65.
		3 Nos.	270838 270844 270843 dt. 31-5-63	<hr/> 258642/-	4-6-63	Do.		

COPY

B. MASON

Pay & Accounts Officer

D.O. No. SM3(432) VII/1584-87

PAY & ACCOUNTS OFFICER, DEPTT. OF SUP-
PLY & T. D., Akbar Road Hutments

New Delhi-11, the 8th/11th October, 1965.

Dear Shri Khanna,

Kindly refer to my D.O. letter No. SM.3(432)VII/1279 dated the 31st August, 1965 to Shri J. S. Mathur regarding fraudulent payments obtained by M/s United Provinces Commercial Corpn. (P) Ltd., Calcutta against A/T No-SV-1/5263-N/II|UPCC|61 dated the 22nd February, 1963.

P.A.O. (S) Calcutta has since informed this office that all the cases in which the supplies had not reached the consignees but in which advance payments were drawn, as reported earlier, stand regularised as the consignees have intimated receipt of stores, though long after the date of despatch as mentioned by the firm in the advance payment bills. The supplies were received by the consignees either under different R/Rs or in some cases by road instead of by rail as indicated on the advance 90 per cent bills.

In view of the position intimated by P.A.O. (S) Calcutta, it does not seem to be necessary to withhold hereafter advance payments to the firm for which specific provision exists in the contract. These are, therefore, being released.

Yours sincerely,
Sd/- B. MASON

Shri I. N. Khanna,
Dy. Director General (General),
D.G.S.&D., Parliament Street,
New Delhi.

COPY

P. K. Das Gupta,
Pay & Accounts Officer.

D.O. No. SAV/SV-1/UPCC/1190

GOVERNMENT OF INDIA

OFFICE OF THE PAY & ACCOUNTS OFFICER,
MINISTRY OF WORKS HOUSING & SUPPLY,
DEPTT. OF SUPPLY AND T. D., CALCUTTA-1.

Dated, the 14th October, 1965.

Dear Shri Krishna,

Kindly refer to your D.O. letter No. SV-1/5263-N/II dated 7-10-65 regarding payment to M/s U.P.C.C. (P) Ltd., Calcutta against A/T No. SV-1/5263-N/II/UPCC/61 dated 22-2-63 for supply of Road rollers. It is noted that the matter is under active examination and that a further communication will follow.

2. In this connection I would like to inform you further that one of the consignees, namely, Executive Engineer, Bijni Division, Bijni had previously acknowledged receipt in full and in good condition of two road rollers (Model No. AFPR-810/1457/63 and No. AFPR-810/1458/63) despatched by the firm under R.R. Nos. 267021, 267022 and 267023 all dated 11.5.1963 in reply to enquiry issued by my office, but has since cancelled his confirmation by a telegram. On our request to elucidate the position, the consignee has now reported vide his letter No. T. & P-12/1/3598 dated 28.9.65 (copy enclosed) that the two rollers referred to above have been found fitted with three cylinders bearing no inspection mark of the Inspecting Officer instead of four cylinders as specified in Appendix 'A' (General description of road rollers—item No. 19) to the subject A/T. While the right of the consignee to be indemnified against damage/defect/deficiency reported after such a long lapse of time constitutes a separate issue, this fact unmistakably suggests the tendency of the supplier to supply uninspected and deficient stores contrary to the general conditions of contract and thus brings into light the fraudulent intention of the supplier.

3. However, as desired by the consignee and as already intimated in my D.O. No. SAV/SV-1/UPCC/512 dated 14-6-65, my office

has withheld payment to the supplier of their current bill covering the advance 90 per cent payment of Rs. 86,211.00 made against the particular supply pending receipt of your instructions in the matter.

Encl: *Copy of a letter*

Yours sincerely,
Sd/- P. K. DAS GUPTA

Shri K. Krishna,
Director of Supplies (Vehicles)
D.G.S. & D., N.I. Building,
Parliament Street, New Delhi-1.

COPY OF D.O. LETTER No. SM3(432)VII/1972-73 DATED 23/26-11-65 FROM SHRI B. MASON, PAY & ACCOUNTS OFFICER, DEPTT. OF SUPPLY, NEW DELHI TO SHRI N. K. THADANI, DY. DIRECTOR GENERAL (GENL.), OFFICE OF THE DIRECTOR GENERAL SUPPLIES & DISPOSALS, NEW DELHI.

"Kindly refer to my D.O. letter No. SM3(432)VII/1584 dated 11.10.'65 addressed to Shri.....regarding fraudulent payments obtained by M/S United Provinces Commercial Corporation (P) Limited, Calcutta against A/T No. SV-1|5263-N|II|UPCC|61 dated 22.2.63.

P.A.O. (Supply) Calcutta has now intimated that one of the consignees under the subject A/T, who had previously acknowledged receipt of stores in full and good condition, has now reported that the two rollers supplied by the firm are not fully equipped as required under the A/T and also bear no inspection marks as well. This fact has also been reported to your office *vide* Shri P. K. Das Gupta, P.A.O. Calcutta's D.O. letter No. SAV/SV-1UPCC/1190 dated 14.10.65. He has also withheld payment to the suppliers of their current bill covering the advance 90 per cent payment of Rs. 86,211 made against the particular supply.

I shall be grateful if you kindly confirm the action taken by P.A.O. (Cal) as mentioned above and also expedite further necessary action in this case."

Sd./- B. MASON

COPY OF D.O. LETTER No. SM3(432)/VII/4104-05, DATED THE 26/28.3.66
FROM SHRI K. R. RABINDRANATH, CHIEF P & AO, NEW DELHI, TO
SHRI J. S. MATHUR, ADG, DGS&D, NEW DELHI.

Dear Shri Mathur,

You are, perhaps, aware that a firm named M/s. United Provinces Commercial Corporation (P) Ltd., Calcutta was reported by the Pay & Accounts Officer, Department of Supply & Technical Development, Calcutta, to have obtained fraudulent payments against A/T No. SV-1|5263-N|I|UPCC|61, dated the 22nd February, 1963, by quoting bogus R/R Nos. in the 90 per cent advance payments bills. The matter was reported to your office demi-officially by the P & AO(S) Calcutta as well as this office and confirmation was sought of the action taken by P & AO(S) Calcutta, for withholding/releasing payments to the firm. In this connection, you may please refer to the correspondence resting with Mason's d.o. letter No. SM3(432) | VII|1972-73, dated the 23rd November, 1965 to Thadani. Confirmation sought for therein has not been conveyed so far.

The P & AO Calcutta in the meantime has further reported that against A/T No. SV-1|5263-N|II|UPCC|740 dated the 30th June, 1964, which is for the supply of road rollers and which provides for 90 per cent, 5 per cent + 5 per cent payments on inspection, despatch and receipt of stores by consignee respectively, the firm had obtained 90 per cent payment for the full quantity ordered, during the months of July to September, 1964, but that it has despatched only 31 road rollers and that too long after the inspection was completed—the minimum time lag between the dates of inspection and despatch being 119 days. Balance 5 per cent payment, which was admissible after despatch of stores has also been obtained by the firm against 31 road rollers, but no bill for the final 5 per cent payment supported by Consignee's receipt certificates have been received so far. Claims for 5 per cent payment admissible on proof of despatch, for the remaining 44 road rollers have not yet been received and it is doubtful if these road rollers have been despatched at all although the date of delivery stipulated in the A/T expired long ago. In this connection, I would refer to your office letter No. SV-1/5263-N|II|dated the 6th September, 1965, addressed to the P&AO(S), Calcutta and request you to consider the desirability of investigating whether (1) abnormal delay in despatch of stores all along has actually been due

to booking restrictions and non-availability of wagons, (2) the remaining 44 road rollers already inspected in the year 1964 are still lying with firm in good condition, and (3) the 31 road rollers for which 5 per cent payment has been claimed by quoting R/R Nos. have actually been received by the consignees.

If as a result of such investigation, the firm is found to have indulged in drawing payments fraudulently and/or to have deliberately delayed despatch of stores to consignees, it may be considered if the concession of advance 90 per cent payment on inspection may not be withdrawn from the firm in respect of all As/T containing such terms and also whether the firm might be black-listed.

Yours sincerely,

Sd/- K. R. RABINDRANATH.

APPENDIX VII

(See para 4.59)

No. SV-1/90053-P/II/11
P.55/c.

COPY

Brig. K. Ramanathan,
Dir. Tech. Admn.

No. 67561/200 Rd. Roller/ES/BRD Director-
ate General of Border Roads, Kashmir
House, DHQ P.O. New Delhi-11.
30th March, 1964.

Dear Shri Karve,

With reference to your D.O. letter No. SV-1/90053-P/11 dated 24/25 March, 1964 and discussions in the room of DGS&D today, you may please refer to our letter No. 67561/200/Rd. Roller/ES/BRD dated 25 March, 1964 which explains that the complaint of the firm as regards non-availability of wagons is not correct.

In this connection you may please refer to Messrs UPCC letter No. SUP/003771 dated 29th February, 1964 (copy attached) from which it will be seen that the firm intends to despatch only 6 Road rollers per week and thus the supply of 33 Road Rollers inspection of which was completed on 31st January, 1964 will only move by the end of April, 1964, i.e. after 3 months of the inspection. This position is not acceptable to us and the matter was brought to the notice of your office vide our No. 67561/200/Rd. Rollers/ES/BRD dated 6/11 March, 1964, and No. 67561/200/Rd. Rollers/ES/BRD dated 9th March, 1964.

You may like to apprise the Director General of this fact with reference to our discussion this forenoon.

With regards.

Sd./-

Shri H. V. Karve,
Dy. Director General (Defence).
Dte. General of Supplies & Disposals,
Parliament Street,
New Delhi-1.

APPENDIX VIII

Extracts of paragraphs 243 to 248 of the DGS&D Manual of Office Procedure for Supplies, Inspection and Disposals.

243. Duties and functions of the Progress Wing-I. General—Progress Wing has been set up to implement the slogan of the Deptt. "DGS&D delivers the goods" by the scheduled date. Essentially, therefore, it watches coverage of indents and follows up contracts so that supplies are arranged by the specified delivery dates. For this purpose it will maintain close liaison with the Indentor, Supplier, Inspector and Purchaser and ensure that there is no undue delay in regard to allotment of raw-materials, issue of import licences, amendments to contracts, inspection and despatch of stores etc. Progress Officers shall maintain constant and personal contact with the Supplies Officers at all levels and assist them in the prompt removal of bottleneck though the ultimate responsibility for timely fulfilment of the contracts must rest with the Supplies Officers.

II. Functions and duties of the Progress Wing—Delay in supply of stores occurs in two stages viz:—

- (i) Coverage of indents, and
- (ii) Delivery against Acceptances of Tender.

Progressing is, therefore, done separately for pre-contract stages. The drill followed will be as under:—

Soon after an indent has been allocated to Supplies Section, the Central Indent Section will pass on the duplicate copy thereof to the Progress Wing vide para 85(ix). The Progress Wing will thereafter open an Indent Card for each indent/item in which the particulars of the name of the indentor, his indent number and date, Priority classification, Indent delivery period etc. shall be indicated. In order to enable the Progress Wing to keep these cards upto date and watch progress at all stages, Supplies Sections should invariably endorse to the Progress Wing copies of all the relevant documents and communications viz. copies of enquiries, transfer memos cross mandating the indents to Regional Offices and Overseas Purchase Organisations, references to indentors calling for comments on the tender or other clarifications cancellations, advance acceptances and formal A/T. It will be for the Prog. Wing to keep these cards upto-date by collecting information personally from the

Supplies Sections as and when necessary. It will be responsibility of the Prog. Wing to keep a watch on the progress of actions on all indents at all stages upto the coverage stage and to bring to the notice of the Director of Supplies concerned all such cases where there has been delay in the issue of enquiries or finalisation of tenders by sending the following statements:—

(a) Statement showing indent items

- (a) outstanding with each section for more than six months;
- (b) where tender enquiries have not been issued for more than two months; or
- (c) where tenders have not been decided for more than three months.

With a view to expedite coverage of indent items which remain outstanding for more than six months and urgent/operational indents the Prog. Wing shall also arrange monthly meetings between the DDG(S) and Directors of Supplies concerned to review their position, analyse causes of delay and devise ways and means to accelerate coverage.

The Prog. Wing will, in addition, prepare statements showing performance of the DGS&D in coverage of indents for the information of the indentors etc. as and when required. The position of coverage of Rly. Indents will, however, be sent every month to the Min. of WH&S and Min. of Rlys. (Rly. Board).

“Copies of A/T/Supply Orders should be endorsed, in duplicate to the Prog. Wing so that they can send one copy of the A/T/Supply Order to the Junior Field Officer concerned for actively chasing the contract.

(b) Post A/T Progress.

(i) Passive Progressing—On receipt of a copy an A/T, the Prog. Wing will open a card in Form CC-2A or CC-2B, as the case may be. Progress Card CC-2B will be used in respect of firms unregistered or provisionally registered and also in regard to those firms, where the Supplies Section considers that record of despatches made, indicating R/R number and date should be maintained by the Pro. Wing. An indication to this effect, where necessary, will be given by the Supplies Sections in the copies of the A/T endorsed to Prog. Wing.

(Office Order No. 154, dated 20.12.55).

The Prog. Wing will scrutinize each A/T on receipt of check that the delivery date specified therein is not unrealistic. Where this

appears to be so, taking into consideration all relevant factors, they will bring this to the notice to the Supplies Officer concerned for necessary action. They will take similar action in respect of all amendment letters. The Prog. Wing will likewise scrutinize the Pre-inspection delay reports received by them from time to time and take suitable remedial action, if any, called for on their part.

All inspection notes received in DGS&D will be passed on to the Prog. Wing in the first instance in order to enable them to post the same on the relevant A/T card and then pass them on to Statistical Dte., for posting and onward transmission to Supplies Section concerned. Prog. Wing will watch the deliveries against the contracts upto the stage of final inspection of stores except in the case of contracts placed on unregistered firms where they are specially required to chase the contracts till the store is actually despatched.

(ii) Active Progressing—Active progressing will be done through Field Officers posted at Delhi, Calcutta, Bombay, Madras, Ludhiana and Kanpur, to whom lists of outstanding, A/T in their respective areas will be furnished along with copies of acceptances of tender/Supply-orders every month by the Prog. Wing at Headquarters. The Field Officers will visit the firms once a month or more often when necessary in order to ascertain the exact position and prospects of supply, as well as bottlenecks, if any, causing delay in completion of the contracts. The main reasons for hold up in supply generally are delay in receipt of raw-materials, test reports on samples, certain clarifications, or amendments from the indenter of Supplies Officer, or in the movement of finished stores. With a view to assist the firms and expedite delivery of stores, remedial action to the extent possible will be taken by the Field Officers themselves. The lists will then be returned every month to the Prog. Cells at Headquarters and Regional Offices as the case may be for noting the factual position in the relevant A/T cards and initiating action on other pending issues brought out in the Field reports. The Field Officers will endeavour to visit all local firms in rotation so that no A/T is left out, though they will concentrate on A/T where delivery period has expired or is about to expire. They will similarly pay greater attention to chasing of A/T for fabricated and indigenous stores, as well as those issued against Works Programme. Express, Operational and Urgent indents and other important contracts and Educational/Trial/Development orders.

Special watch will be kept on

- (i) items of bulk purchase.
- (ii) Educational and developmental orders.

- (iii) Items on Production Schedules.
- (iv) Urgent and Operational demands from Defence.
- (v) Express and Works Programme indents from Rlys.
- (vi) Critical items of requirements of Defence and P&T Deptt.
- (vii) Any other items indicated for special chasing.

In order to enable the Prog. Wing through its Field Officers to keep a special watch on the performance of firms on whom Educational/Trial/Developmental Orders have been placed, the Supplies Sections, should while sending copies of such orders to the Prog. Wing, also bring this fact to their specific notice in a separate covering note requesting them to progress the supplies actively.

[DGS&D U.O. No. CSIB/270(16)/I/58 dt. 8.11.58].

Further, to ensure prompt action, the Field Officers, after effective chasing will intimate to Director (Prog.) every week particulars of such A/T where the deliveries are being delayed or held up on account of one action or the other, ending on the part of the Supplies Dtes. These cases will then be followed up either personally by the Prog. Officer concerned or brought to the notice of Directors of Supplies for immediate action through a weekly letter, duplicate copy of which will be returned by supplies Dtes. indicating the action taken.

In order to ensure that no A/T is left over, the Prog. Officers will review the A/T cards periodically and bring to the notice of the Supplies Section cases where no indication of Prog. of supply is available in their record though the delivery period has expired.

(c) Expediting supply of raw-materials.

It is the primary responsibility of the Purchase Orgn. to ensure timely supply of controlled raw materials and this function will be discharged by the Prog. Wing. The Dy. Director (Progress) Calcutta will assist the firms in early procurement of iron and steel, particularly, where in terms of the A/T supply is subject to receipt of these raw materials. The supplies Section will, therefore, insert a clause in all A/T for fabricated stores involving use of iron and steel that the firm concerned should furnish a monthly statement regularly to Dy. Director (Prog.) Calcutta on a prescribed proforma giving complete particulars of the quota certificate, I&S Controller's planning Note number and date, etc. Copies of forwarding memos of Quota Certificates issued by the Steel and Rly. Cell as well as Pre-Inspection Delay reports where fabrication is held up due to non-receipt of raw material will also be endorsed to him. He will maintain active and close liaison with the Iron and Steel controllers, Producers and stockists and endeavour to arrange an even and adequate flow of

raw materials to the production units so as to obtain continual and optimum production. Where the requisite category of steel is not produced in the country or the indigenous production is insufficient to meet the requirements of the DGS&D fabricators, he will ensure that necessary arrangements for import of steel are made by the I&SC without delay, unless where decided otherwise.

(Office Order No. 135 dt. 11.11.55).

(d) Drawing upto of Periodical Schedule.

With a view to ensure that the available indigenous capacity in respect of important stores in short supply requiring use of iron and steel is utilised to the maximum and an equitable distribution made amongst the various indentors, Quarterly production Schedules will be drawn up by the Prog. Wing for firms holding such contracts. These Production Schedules, which will be based on the firm's working capacity, availability of steel and the urgent requirements of the various indentors, will drawn by the Prog. Officer of the Headquarters/Regions concerned, except where decided otherwise.

(e) Maintenance of Load statements.

Load Statements will be maintained in respect of all items of fabricated stores on Running Contracts as well as other important stores in short supply. These statements will indicate the load on a firm, their working capacity, the qty. delivered month by month etc. These statements are intended to safeguard against the risk of overbooking a firm for unreasonably long periods, as well as to inform Supplies Wing of the capacity that is lying idle and which may with advantage be utilised by them. As these statements indicate the load on various firms, their performance and the available capacity, Supplies Section must invariably consult them before deciding tenders so that deliveries materialise by the date the stores are required by the indentor. The statements also serve as an index of the trend of supply of various stores in short supply. Reasons for short-fall vis-a-vis the anticipated deliveries will be investigated by the Prog. Wing and necessary assistance where possible rendered to the firm on ex-gratia basis. Where the performance of a firm is consistently bad and they are unable to improve upon the delivery position despite all reasonable assistance the matter shall be reported to Supply Wing for taking suitable action.

(f) Intimation of Acceptance of Tender completed every month to Supplies Sections.

With a view to enable supplies Section and Finalisation Dte. to initiate early action for regularisation of delivery period or finalisa-

tion of prices in appropriate cases, Prog. Wing will forward a monthly statement to Directors of Supplies showing particulars of A/T deliveries against which have been completed during the previous month. Copies of these lists should also be endorsed to Registration Section to enable them to keep their Performance Cards up to date.

(g) Performance of Firms against R/Cs.

Dy. Director (Statistics) will forward a copy of each drawal statement on receipt from the firm to Prog. Wing who will note down in a card information regarding the total qty. outstanding at the beginning of a month, the qty. ordered and supplied during the month under report and balance outstanding. There will be a separate card for each R/C and cases of unsatisfactory performance of firms shall be brought to the notice of the Supplies Officers for suitable action. Further in order to ensure timely renewal of the Rate and Running Contracts, Progress Wing will send an advance intimation of the expiry of the Rate and Running Contracts to Director of Supplies, normally 3 to 4 months in advance of the date on which a particular Rate and Running Contract is due to expire. Performance of firm's holding Running contracts is also to be watched through load statements in case of importance stores and items in short supply.

N.B: The above procedure shall normally apply for working at Headquarters and will be followed mutatis-mutandis by the Regional Progress Cells.

244. Watching of Progress of Works Programme demand—(i) Pre A/T stage—The progress will be watched by the Works Programme Dte. who would chase the Supplies Sections concerned in the case of delay against each indent.

(ii) Post A/T stage—The Prog. Wing will take necessary action as per para 243 (II) (b).

245. Procedure for Watching Coverage and progressing supply against Forward Programme Demands—(i) Pre A/T stage—The Progress Wing will open an indent card on receipt of the duplicate copy of the indent from the Central Idents section and note on it prominently the date on which the indent should be brought forward for procurement action on the basis of advice from Supply Sections. This date will be decided by the Supplies Sections, with the approval of the competent authority and intimated to the Prog. Wing vide paragraph 86(5). Even though the responsibility for initiating procurement action at the appropriate date will rest on the Supplies Section concerned, the Progress Wing will also keep a careful watch on such indents. If action is not initiated by the Supplies Section on the date

fixed, the Prog. Wing will bring it to the notice to the Director of Supplies concerned.

(ii) Post A/T stage—The same procedure as laid down in paragraph 243(II) (d) will be followed.

246. Routing of documents to Statistical Dte.—Supplies Sections and Regional Supply Organisations will forward documents like copies of A/T,S/Orders, Rate and Running Contracts and amendments thereto to the Statistical Branch for their use and record and copies will be sent separately to the Progress Wing for the purpose of progressing.

These will be sent to the Dy. Director of Statistics under covering letter form 'C' in duplicate. One copy will be retained by Statistical Branch and the other will be returned to the Section concerned acknowledging receipt of documents enclosed therewith.

(Routine Note No. 27 dt. 10.5.56).

In the Headquarters Office copies of Inspection Notes will be passed on by the Central Receipts Section to the Progress Wing and not to the Statistical Branch or the Supplies Sections direct. The Progress Wing will pass the Inspection Notes to the Statistical Branch on Form 'C' after noting the deliveries etc. in the Progress Cards.

To ensure against loss of any Inspection Note in transit, Progress Wing will allot a Serial number to each Inspection Note before passing the same on to the Statistical Branch. These serial numbers will be mentioned by the Progress Wing in the forwarding memos. (Form 'C') under which they will be sent. The Inspection Notes will be returned by the Statistical Branch direct to the Supplies Section concerned after extracting necessary information required for their statistical data.

The forwarding memo in Form 'C' as described above will be prepared by Progress Wing or the Regional Office and sent to the Statistical Branch in duplicate. The Statistical Branch will sign one copy of the forwarding Memo in token of having received the documents forwarded and return it to the Progress Wing.

(D.G.S.&D. Office Order No. 8(CDN Series), dated 12-6-51 on file No. CS-1(A)/II(233)/I and Office Order No. 5(CDN Series), dated 18-3-1952 on file No. CS-I(A3/II(215)/I.)

Regional Supplies Organisations will NOT pass on to the Statistical Branch the copies of Inspection Notes received in respect of orders placed by them. They will, instead, prepare an extract of

each Inspection Note (as per standard form prescribed for the purpose) and pass the same on to the Statistical Branch at Headquarters.

(D.G.I.&S. Office Order No. 34(CDN Series), dated 30-8-46).

247. Reporting Progress of supplies against orders by the Inspectorate:—

In order to enable the Inspectorates to keep the Supplies Officers informed of the delivery position against orders placed by them, a system of 'Pre-Inspection Delay Reports' has been introduced. Inspectorates under the Deputy Director General (Inspection) as well as those of the Ministry of Defence will, where required to do so, watch progress of supplies and furnish Pre-Inspection Delay Reports directly to the Progress Wing of this Directorate General in cases of anticipated delays against orders the inspection of which is their responsibility. After noting the position in the Cards, the Progress Wing will pass on the pre-inspection delay report to the Supplies section concerned for further necessary action. Where the Supply is held up for want of raw materials, a copy of such report should be sent direct to the Deputy Director (Progress), Calcutta for necessary action.

Since it is not possible for the Inspection Organisation of this Directorate General to undertake the watching of deliveries and issue of pre-Inspection Delay Reports in respect of each and every order, Supplies Officers are required to use their discretion and instruct the Inspectorates in all important orders, i.e. orders that are likely to present difficulties in manufacture and consequent delay in supply or where delay in supply will have serious repercussions in the services to be rendered to the Community to watch deliveries and issue pre-Inspection Delay Reports.

The following procedure will be observed in future:—

(i) A suitable clause will be inserted in all Acceptances of Tender and Supply Orders issued in respect of Defence Services indents providing for the inspector concerned to furnish pre-Inspection Delay Reports from time to time directly to the Progress wing of this Directorate General.

(ii) In respect of Acceptances of Tender and Supply Orders placed against all other indentors a suitable clause will be inserted in the Acceptances of Tender or Supply Orders irrespective of the value where the stores are specially manufactured items to Government requirements or specifications and developmental items or where in the opinion of the Supplies Officers the nature of Stores

ordered, the manufacturer and urgency of the indenter's requirements are such that a provision of pre-Inspection delay reports would be advisable.

(iii) Pre-Inspection Delay Reports need not ordinarily be called for other articles i.e. readily available articles manufactured for the trade including Government requirements even though the value of such orders may exceed Rs. 25,000. However, such reports will be called for against all categories of stores in which deliveries are not likely to be effected towards the end of the financial year, where the Acceptance of Tender provides for completion of supply within the financial year.

(Office Order No. 111, dated 15-9-55).

In the case of Non-departmental orders, i.e. orders placed directly by indentors (e.g. Railways, State Governments, Municipalities, Port Trusts, etc.) and not through the agency of this Directorate General and in respect of which the inspection only is entrusted to this organisation, it will be for the Inspectorate concerned to decide in consultation with the Inspection Wing at Headquarters and Indenting Department as to whether Pre-inspection delay reports should be issued.

(Based on D.G.I.&S. Office Order No. 46 (CDN: Series) dated 9-12-47—File No. CS-1-604 & DGS&D Routine Note No. 1437 Part I, dated 17-4-52).

248. Preparation and issue of pre-Inspection Delay Reports—(i) For orders other than those against Defence Services demands.—The Forms will be printed in two colours of papers, viz;—

- (a) those printed on white paper for reporting on Departmental orders.
- (b) those printed on light pink paper for reporting on Non-departmental orders.

A certain quantity of forms of both these colours will have a red diagonal strip marked on them. These specially marked forms will be used by the Inspectorates for reporting on orders (departmental or non-departmental) placed against demands for the Railways.

Copies of Pre-inspection Delay Reports against Departmental Orders will be prepared and distributed as follows:—

1. One copy for record.
2. One copy for the Supplies Officers concerned through the Progress Wing of the Directorate General or its Regional Office concerned.

3. One copy to the Indentor (if in India).
4. One copy to the consignee (if different from the Indentor).
5. One copy to Deputy Director (Progress) Calcutta, where raw material is to be obtained.

In the case of Non-Departmental Orders the report will be made by the Inspectorate direct to the authority which asked for the inspection to be carried out. No copy will be endorsed to the Directorate General of Supplies and Disposals.

The Inspector should show in column 3 of the report when the next report can be expected, having regard to the supply position existing at the time, If he considers that having regard to the satisfactory supply position no further report is called for he should indicate accordingly. Should, however, the Inspector find subsequently that due to unforeseen developments some delay in supply is likely to occur, he should again commence submitting reports.

(Based on D.G.I.&S. Office Order No. 46/(CDN Series) dated 9-12-47—File No. CS-1-604).

(ii) For orders against Defence Services Demands:—A form similar to the one used in the case of Non-Defence orders will be used except that the forms for reporting on orders against Defence Services demands will have a green strip printed diagonally across the form. Each report on order against Defence Services demand will indicate the date on which the next report will be issued.

The reports will be despatched by the Inspectors day to day as soon as they are prepared. Copies will be distributed as indicated on the form. One copy will also be endorsed to the Chief Liaison Officer, Defence Services Liaison Cell.

[D.G.I.&S. Office Order No. 15(CDN Series) dated 13-11-50—File No. CS—I(A)/II (215)/I.]

APPENDIX IX

Performance of M/s U.P.C.C. against orders placed on the Directorate General of Supplies & Disposals)

PROJECT DIRECTORATE

Sl. No.*	A/T No. & Date	Stores	Delay in supplies	Irregularities	Remarks
1	2	3	4	5	6
1	SE7/13588-L/I/3130 dt. 15-11-61	Skoda Universal excavators Rly-1 with attachments —4 No.	9 Months (28-2-62 to 19-11-62)]	..	Indentor received the stores in good condition, D/P was regularised with L/D of Rs. 1000/- on account of delay in supplies.
2	SE7/14011/M/I/3296 dt. 16-4-62	Do. 2 Nos.	2 Years (15-8-62 to 15-9-64).	..	Indentor received the stores. No. loss suffered by him due to delay in supplies. D/P was regularised without L/D.
3	Proj/3240-P/3241/P/UPCC/1/111/7 dt. 30-10-64.	Michigan model tractors with indigenous tyre-6 Nos.	9 months (30-4-64 to 17-1-66)		The supply was completed on 17-1-66. The indentor was asked to confirm the receipt of stores and also to indicate if he had suffered any monetary loss due to delay. No reply was received from the I/O by the target date given to him and D/P was regularised without L/D on 30-5-66.

2. After regularisation of D/P the indentor on 9-11-66 wrote to the firm directly under intimation to this office that they had not supplied the rims and tyres for want of which the consignment could not be cleared from the Rly. & he asked the firm to take immediate action. Nothing has been heard either from I/O or from firm. We are following it up with the indentor. I/O is yet to furnish the details as above. Telegram was issued on 28-4-67.

Indentor did not furnish report within target date for receipt of stores as called for by this office. Hence D/P was regularised without L/D assuming that the indentor has received the stores in full and in good condition. In April 67 it was understood from Audit that no supply was made. Case is being referred to SPE.

Indentor did not furnish report for receipt of stores within target date, D/P regularised (As 6-12-62 without L/D. Tel. issu-

4 Proj/34001/P/1/631 dt. 12-9-63 Bragline bucket with attachments —4 Nos. 23 days (10-3-64 to 3-4-64)

5 SE7/13784-M/1/3B12 dt. 1-11-61 Skoda Universal Excavators with attachments 5 Nos. 9 months (31-3-62 to 6-12-62).

*As per statement received vide D. O. No. Dir. (c) 66/1 dated 22/23-12-66.

1	2	3	4	5	6
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ed to I/O on 28-4-67 to confirm receipt of stores.

- 5(a) Proj/2691-N/2689-N/1/Scrapers/UPCC/442 dt. 22-12-62. Michigan Tractor Scrapers with fully enclosed Cab. 8 Nos. 4 Months (30-4-63 to 26-8-63) ..
- The regularisation of D/P and the finalisation of the prices are under consideration. The firm have received 80% payment against R/R and further 10% and 5% progressive payment were authorised to the firm on 2-3-65 and 11-8-66 respectively as final inspection of the stores are yet to be arranged by the consignees. The consignees have been asked to intimate the receipt of stores but no reply has been received as yet. Tel. issued to I/O on 29-4-67 to confirm receipt of stores.

- 6 Psoj/87006-R/UPCC/AII/1030 dt. 28-8-64. (A)(i) Michigan tractor Shovel—2 Nos. 5 Months (21-10-64 to 9-8-65) ..

(ii) Michigan Scrap mount Back Shoe—1 No. .

(a) D/P regularised without L/D for equipment as shown under (A) on 15-6-66.

(b) The indentor has not received the spares yet. Latest position of supply was called for from the firm. No reply has

(iii) Pear Counter weights adopter No. 1.			been received. We are again expediting the matter with the firm. Firm requested split up the order. I/O was asked whether spares are still required. Reply awaited.
(iv) Hydro trancher 1 No.			
(B) Spare parts for value ₹5,773 F.A.S. for above equipments			
7 Proj/2188/029A/I/1308 dt. 23-3-65	24" x 8 gauge Disc. 132 Nos.	2 Months (15-8-65 to 15-10-65)	The consignment incurred wharfage of Rs. 80/-. The firm paid the amount direct to the Indentor. D/P was regularised without L/D.
8 Proj/3188-P/IIIA/674 dt. 28-10-63	Spare Parts for Michigan Dozers for value ₹2168. F.A.S.	2 1/2 Months (15-3-64 to 30-6-64)	Indentor reported short receipt of certain parts on 7-11-66. The firm was asked to comment on short receipt of stores on 15-12-66. In reply the firm have clarified the position and stated that the items were shipped. I/O's comments are being called for Telegram issued to I/O on 29-4-67 to confirm receipt of stores.
9 Proj/311,313, 314, 315-N/I/373 dt. 21-8-62	Michigan Tractor Dozers 37 Nos.	2 Years (31-12-62 to 31-1-64)	(1) The firm received 80% Payment against R/R for all machines.

(2) The firm also claimed progressive 10% payment out of their balance 20% payment on the strength of the despatch particulars furnished by them. The same was authorised on 5-7-65 in view of expiry of 4 months from the last date of despatch as per % No. 6 dt. 29-1-65.

(3) It was reported during Nov. 66 by D.G.S. & D. vigilance section that consignee in Bihar have not received the tractor dozers and only certain consignments of tyres and tubes etc. had been received by them. All the 7 consignees of Bihar were asked to confirm that the machines meant for them had since been received. They were asked to intimate the dates of receipt and conditions of the machines. So far replies from two consignees have been received. Other consignees have again been reminded on 30-12-66.

In spite of repeated reminders were awaiting reply from 5 consignees. Last reminder issued on 20-4-67.

(4) Residual 10 % payment for all the 37 Nos. machines is pending against this order.

Firm's belgium manufacturers have since discontinued manufacturing the Dozers model as ordered. The cancellation of the order at the firm's risk and cost is under consideration.

Later we came to know that the firm's statement (that most of the machines have been despatched and the others are under despatch) was not correct. Reports about the receipt by the consignees of 20 machines have since been received. The correct dates of despatch in these cases were not known. This leaves 5 machines still to be accounted for. The consignees have been requested to confirm whether they have since received these machines or not. The P & A.O. had earlier been asked on 10-10-66 to recover

10 Proj/25(a)/8/6A/20 items D 3/1/ 20 Nos. Tractor
1497 dated 29-9-65 Dozers.

11 See serial No. 5(a).

12 Proj/307/308/309-N/1/UPCC 25 Nos. total
385 dt. 4-9-62 value as Rs.
35,75,564/- as per I/Note)

1 year 31-7-63 to 18-6-64

I/Note for 80 % payment for all the 25 Nos. were released during the period from July 1963 to June 1964. The firm on 25-5-64 stated that most of the machines had been booked and others were

awaiting despatch and had requested for authorisation of 15 % progressive payments out of their 20% dues against the contract. The firm did not furnish the despatch particulars for all the machines as is required in terms of the contract for claiming the progressive payments. The balance 20% payment has not been released.

Rs. 14,78,000/- from firm's pending bills being the advance drawn by the firm for 11 machines which had not till then been supplied, but no recovery has been effected. As per latest information received on 5-4-67 from Ministry of Transport (Indenting Ministry) 10 complete units have been received by W.B. State and 9 units (out of total 15 units meant for Bihar state) have been received by Bihar consignees, out of these 9 units 4 units have been received without compactors where as it is understood from DSD Calcutta during Feb. 67 8 complete units are still lying at Calcutta Dock. Detailed investigations are being made.

- 13. S/Proj/3225, 3155-P(E)/Vibratory Roller/I/UPCC/834 dt. 28-3-64. Ferguson Model 7 Months Vibratory compaction roller with attachments 3 Nos. (31-5-64 to 8-1-65)
- 14. Proj/2018/142/A IIIA/1180 dt. 15-12-64 Spares parts for Skoda Dragline. 1 Year (31-7-65 to 31-8-66)
- 15. Proj/34024-P/III/A/1209 dt. 31-12-64 Spares parts for Skoda Dragline and Diesel Engine. 15 months (30-9-65 to 31-1-67)
- 16. Proj/3047-N/A/IIIA/UPOC/I/642 dt. 25-9-63. Michigan Tractor Dozers with attachments 4 Nos. 2 Months (29-2-64 to 30-4-64)

The firm have not come up for regularisation of D/P. Tel. issued to I/O on 29-4-67 to confirm receipt of stores.

The firm have come up for increase in price of un-supplied items on account of devaluation. The un-supplied quantities have been cancelled at the risk of firm. The Indentor however does not require the un-supplied stores. The firm have not come up for regularisation of D/P Tele. issued to I/O on 29-4-67 to confirm receipt of spares.

For balance items firm have asked for increase in the price on account of devaluation. They have been told that the increase in price cannot be allowed as per terms of O/T. Telegram to consignees was issued on 29-4-67 to confirm receipt of stores.

The firm had agree to a deduction of the cost of 12 tyres and tubes which have been purchased by the Indentor locally.

Supplied to 4 tyres in place of 16 tyres I/O

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The I.O. has been asked to intimate the amount to be recovered from the firm. Consignee intimated in their letter dt. 18-4-67 to deduct Rs. 55,695.48 being the cost of tyres he had to purchase locally ; case is being processed.

Tele issued to I/O on 29-4-67 to confirm receipt of store.

17. Proj/3047-N(A)/925 dt. 24-6-64 Spare parts for 8 days
Michigan Tractor (31-2-64 to 30-1-65)
Dozers.

18. Proj/14005-N/II 556 dt. 31-5-63 Michigan Dumphug 9 months
tractor 4 Nos. (15-7-63 to 5-4-64)

Indentor reported some defects in one machine and in the tyres. The firm was asked to remove the defects and to replace the tyre also . It is noted from the correspondence resting in the file that the firm sent their Engineers to rectify the defects and also made arrangements for replacement, of defective tyres. The firm have not come up for regularization of D/P and no further development of the case has been informed by the Indentor to this office. Tele issued to I/O on 29-4-67 to confirm receipt of stores etc.

19. Project/14005-N/II/Spares/694 dt. 23-11-63.	Spares parts for 4 Nos. Michigan Tractors.	6 Months (31-1-64 to 14-7-64)	The firm have not come up for regularization of D/P Tel. issued to I/O on 29-4-67 to confirm receipt of stores.
20. Proj/4235-N/(B)/Tractor/UPCC/ I/459 dt. 14-1-63.	Michigan tractor Dozers 1 No.	1 Year (31-7-63 to 1-6-64)	Indentor did not furnish report for no loss within the target date. D/P regularized with imposition of token L/D of Rs. 1000/- Tel. issued to I/O on 29-4-67 to onfirm receipt of stores.
21. Proj/33051-P/IIIA/Spares/668 dt. 23-10-63	Spares for Diesel Tractor	..	Supplied within D/P stores ins- pected on 13-11-63.
22. SV-I/4526-29/P/III/46 dt. 15-2-65	Butuminous Hot Mix Plants-2 Nos.	..	No supplies made by the firm A/T cancelled at the risk and expense of the firm vide amend- ment No. 146 dt. 4-1-67.
23. SV-I/257-3A/5A/III/69 dt. 27-2-65.	1000 Gallons Bitu- men distributor-2 Nos. anks mounted 3 Nos. on chassis-5 Nos.	7 months 11 months	2 Nos. since supplied to Execu- tive Engineer, Plant & Ma- chinery Division Public Works Directorate Calcutta. Con- signee has been pressing for gate pass for the chassis and Calibration Chart for these two numbers M/s. Hindustan Motors have already confirmed that they have sent the gate pass to the said consignee.

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M/s. U.P.C.C. have promised to send the calibration chart. Balance 3 chassis are in the custody of the supplier against indemnity Bonds. The supplier have requested for extension in delivery date but the I/O has asked on 29-3-67 not to extend the delivery period. We have already written on 10-4-67 to the Indenting Officer forwarding a copy of consignee's letter dated 30-3-67 requesting for extension in delivery date. Date of delivery of the chassis to M/s. U.P.C.C. is under investigation.

24. SV-1/257-5A/III/192 dt. 17-5-65 Construction of 1000
2 Nos. gallons Diesel Tankers on 165;
TMRchassis 1 month

Stores despatched under R/R No. 014957 dated 26/28-5-66 and 8723 dated 27-7-66 Executive Engineer, Plant and Machinery Division, Cal. has confirmed on 2-2-67 receipt of the vehicles. He has expedited for calibration chart and Gate pass for the two chassis. M/s. Tata are taking

action for the letter and M/s. U.P.C.C. have promised to send the former early.

25. **SV-I/4523-22-P/III/970 dt. 15-1-65.**
- | | | |
|--|------------------|----|
| Culter Model
Portable asphalt
Plants 2 Nos. | 20 Months | .. |
|--|------------------|----|
- This was an FAS contract. Shortage in certain parts were found on arrival of the stores at site. The firm was responsible for commissioning the plants at site and after removing the shortages S.E. Mechanical Circle P.W.D. Patna has confirmed on 28-12-66 that the first and second culter plants were commissioned on 12-8-66 and 26-11-66 respectively. Additional parts which were found missing were not ordered with the firm and they were told on 21-11-66 to settle it directly with the consignee. The firm has also been told that no payment can be allowed against the shortages made good by them. They were told to settle with the consignee for this. The plants have been commissioned as stated and in the monthly meetings held under the Chairmanship of Secretary Ministry of trans-

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26.	SV-I/4278-P/IV/UPCC/703 dt. 26-6-64.	Spares	The original D/P was 31-7- 64 and exten- ded upto 31-8- 65.	..	port it has been confirmed that the plants are working satisfactorily. Hence the supplies have been completed by the firm.
27.	Cal/PI-1(i)/844-R/845-R/9 dt. 29-1-65.	Spares for Agrind Moore Road Roller and spares for International Truck Engine Perkins P- 4 and P-6,	Within D/P i.e. 28-2-65.	..	Out of 59 items, the firm had got 37 items inspected and ap- proved on 21-7-64 and 29-1- 65. The actual date of des- patch was however, not known. The consignee was asked on 10-4-67 to let this office know by 30-4-67 whether the stores were received by him. Balance items had been cancelled on 15-4-67 at firm risk and cost and the Indent- ing Officer asked to advise whether the cancelled items were still required by the consignee.

28. SV-1/218/71/967/29-3-65/II/30
dt. 21-2-66. Spars for Road Rollers Agrind Moore. 1 month and 3 days. ..
29. SV-1/4526-P/4529-P/II/Spares/
242 dt. 18-6-65. -do.- ..
30. SV-1/81073-P/II/UPCC/848
dt. 21-4-64. -do.- ..
- 31 SV-1/90053-P/90054-P/II/Spares
503 dt. 14-1-64. Spares for Road Rollers. ..
- The firm's principals had been provisionally paid 90 % near about 31-8-66. Balance 10% was withheld on account of wrong despatch of Sets to Calcutta instead of Bombay. It has now been ascertained that the amount to be recovered on account of wrong despatch is Rs. 60/-. Accordingly I.S.M. London has been asked on 22-4-67 to release the balance 10% to the firm's Principals. Rs. 60/- is being recovered from M/s U.P.C.C. Commission of 17 1/2% amounting to Rs. 9,258/-.
- The stores have been supplied by firm as per their letter dated 29-1-66 and item Nos. 16, 11 and 24 have been replaced by them but no confirmation has so far been received from the consignee.
- The required stores were supplied by the firm within the D/P but as they were despatched

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					by a passenger train in place of goods train the balance of extra charges were to be borne by the firm itself.
32.	SV-1/222/71/225/20-12-65/11/44 dt. 17-3-66.	-do.-	..	..	Payment terms is 95% payment on proof of despatch after inspection and balance 5% after receipt of the goods in good condition by the consignee. Stores were inspected on 13-4-66 but consignees receipt certificate is awaited. He has been reminded on 27-4-67 Question of advance payment does not arise.
33.	SV-1/4045-R/11/700 dt. 30-5-64.	-do.-	..	..	The supply in this case has been completed except item No. 17 part No. EIADKN 11654-A Switch-2 Nos. for which firm has asked for further extension of D/P which has not yet been done.
34.	SV-1/2017/226A/11/271 dt. 16-7-65.	-do.-	..	..	Payment terms is 95% payment on proof of despatch after inspection and balance on receipt of

the stores in good condition by the consignee. Hence question of advance payment does not arise.

The extension of D/P for supply of spares was granted subject to the recovery of liquidated damages from the firm. No further correspondence is available reg. completion of supply on the file. This is being ascertained.

35. SV-I/220/71/308/7-8-65/II/412 Spares for Road
dt. 22-10-65. Rollers.

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..

Payment terms were 95% payment on proof of despatch after inspection and balance 5% on receipt of the stores in good condition by the consignee. Hence question of advance payment does not arise. The firm requested for extension of D/P upto 30-11-66 who were told that the supply of Road Rollers should first be completed and thereafter the extension of D/P will be considered on merit. Supply does not seem to have been completed till now. No further correspondence is also available thereafter.

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36.	SV-1/220/71/355/II/30-9-65/410 dt. 22-10-65.	-do.-	Firm intimated on 3-9-66 that spares worth app. Rs. 2,60,000 have been despatched by them before 31-8-66 for balance they wanted extension upto 30-11-66.
37.	SV-1/220/71/355/3-9-65/II/343 dt. 15-9-65.	-do.-	..	..	Firm intimated on 31-10-66 that spares worth app. Rs. 3,77,560 have been supplied by them before 15-9-66. For balance they wanted further extension.
38.	SV-7/30130-M/11/3092/61 dt. 20-9-61.	Spares for Road Rollers.	Ranges from 22 days to 9 months 8 days.	Nil	D/P regularised without L/D One consignee returned the inspection notes after noting minor shortages. Another consignee complained on 4-6-63 about incorrect supply of one item. However he added that the firm told them that the correct supplies had been made and there was no discrepancies but they did not agree to this. No further action was taken.
39.	SV-1/201/71/867/26-11-65/II/31 dt. 2-2-66.	Spares for Road Rollers.	..	..	More than 50% of the items are outstanding for which the firm asked on 27-7-66 for extension of delivery period. Matter

has been taken up with Indentor. He has now intimated on 8-3-67 that delivery period may be extended by 45 days from the date of issue of amendment letter. Action to issue the amendment letter is in hand.

40.	SV-1/4526-P-4529-P/II/750 dt. 17-7-64.	Tandem Road Roller 6/8 ton (20 Nos. 7)	Roughly 2 months.	..	
41.	No. S/P/Project/RC/6745/UPCC III/741 dt. 7-3-1964.	Spare parts for Michigan Eqpts. of USA, UK, Belgium and Aus- tralian Origin.	Yes	..	There is no specific complaint except general delay in supplies against the R/C.
42.	No. S/Project/RC-7078/UPCC/ III/1374 dt. 27th May, 1965	-do.-	..	..	There is no specific complaint except general delay in supplies against the R/C.
43.	No. S/Project/3224-P/IIIA/788 dt. 7-2-64.	Spares parts for Cummins Engine.	..	..	The A/T placed on M/s. U.P.C.C. had to be treated as cancelled without financial repurcussion as for Cummins Engine part the sole agent in India were M/s. Cummins Diesel Sales & Service (I) (P) Ltd., Calcutta (A/L cancelling the order issued on 8-4-1965).

AUDIT OBSERVATIONS

A review of data given in Annexure VII in respect of performance of M/s. U.P.C.C. against orders placed by the D.G.S.&D. in respect of other stores throws out the following points:—

Sl. No.	Name of Stores	Remarks
3	Michigan Model Tractors with indigenous tyres—6 Nos.	It has been stated that the delay of about 9 months in the delivery period was regularised without liquidated damages on the 30th May, 1966. After about 5 months, the indenter wrote to the firm on the 9th November, 1966, under intimation to DGS&D, that the firm had not supplied the rims and tyres for want of which consignment could not be cleared from railways. The matter is being pursued by the D.G.S.&D. with the indenter and the firm.
4	Dragline bucket with a attachments—4 Nos.	It has been stated that as the indenter did not furnish the report within the target date for receipt of stores, as called for by the D.G.S.&D., the delivery period was regularised without L/D, assuming that the indenter had received stores in full and in good condition. In April, 1967 it was understood from Audit that no supply was made and the case was being referred to the Special Police Establishment. In view of the alleged shady dealings of this firm, the receipt of stores has to be ensured by obtaining clear consignee's receipts in cases where the final payments, were made to the firm on the assumption that as consignee had not furnished the receipt by a specific date, he would have received the goods.
5	Skoda Universal Excavators with attachments—5 Nos.	In this case also, delivery period was regularised without receipt of clear consignee's receipt.
6	Michigan Tractor Dozers— 37 Nos.	It has been stated that the 80% payments were made to the firm against R/R, while 10% progressive payment out of balance 20% was authorised on the 5th July, 1965 on the strength of the despatch particulars furnished by the firm and in view of the expiry

of 4 months from the last date of despatch. In November 1966 Vigilance Section of the Department reported that the consignees in Bihar had not received the tractor Dozers, but have received only certain consignments of tyres and tubes. It requires to be examined whether this is not a case of fraud by the firm.

10 Tractor Dozers—20 Nos.

The stores have not been supplied, though the contract was placed on 29-9-65. It has been stated that the firm's Belgian manufacturers have since discontinued manufacturing dozers as ordered. It is not clear when the Belgian manufacturers stopped their manufacture and if the firm had placed any orders with them, whether they had obtained any compensation from the foreign suppliers due to non fulfilment of their contractual obligations.

12 Soil stabilizers—25 Nos.

It has been stated that 80% payment for all the 25 Nos. were released during the period July, 1963, to June, 64. The firm had stated on 25-5-64 that most of the machines had been booked and others were awaiting despatch. Their statement was found subsequently to be incorrect. The Pay & Accounts Officer was asked on 10-10-66 to recover Rs. 14.79 lakhs from the pending bills being advances drawn by the firm for all machines which had not been supplied till then, but no recovery has been effected. It has been further stated that some of the machines have since been supplied, but 4 units were received without compactors. The detailed investigations are being made by the Department.

14 Spare parts for Skoda Dragline.

It has been stated that the firm have come up for increase in price of unsupplied items on account of devaluation, and these have now been cancelled at the risk and expense of the firm. It has, however, been added that the indenter does not require the unsupplied stores. The question, therefore, arises as to what are the considerations for which the indent has been cancelled by the indenter, and whether this would not be tantamount to cancelling the risk purchase against the firm.

15 Spare parts for Skoda Dragline and Diesel Engine.

It has been mentioned that the firm has asked for increase on account of rise in price on account of devaluation and have been told that the increase cannot be allowed as per

terms of contract. The extent to which balance items still remain to be supplied and whether the contract is required to be cancelled at the risk and expense if of the firm has not been indicated.

- 16 Michigan Tractor Dozers with Attachments—4 Nos. Recovery of Rs. 55,695 is due from the firm on account of the cost of tyres which the indenter had to purchase locally, as the firm failed to supply them along with the tractor Dozers as required in the contract.
- 22 Bituminous Hot Mix Plants—2 Nos. The firm had not made any supplies and the contract has been cancelled at the risk and expense of the firm on 4-1-67.
- 27 & 28 Spares for Agrind Moore Road Roller and spares for International Trucks Engine perkins P-4 and P-6. The latest position has not been indicated.
- 38 Spares for Road Rollers In this case, the stores were stated to have been supplied after a delay ranging from 22 days to over 9 months, but the Delivery period was regularised without liquidated damages. One of the consignees complained on 4-6-63 about incorrect supply of one item, though according to the firm there was no discrepancy, to which the consignee did not agree. No further action is stated to have been taken by the Director General, supplies and disposals in the matter.
- 39, 5(a), 6, 8, 9, 10, 11, 13, 14, 15, 16, 18 The date in column 4 of the Annexure VII is indicate the extent of delay in supply against stores other than road rollers for which the contracts were placed with M/s. UPCC these delays ranged over 2 years in certain case. No liquidated damages have been levied except in one case where liquidated damages of Rs. 1,000 were levied against the firm (Sl. No. 1) in a number of cases the question of regularisation of liquidated damages is still to be considered. The points mentioned above would show that the performance of the firm in respect of supply of other stores has also not been satisfactory as they had, in certain cases,

19, 23 and
26.

drawn advances without despatch of stores. All these contracts, therefore, require to be thoroughly investigated with a view to assess the total amount of dues recoverable from the firm on account of non-supply, belated supply and defective supply, and to see whether the firm could not be prosecuted for criminal breach of trust.

APPENDIX X

Summary of main./Recommendation/Observations

SL No.	Para. No.	Ministry/ Department Concerned	Recommendation/observation
1	2	3	4
1.	2.6	Supply <u> </u> DGS&D	<p>The Committee are unable to understand how orders for 1229 road rollers involving a cost of Rs. 6.01 crores were placed on the firm from 1959 to September, 1966. The Committee feel that if the conditions prescribed for registration had been strictly enforced the serious short comings of the firm in the matter of its capacity to undertake execution of orders as well as in its standing and respectability would have come to notice right from the beginning. The Committee find it difficult to believe that the failure of the office of the DGS&D to ensure compliance with the prescribed conditions was merely a lapse and feel that a full investigation into the circumstances under which orders were placed on this firm from 1960 to September, 1966 is called for.</p> <p>The Committee would also like Government to review all cases where large orders involving substantial amounts have been placed on unregistered firms without complying with the prescribed formalities for verification of reliability and capacity to execute orders.</p> <p>The Committee note that a capacity report was called for and received in September, 1960 in respect of M/s. Agrind Fabrications</p>
.	2.10	Supply <u> </u> Industrial	

Ltd. It is a serious omission that the production capacity was not verified either through D.G.T.D. or directly by the DGS&D before placing the first order in March, 1960.

3. 2.16 The Committee regret to note that the Directorate General, Supplies and Disposals failed to verify the financial standing of the firm by calling for the prescribed banker's certificate before placing large orders between 1960 and 1966.

4. 2.17 It is also surprising that no security deposit was taken either from the partnership concern M/s. UPCC or from M/s. UPCC (P) Ltd. from 1959 onwards. In view of the fact that the financial position of the manufacturers of Agrind road rollers, i.e., M/s. Agrind Fabrications Ltd., was known to Government to be unsatisfactory as early as March, 1960, the Committee find no justification for not taking adequate safeguards by way of a security deposit. Further, there were 23 complaints upto July, 1963, regarding the supply of road rollers by this firm. The Committee feel that these complaints and the unsatisfactory financial position of the firm should have alerted the D.G.S. & D. to the need to take proper steps to safeguard the financial interest of the Government. They regret to note that these steps were not taken.

5. 3.23 The Committee find that two important conditions on which Government has agreed to sanction relaxation in the terms of payment on 17th June, 1963, were:—

- (i) in the first instance the relaxation will be valid for six months; and
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(ii) it should be accompanied by increased production.

The Committee are not able to appreciate why the aforementioned important conditions were neither communicated to the firm in July, 1963, nor any concrete follow-up measures taken to ensure their compliance.

6. 3.30

Supply
DGS&D

The Committee regret to note that Chief Pay and Accounts Officer was not consulted before the relaxed terms of payment were adopted. This is all the more serious in view of the fact that Chief Pay and Accounts Officer had desired in the past that he should be associated whenever the terms of payments were relaxed.

7. 3.31

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The Committee would like the Department of Supply to consider, in consultation with the Ministry of Finance, whether it would not be better in the interest of financial prudence to prescribe that, in all cases of substantial relaxation or modification of terms of payments, the advice of Chief Pay & Accounts Officer is invariably obtained before taking a final decision in the matter.

8. 3.35

Supply

The Committee are altogether unable to appreciate the manner in which relaxation in terms of payment was agreed to in this case.

5. 3.36

Supply
DGS&D

When the seventh request of the firm was being examined, six earlier requests dating back to March, 1960, were not connected. This was a serious omission. Even the Secretary, Department of

Supply, admitted in evidence, "They were overlooked.....an unfortunate lapse, a very serious lapse.....". The Committee feel that while examining the seventh request, the office of D.G.S. & D. should have connected the six earlier requests and brought them to the notice of the D.G.S. & D.

10 3-37 do. Another disquieting feature in this case is that the offer of 4 per cent discount made by the firm in the 5th request of 19th April 1961, which would have reduced the price of a road-roller by about Rs. 1,900, was not taken up with the firm while examining the 7th request of April, 1963. This, the Committee feel, was a serious lapse and has given the firm an unintended concession of about Rs. 20 lakhs on 1053 road-rollers, for which the relaxed terms were made applicable from July, 1963.

11 3-8 do. Again there was 23 complaints against this firm for the supply of road rollers upto July, 1963. Two complaints against this firm namely for supply of excavator for Najafgarh Nala and another complaint from the Kerala State were specifically brought out in the Ministry's note dated 14th June, 1963 and in spite of that the relaxation was agreed to on 17th June, 1963 without verifying the reliability of the firm.

12 3-39 do. The Committee consider that the seventh request of the firm which asked for relaxation of standard terms of payment, was not examined critically in the light of information which was already available with the Government and that adequate care was also not taken while granting this request to safeguard Government's interest. The Committee cannot help concluding that the decision was not based on any sound premises and showed undue haste to accede to

the firm's request for special treatment in the matter of 90 per cent of cost on mere inspection despite the known unsatisfactory performance of the firm in the past and their none-too-sound financial position.

The Committee regret to note that the Ministry of Law, which is expected to scrutinise proposals in all aspects, in order to safeguard Government's interest, did not give adequate attention to the matter in the present case. The Committee are unable to understand how the purpose of an indemnity bond, which would have secured to the Government at least Rs. 10 lakhs for 20 road rollers expected to be ordinarily in possession of the firm after inspection and before despatch, could be met by the insertion of a clause in the contract to the effect that the "contractor shall hold the goods orders for, at his risk and responsibility until actually delivered." In fact, the alternative suggestion of the Ministry of Law not to take an indemnity bond meant that Government would have no indemnity or security from the firm in the event of their defaulting in supplies, after taking an advance of 90 per cent on inspection.

The Committee fear that this instance may be indicative of the routine manner in which such important matters involving the country's interest are processed. The Committee cannot too strongly stress on the Ministry of Law and the departments concerned the need of taking every care to safeguard Government's interest to avoid a recurrence of such mistakes.

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Law

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Supply
Law

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Supply
DGS&D

The Committee are unable to understand how even the clause suggested by the Ministry of Law that "the contractor shall hold the goods ordered at his risk and responsibility until actually delivered" was included only in 10 A/Ts. covering 102 road rollers but was omitted from 78 subsequent A/T's placed after 13th December, 1963 covering 951 road rollers.

3.49

The Committee would like Government to investigate the reasons for this omission and take suitable action against the parties at fault.

In this connection the Committee would also recall their observation contained in para 3.46 of their 64th Report (Third Lok Sabha) on the 'Purchase of Defective Tyres', wherein similar omissions to include a warranty clause in the contracts entered into by the DGS&D were pointed out.

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The Committee would also suggest that Government should review the entire procedure of preparing the A.T's in D.G.S.&D's office so as to ensure that such serious omissions and lapses do not recur.

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3.63

Do.

The Committee are distressed to note that no technical inspection was carried out to verify that the relaxation in the terms of payment had achieved the underlying objectives, namely, increased production.

18

3.64

Do.

The Committee are unable to understand as to how the office of the D.G.S. & D. issued release orders for 404 and 477 road rollers in 1964 and 1965 respectively against the annual targetted capacity of 360 road rollers of this firm. It appears that at no stage did the Organisation of the D.G.S. & D. take pains to find out whether the firm

had achieved the production capacity of 360 road rollers, much less 480 road rollers claimed by the firm in 1965.

19 3.68

Supply
 DGS&D

20 3.69

It would be recalled that out of orders for 1229 road rollers placed on the firm as many as 419 have not been supplied, which is some indication of the fact that the demands could not be very pressing.

The Committee suggest that in such cases where the distribution of a product in short supply is frozen in the public interest, a careful assessment should from time to time be made of the actual requirements, in order to make sure that in the name of national emergency, uneconomic units or those whose performance is not up to the mark are not given undue protection.

21 3.71

Do.

It is disquieting to note that the relevant Directorate in the office of the D.G.S. & D. did not take a copy of the noting recorded in the Department of Supply in this case with the result that the continuance or otherwise of the relaxation in the terms of payment was not considered after six months. This was a serious lapse, as a review after six months would have brought out the unsatisfactory performance of the firm, meriting cancellation of the revised terms.

22 3.72

Do.

The Committee would like Government to look into this serious omission and fix responsibility for it. They would also like Government to take suitable remedial measures to ensure that, where a

decision is taken on a Government file, the attached offices concerned not only keep complete copies of the notes and orders of Government on the subject but also take suitable measures to comply with them.

23

3.76

Do.

The Committee regret to note that, in spite of 59 complaints received from July, 1963, to August, 1966, and in spite of 3 warnings issued on 14th October, 1965, 1st November, 1965 and 29th July, 1966, no action was taken by the office of the D.G.S.&D. to cancel the relaxation granted in the standard terms of payment. This was a serious lapse as it enabled the firm to obtain advances from Government without delivering the road rollers. The Committee have no doubt that Government will examine the matter carefully and take deterrent disciplinary action against the parties at fault.

24

3.77

Do.

The Committee note with regret that a number of lapses took place in taking follow-up action consequent on relaxation in the terms of payment granted in favour of this firm. Firstly, no technical inspection was carried out to find out whether the actual increase in production had taken place upto 30 road rollers per month. Secondly, release orders were placed by the office of the D.G.S. & D. in excess of the capacity of the firm in 1964 and 1965, without verifying the production capacity in that. Orders were placed for 404 and 477 road rollers in 1964 and 1965 respectively against the annual targetted capacity of 360 road rollers. Thirdly, while considering the 7th request of the firm, 6 earlier requests which were turned down including one in which the firm had offered a discount of 4

per cent were. not connected. Fourthly no review was conducted of the relaxation in the terms of payment after six months and the condition prescribed by the Ministry of Economic and Defence Co-ordination (Department of Supply) that these terms should be valid for six months initially was lost sight of. There was also a failure in the office of the D.G.S. & D. to keep a copy of the noting recorded in the Ministry in June, 1963. Further, in spite of the complaint by the Pay and Accounts Officer Calcutta in November, 1963 and by the D.G.B.R. in January, 1964 (which were within a period of about six months of the relaxation in terms of payment), about the delay in despatch of road rollers after inspection and drawal of 90 per cent payment by the firm, no action was taken to review the revised terms of payment.

These lapses become all the more serious and significant when viewed in the light of 23 complaints which the Office of the DGS&D had already received upto July, 1963, when relaxation in the terms of payment was agreed to. The Committee feel that the various lapses listed above require looking into with a view to fixing responsibility.

The Committee are unable to understand how orders for 69 road rollers were cancelled, after making 90 per cent of the advance payment totalling Rs. 31.09 lakhs to M/s. UPCC (F) Ltd. They

25	3.78	Supply
		<u>DGS&D</u>

26	3.82	Do.
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find it even more difficult to appreciate how Government could not adjust the amount advanced thus to the firm against other orders or alternatively diverting these road rollers, for which 90 per cent advance had been paid, to other consignees. It is also a moot point whether Government could not have used its pivotal position to recover the advances made to the firm by refusing to issue release orders in favour of quasi-governmental indentors until the advances were returned. The Committee would like Government fully to investigate the matter and take deterrent action against the parties at fault. Remedial measures should also be devised a ensure that such lapses do not recur.

27	3 '93	Supply
		DGS&D
		Finance

The Committee feel that the request of the firm of September, 1963, regarding withdrawal of discount of Rs. 250 per road roller should have been examined by the Department of Supply and the Ministry of Finance in the light of the relaxation in the terms of payment already agreed to by them in July, 1963. Since the terms of payment had already been relaxed in July, 1963, which in itself gave a concession to the firm of about Rs. 1,900 per road roller @ 4% discount earlier offered by the firm in their 5th request the withdrawal of discount of Rs. 250 per road roller was an additional benefit to the firm.

28	3 '94	Do.
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The Committee are surprised to note that, when the Negotiating Committee finalised their negotiations about the increase in price of the road rollers supplied by the firm in September, 1965, the office of the D.G.S.&D. did not specifically bring to the notice of the Committee the poor performance of the firm against the various A/Ts. placed on them in the past. The Committee feel

that the past performance of the various firms along with the quality of their road rollers should have been brought to the notice of the Negotiating Committee, so that the demand for an increase in price could have been examined in proper perspective. It is also strange to note that the Ministry of Finance did not enquire about the performance of the firm against previous contracts or about the working of the road rollers supplied by them, while agreeing to the increase in price of road rollers.

The Committee are surprised to learn that the DGS&D's Manual of Procedure for Supplies, Inspection and Disposals does not clearly lay down that the representative of the Ministry of Finance should be invariably consulted at the stage of the verification of the financial standing and soundness of a firm before its registration or for placing initial orders on an unregistered firm.

The Committee would like Government to examine the matter and lay down clear instructions so that Government's interests are fully safeguarded.

The Committee would also like the Department of Supply to ensure that all cases which involve any departure from standard items of payment, with substantial financial repercussions, should be examined by the Financial Adviser concerned before final orders are passed.

The procedure for considering cases of revision of the purchase price should provide that the performance of the firm and of the

29 3.102 Supply

DGS&D

Finance

30 3.103 Do.

31 3.104 Do.

32 3.105 Do.

stores supplied by it should be specifically examined so that while revising the price the performance aspect is not overlooked.

33 3.106 Do.

Government should examine whether it would not be desirable to prescribe that where the Pay and Accounts Officer/Chief Pay & Accounts Officer attached to a Department, like the Department of Supply, notices any serious irregularity, he should bring the matter to the notice of the Head of the Department and endorse a copy to the Financial Adviser of the Department so that the administrative action required can be taken in consultation with the Ministry of Finance without loss of time. This would have the added advantage of keeping the Financial Adviser posted with the performance of the firm as far as the delivery of goods and payments are concerned.

34 4.10 Supply
D.G.S.&D.

The Committee are unable to appreciate this attitude of helplessness on the part of the office of the D.G.S. & D.

The Committee are perturbed to find that even before the proclamation of the Emergency, the Directorate of Supplies & Disposals had paid scant regard to serious complaints made by the Head of the Indian Aid Mission, Nepal, the Chief Engineer, Rajasthan, etc. about the poor performance of the road rollers. The Committee feel that the facts warranted deterrent action being taken against this unregistered firm for supply unsatisfactory road rollers instead of the unmerited indulgence shown to them.

35 4.21 Do.

The Committee regret to note that, in spite of the fact that delays in despatch of road rollers, after inspection and advance payment of 90 per cent, were brought to the notice of the D.G.S.&D. in January, 1964, and March, 1964 by the D.G.B.R., the terms of

payment were not revised. It is also strange that the complaint addressed by the Director General, Border Roads Organisation, to the Director, Vehicles (D.G.S. & D.), on 23rd March, 1964 was examined in the office of the D.G.S. & D. in September, 1964, i.e. six months after its receipt, at the level of Asstt. Director only and that it was not brought to the notice of the Director to whom the D.G.B.R.'s letter had been addressed.

The D.G.B.R. had already indicated in his two letters mentioned above that the D.G.S. & D. should consider the desirability of amending the payment clause and if that had been done at that stage, a number of lapses which took place in this transaction subsequently could have been avoided.

It appears from the complaints made by D.G.B.R. that the Agrind Moore Road Rollers were not found suitable for use in hilly areas. Earlier also there were complaints from the India Aid Mission in Nepal about the poor performance of these road rollers. The Committee feel that the office of the D.G.S.&D. should have investigated more expeditiously and thoroughly the complaint about unsatisfactory performance of these road rollers instead of complacently continuing to place orders with the firm.

The Committee are surprised to know that the first complaint dated 2nd November, 1963 from the Pay & Accounts Officer, Calcutta, is not traceable in the office of the D.G.S. & D.

The Committee would like Government to investigate how this important letter was not brought on record and take suitable action against the party at fault.

Supply

D.G. S.&D.

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Do

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The Committee cannot help feeling that had this complaint (made within four months of the relaxation of terms) received the serious consideration that it deserved, many of the complications which followed latter from the persistence of the firm in delaying or defaulting in supply might have been obviated.

4.40 Do.

It would appear from the facts that the UPCC (P) Ltd. drew 900 of advance payment on proof of despatch often inspection of road rollers within three or four months of the placing of the A/T in February, 1963.

4.41

As regards the supply of road rollers, the following three instances bring out the performance of the firm:

4.42

The UPCC (P) Ltd. indicated in the bill dated 8th May, 1963 for 900 advance payment that two road rollers had been despatched by rail to the Executive Engineer, Bhilashipara Division on 4th May, 1963. These road-rollers were actually received by the consignee by road in May, 1965, i.e. after two years.

4.43

In the second case, the Executive Engineer, P.W.D. Abhayapuri, intimated that the road rollers were actually received by him six months after the date of despatch declared in the firm's bill for 90% advance payment and that the R/Rs quoted in the bill for 90% advance payment were different from the R/R's under which the road rollers were actually received.

4.44

In the third case, the Executive Engineer, P.W.D., Gouripur Division, intimated that he received only accessories against the R/R sent by the firm in respect of the road rollers. These road-rollers were actually received by him in July, 1965, i.e. after a

period of over two years of the date of despatch indicated in the R/R quoted by the firm.

The Committee find it difficult to appreciate how the office of D.G.S. & D. could content themselves with the issue of a mere warning letter to the firm on 1st November, 1965 and how they expected this to put a stop to questionable practices being indulged in by the firm. The Committee cannot help feeling that it was this gross laxity on the part of the office of the DGS&D which encouraged the firm to persist in their dubious practice of taking advances from Government without taking earnest steps to despatch the road rollers to the consignees.

The Committee have already commented on the inadequacy of Government action in issuing on 1st November, 1965, to the firm a mere letter of warning to desist from irregular practices. The Committee feel that had the Directorate General of Supplies and Disposals given careful consideration to the concrete suggestions made by the Pay and Accounts Officer, Department of Supply, Calcutta, to recover the advance payments taken by the firm without despatching the road rollers from the outstanding bills of the firm, Government would have saved considerable financial loss. They also feel that had the three points for action posed by the Chief Pay & Accounts Officer in his letter of March 1966, namely: investigation into the abnormal delays in despatch of road rollers by the

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4.45

Supply
D.G.S.& D.

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4.49

Do.

firm, physical verification at the firm's premises of the road rollers already inspected and paid for but not despatched, and verification of receipt of road rollers from consignees been proceeded with, the malpractices indulged in by the firm would have come to light earlier. The Committee would like Government to investigate why adequate action was not taken on these communications of the Pay & Accounts Officer, Department of Supply, Calcutta, and Chief Pay & Accounts Officer, New Delhi. They also feel that a procedure should be devised by which such complaints from senior accounts officials of the Department received the personal attention of senior officers of the Department so that remedial measures are initiated without loss of time.

4-53 Do.

The Committee would like the Department of Supply/Directorate General of Supplies & Disposals to go fully into the matter in consultation with the Ministry of Railways and major indenting departments with a view to devise a fool-proof procedure for ensuring that a supplier cannot get away with advance payment without actually despatching complete goods after inspection.

4-56 Do.

It would thus appear, that the time taken in the issue of consignees instructions in the office of the D.G.S.&D. was not the primary cause of the delay in the despatch of road rollers by the firm. The Committee suggest that, the matter should be further investigated by Government.

43 4-63 Do.

The Committee are not able to appreciate how the Directorate General of Supplies & Disposals, Delhi, did not make adequate use

of their offices at Calcutta to verify the truth of the firm's contention that such excessive delays from six months to two years were due to non-availability of wagons. If the Directorate General of Supplies and Disposals, Delhi, had pursued the matter either directly with the Railways or tried to ascertain the position regarding despatch of road rollers by the other two firms, M/s. Jessops and Britannia, they would have come to know that non-availability of wagons was not the real cause of delay in the despatch of road rollers. The Committee regret the lack of vigilance shown by the Directorate General of Supplies Disposals in investigating these complaints and would like that responsibility for this laxity should be fixed and disciplinary action taken against the persons at fault.

44

4.70

Supply

D.G.S.&D.

The Committee are distressed to note that in 21 road rollers the firm-seem to have substituted 3 cylinder engines in place of 4 cylinder engines after inspection of the road rollers. The Committee feel that substitution of 3 cylinder engines in place of 4 cylinder engines, after inspection, is a serious matter and requires further investigation. The Committee need hardly add that after investigation necessary action should be taken against the parties at fault.

4.71

It has also been observed that in one case, the Executive Engineer, Bijni, in his telegram dated 3rd September, 1965 informed the Pay & Accounts Officer that the firm had supplied 2 road rollers fitted with 3 cylinder engines instead of 4 cylinder engines and that

they bore no inspection markings. The Committee are unable to understand how the engines which bore no inspection markings of the DGS&D were fitted in the road rollers and supplied by the firm. They desire that this case may be investigated with a view to find out the *modus operandi* of the firm and the loopholes in the procedure.

The Committee desire that the Government should investigate as to how the firm supplied to the Chief Engineer, Rajasthan the Fordson Dextra 3 cylinder engines with only 32 BHP as against the Fordson Major 4 cylinder Engines with 51.8 BHP, as provided in the A/T.

4'72 Do.

The Committee desire that the remaining cases involving 16 road rollers should also be thoroughly investigated and responsibility for the lapses fixed on the parties at fault.

45 4'75 Do.

The Committee have dealt in the preceding paragraphs with some of the complaints received from different sources against the supply of road rollers by this firm. They are left with an unfortunate impression that the organisation of the D.G.S.&D. did not respond to the needs of the case and failed to take prompt and adequate action on receipt of these complaints. As early as 2nd November, 1963, i.e. within 4 months of the relaxation in terms of payment, the Asstt. Pay & Accounts Officer, Calcutta, had brought to the notice of the D.G.S. & D. the delays in the despatch of road rollers after 90% payments had been drawn by the firm on proof of inspection. In January, February and March, 1964, the D.G.B.R. complained about the delays in despatch of road rollers by the firm

despite availability of rail wagons, after drawal of 90% payment on inspection. He specifically pointed out that the D.G.S.&D. might consider the revision of terms of payment so that the firm got payment after proof of despatch and not on completion of inspection. The Committee regret to note that it did not receive the serious attention it deserved. Even when the Pay & Accounts Officer brought to the notice of D.G.S.&D. from March, 1965 onwards cases of inordinate delay and drawal of advance payment on the basis of wrong R/Rs, effective action was not taken either to investigate the matter fully or to revise the terms of payment but a mere warning was issued to the firm which could hardly in any material way safeguard the Government's financial interests. It was only when Audit pointed out the various lapses in this case on 6th September, 1966, that a thorough re-examination of the entire case of supply of road rollers by M/s UPCC (P) Ltd. was carried out, and the special terms of payment withdrawn.

Another disquieting feature of this case is that the firm in some other cases had sent accessories instead of actual road rollers and yet claimed 90% payment on proof of despatch. In still other cases the firm seem to have substituted 3 cylinder engines instead of 4 cylinder engines after the road rollers had been inspected.

The net result of the failure to act on the part of the office of the D.G.S.&D. had been that the firm got 90% advance payment on

4.76 Supply

DGS&D

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4.77

proof of inspection, amounting to about Rs. 1.92 crores in respect of 419 road rollers, which they did not despatch at all. What is still worse, "391 road rollers for which payment had been obtained did not 'exist at all'" according to the Ministry's own note.

The Committee feel that the veritable series of lapses indicated above on the part of the firm as well as on the part of the office of the DGS&D require thorough examination with a view to taking suitable deterrent action against the parties at fault and to devising remedial measures to avoid a recurrence of such instances in future.

The Committee cannot help concluding that one of the contributory reasons for the failure to detect the inordinate delay by the firm in the despatch of road rollers after inspection was the fact that the A/T's placed by the office of D.G.S.&D. on the firm were not specially marked for progressing by the Progress Wing. The Committee consider that, when special terms of payment in relaxation of standard terms were sanctioned to the firm, the office of the D.G.S.&D. should have taken care specifically to ask the Progress Wing to keep a special watch on the progress of the despatch of road rollers after inspection.

The Committee are also constrained to find that when complaints were specifically marked to the Progress Wing, Calcutta, for investigation and report, the officer concerned did not investigate the matter fully by inspecting the firm's factory or Godown but instead sent for the firm's representatives and obtained information which he reported to Headquarters. The Committee desire that the above lapses on the part of the office of the D.G.S.&D. and of the Progress

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4.78

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5.10

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Wing should be fully investigated with a view to fix responsibility and take suitable disciplinary action against the officers concerned.

The Committee need hardly add that now that Government have the considered recommendations of Vidyalkar Committee and have taken decision thereon, it should be possible to take suitable measures without loss of time to ensure that the Progress Wing is put in a position fully to discharge the functions devolving on it.

The Committee cannot too strongly stress that the Progress Wing and other agencies concerned in the DGS&D should keep a special watch regarding the despatch and delivery of goods against progress payment contracts or contracts where standard terms of payment have been relaxed by checking and spot verification of proof of inspection, despatch and receipt by the consignees.

The Committee note that the Directorate General of Supplies & Disposals have issued comprehensive instructions on 25th May, 1967, on progressing of supplies against contracts where progress/advance payments are authorised. The Committee would like Government to ensure that all contracts where progress payments have been authorised are reviewed to make sure that the goods for which advance payments have been made are actually received by the consignees in time. They would like Government to ensure that the procedure envisaged for making "local enquiries" and "on the spot investigations" for making sure of the receipt of goods by consignees is given effect to by the field organisation in letter and in spirit.

5.11

Supply

DGS&D

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The Committee find from this statement that in the months of May, 1964 to August, 1964, October, 1964 and November, 1964 and further from September, 1965, to December, 1965, the firm on an average made available for inspection road rollers greatly beyond their production capacity. The Committee are not able to understand as to why this aspect did not attract the attention of the inspecting officers. The Committee were given to understand by the Secretary, Department of Supply, that they were going into the matter as to whether the inspection done by the inspecting officers was faulty and the supervision of the Director of Inspections was adequate and whether there was any collusion. The Committee desire that this aspect should be investigated expeditiously with a view to find out how far the Inspection Wing and the officers of the DGS&D failed to carry out their responsibilities properly and how far there was collusion, if any, with the firm.

The Committee would also like Government thoroughly to investigate the procedure for impressing inspection marks on road rollers and stores so as to make sure that these cannot be erased or otherwise tampered with. In fact, it would be advantageous if inspection of goods fabricated or manufactured in the country is carried out in stages to make sure that they strictly conform to the prescribed standards.

While the Committee appreciate the action of the Department of Supply in refusing to the Government's hands in regard to further action against the party, they are unable to appreciate in what way the demand made by Government in their letter of 7th November,

1966 was an improvement on the firm's earlier offers of 3rd and 5th November, 1966 in one of which they had offered a collateral security of shares of the face value of Rs. 40.24 lakhs to cover four post-dated cheques of Rs. 10 lakhs each encashable from 3rd December, 1966 to 3rd March, 1967.

52 6.26 Supply
D. G. S. & D.

The Committee hope that the Government will ensure that a prompt and thorough investigation is made by the Department of Company Affairs, the Central Bureau of Investigation and the Department of Supply, in close co-ordination with one another, to ascertain the assets of the firm in question and to suggest concerted measures to safeguard the Government's financial interests. Government should also consider urgently the question of taking possession of the assets of the firm to ensure that these are not in any way dissipated. The Committee would in particular like the Government to go into the question of accounts of the firm after December, 1965. The Committee need hardly suggest that money, if any, passed to UPCC (P) Ltd. and to other associated firms should be particularly checked, to make sure that assets of UPCC (P) Ltd., which owe Government Rs. 1.92 crores, are not in any way dissipated.

53 6.32 -do-

The Committee need hardly stress that expeditious action should be taken to set the arbitration proceedings going. They would

also like Government expeditiously to examine the question of obtaining an attachment order against the firm and taking further action to safeguard the financial interests of the Government.

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6.37

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The Committee desire that the loss of files from the office of the DGS&D may be investigated and suitable action taken against the persons at fault.

The Committee note that the Central Bureau of Investigation have already been asked to investigate the possibility of collusion between the firm and the members of the staff of DGS&D either on the purchase side or on the inspection side. The Central Bureau of Investigation may also be informed of the loss of these files in case the efforts to trace them in the office of the DGS&D fail.

6.39

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Since any delay in finalisation of the investigation might make it difficult to pinpoint responsibility in this case, the Committee desire that the Central Bureau of Investigation should finalise their investigation expeditiously.

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7.8

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The Committee are perturbed to note that there have been delays in almost all the orders placed on M/s. UPCC for supply of stores other than road-rollers. They desire that the question of levying liquidation damages against the firm should be carefully examined by the DGS&D.

7.9

-do-

What is more serious is that, the review of two cases regarding the supply of Dozers and Soil Stabilisers have revealed that the firm had fraudulently drawn 80 percent advance payment on proof of despatch without despatching the complete stores.

7.10 -do-

It appears to the Committee that the firm has a persistent tendency to claim payment from Government fraudulently without delivering the goods. The Committee consider that Government should examine thoroughly, without delay, the performance of M/s. UPCC (P) Ltd. and its associated companies regarding the supply of stores. The Committee need hardly stress that, where malpractices have been indulged in by the firm or its associated companies, stringent action should be taken against them to safeguard the public interest. The firm and associated companies should also be proceeded against, under the law, if fraudulent practices are established on investigation by the Central Bureau of Investigation.

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8.1

Supply
DGS&D

A perusal of the preceding chapters tells the story of a veritable chain or series of lapses on the part of various governmental authorities. It would be stretching credulity too far to believe that each individual lapse can be explained by its special circumstances and that the fact they all took place in regard to the same deal can be considered coincidental. It is this pattern that persists throughout the case that was a matter of concern to the Committee and should be a matter of concern to Government.

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8.2

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In order to set the matter in proper perspective, it may be worth while listing briefly the serious lapses that have been taken note of in the earlier chapters:

Do

(1) The placing of orders for 1229 road rollers at a cost of Rs. 6.01 crores on an unregistered firm from 1959 to September, 1966, without any attempt at verification of its financial standing and production capacity and without insisting on a deposit by way of security.

Do

(2) The granting in July, 1963, of a relaxation in the standard terms of payment which enabled the firm, to draw 90 per cent of the cost of a road roller on inspection without any proof of despatch:

(a) in spite of the receipt of no less than 23 complaints against the unsatisfactory performance of the firm;

(b) in spite of the turning down of six similar requests made earlier by the firm; and

(c) without consulting the Chief Pay and Accounts Officer.

(3) Failure to connect six earlier requests of the firm dating back to March 1960 while examining their seventh request. Another disquieting feature is that the offer of 4% discount made by the firm in the fifth request, which would have reduced the price of a road-roller by about Rs. 1,900 was not taken up with the firm while examining the seventh request. This gave the firm an unintended concession of about Rs. 20 lakhs on 1,053 road rollers, for which relaxed terms were made applicable from July 1963.

(4) The failure to scrutinise the proposal regarding relaxation in terms of payment in all its aspects, the failure to make provision for an indemnity bond or effective security from the firm, and the insertion in the contract instead of a clause which did not adequately safeguard the financial interests of Government.

(5) The failure to include even this clause in A/Ts. issued after December, 1963.

(6) The failure to carry out a review of the relaxation in the terms of payment at the end of a period of six months as was contemplated in June, 1963, despite:

(a) the delay in the despatch of road rollers after drawal of 90 per cent advance payment by the firm having been brought to the notice of the DGS&D in November, 1963, by the Pay and Accounts Officer, Calcutta; and

(b) the complaint received in January, 1964, from the Director-General, Border Roads, about inordinate delay in the despatch of road rollers after drawal of 90 per cent advance by the firm.

(7) The failure to verify whether the relaxed terms actually resulted in increased production as they were meant to.

DGS&D

- (8) The failure to mark the A/Ts. placed on the firm to the Progress Wing, resulting in failure to detect inordinate delay by the firm in the despatch of road rollers.
- (9) The failure to investigate effectively and to report on complaints specifically marked to the Progress Wing, Calcutta.

(10) The failure to exercise effective inspection so as to ensure that inspection marks on road rollers were not erased or tampered with and that the same rollers were not produced more than once for inspection.

Do

- (11) The failure to take timely action either to revert to the standard terms of payment or to institute a comprehensive inquiry despite:
- (a) several complaints received about gross delay of two years and more in the supply of road rollers by the firm;
 - (b) complaints by the Pay and Accounts Officer of the Department of Supply hinting at the questionable designs of the firm; and
 - (c) evidence that was available that it was not the non-availability of railway wagons that was the cause of delay in the despatch of road rollers.

Do

- (12) The failure to take timely action to adjust the price of 69 road rollers, for which orders were cancelled after pay-

ment of 90 per cent. as advanced against other payments due to the firm.

(13) The failure of Government to use its pivotal position to recover the advances made to the firm by refusing to issue release orders in favour of quasi-governmental indentors until the advances were returned.

(14) The failure to raise the question of the unsatisfactory performance of the firm and of the road rollers supplied by it even in October, 1965, when the Negotiating Committee considered the question of enhancement of the price of road rollers.

DG&SD
and Finance
Ministry

Supply
DG&SD

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The cumulative result of these series of lapses by various governmental authorities has been that the firm drew 90 per cent advance payment on proof of inspection and delayed the despatch of road rollers. At the end of December, 1966, the firm had yet to deliver 419 road rollers against which they had drawn advance payments amounting to about Rs. 1.92* crores. The amount of interest on this advance up to 31st December, 1966, works out to as much as about Rs. 29 lakhs.

The Committee would be failing in their duty if they did not draw attention to the gravity of these lapses which in their cumulative effect indicate either collusion or gross negligence of a culpable kind on the part of the officers concerned. The Committee expect that these lapses will be investigated and severe disciplinary

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Do

action taken against all who are guilty of failure to safeguard the financial interests of the country.

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8.5

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On the basis of the material before them, the Committee find it difficult to take a complacent view of the behaviour of Messrs. U.P.C.C. Private Ltd. Having approached Government and secured a relaxation in the terms of payment very much to their advantage on the plea that this would enable them to increase production, they did not utilise the advances for the purpose intended and indulged in even greater, delays in delivery than before the concessions were made. They failed to deliver 419 road rollers against which they had drawn 90 per cent advance payment. The delay in despatch greatly increased after July 1963 when the terms of payment were relaxed, such delay being 12 to 25 months in 80 cases; 6 to 11 months in 232 cases; 3 to 5 months in 148 cases and 1 to 2 months in 94 cases. This was during a period when other suppliers of road rollers did not generally take more than a month to despatch road rollers after inspection.

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The firm went further and obtained payments on the basis of false Railway Receipts. In another case, the road rollers were actually delivered by road after two years of the declared date of despatch by rail in the advance payment bill. In one case they sent only accessories instead of road rollers as mentioned in the Railway Receipt. There are 19 reported cases where 4 cylinder engines in the

*According to the Ministry's note dated 21st July, 1967 the latest position is that 403 Road Rollers are outstanding from the firm for which an advance Payment of Rs. 1.85 crores (Approx.) has been made.

road rollers were replaced by 3 cylinder engines after inspection. Between July 1963 and September 1966, the firm drew 90 per cent advance payments to the tune of about Rs. 1.92 crores against 419 road-rollers which they did not deliver.

The Committee cannot but take a very serious view of the manner in which the firm persisted in its activities over a period of more than three years.

The Committee note that some departmental instructions have been issued not to do any business with this firm or its associate firms and the fact that such instructions have been issued has also been intimated to others concerned. This, however, can hardly be considered adequate. In the Committee's view, the most expeditious action needs to be taken in consultation with the Ministry of Law, the Department of Company Affairs, the Reserve Bank of India and the Central Bureau of Investigation to ensure that the firm do not dissipate their assets or pass funds on to their associate companies and in particular to U.P.C.C., the partnership firm. The Committee expects Government expeditiously to complete the current investigations and to take strict action against the firm so that it may act as a deterrent.

The Committee also suggest that Government should expeditiously examine the performance of the firm and its associate companies regarding the supply of stores other than road-rollers so as to ascertain if any malpractices have been indulged in and to take suitable action to safeguard the public interest.

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Supply

D.G.S.&D

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- 65 8.10 This sad case has revealed a large number of short-comings in the organisation of the Directorate General of Supplies and Disposals particularly in regard to processing and placing of A/Ts, dealing with the complaints of consignees, the procedure of inspection and the progress of movement of stores and supplies. In the Committee's view, the procedure relating to these aspects in the organisation of the DGS&D needs to be critically review without delay.
- 66 8.11 —Do— The Committee would like Government to exercise greater vigilance in respect of all existing contracts where progress payments or payments in relaxation of standard terms have been authorised.
- 67 8.12 —Do— The Committee, while dealing with this case, have been conscious of a feeling of oppression caused by the numerous points at which the absence of adequate supervision has made itself felt and the handling of the tax payers' money has been characterised by a kind of casualness and light-heartedness that was not to be expected from those entrusted with the handling of public funds and the safeguarding of the public interest. In the result, the fullest advantage was taken of these lapses on the part of certain officers of Government by the firm in question.

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21.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi	3	31.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi	88
22.	Atma Ram & Sons, Kashmere Gate, Delhi-6	9	32.	Hind Book House, 82, Janpath, New Delhi	93
23.	J. M. Jaina & Brothers, Mori Gate, Delhi	11	33.	Bookwell, 4 Sant Narakari Colony, Kingsway Camp, Delhi-9	95
24.	The Central News Agency, 23/90, Connaught Place, New Delhi	15	MANIPUR		
25.	The English Book Store, 7-L, Connaught Circus, New Delhi	20	34.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annex, Imphal	77
26.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	AGENTS IN FOREIGN COUNTRIES		
27.	Bahree Brothers, 188, Lajpatrai Market, Delhi-6	27	35.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.—2	
28.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi	66			
29.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1	68			

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