

# SEVENTY-SECOND REPORT

## ESTIMATES COMMITTEE (1983-84)

(SEVENTH LOK SABHA)

DEPARTMENT OF SUPPLY—  
DIRECTORATE GENERAL OF SUPPLIES &  
DISPOSALS



Presented to Lok Sabha on

15 APR 1984

LOK SABHA SECRETARIAT  
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## ESTIMATES COMMITTEE

(1983-84)

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1. Shri T. R. Krishnamachari—*Joint Secretary*
2. Shri Bipin Behari—*Chief Financial Committee Officer.*
3. Shri D. M. Chanan—*Senior Financial Committee Officer.*

## INTRODUCTION

1, the Chairman of Estimates Committee having been authorised by the Committee to submit the Report on their behalf, present this Seventy-Second Report on the Department of Supply—DGS&D.

2. The Committee took evidence of the representatives of the Department of Supply on 21, 22, 23 June and 19 and 20 July, 1983. The Committee wish to express their thanks to the Officers of the Department for placing before them the material and information which they desired in connection with the examination of the subject and giving evidence before the Committee.

3. The Committee also wish to express their thanks to the representatives of the Federation of Indian Chambers of Commerce and Industry, New Delhi for giving evidence and making valuable suggestions to the Committee.

4. The Committee also wish to express their thanks to all other institutions, bodies and individuals, who furnished memoranda on the subject to the Committee.

5. The Report was considered and adopted by the Committee on 13 March, 1984.

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

NEW DELHI;

March 14, 1984

Phalguna 24, 1905 (S)



BANSI LAL,

Chairman,

Estimates Committee.

## CHAPTER I

### ORGANISATIONAL SET-UP

#### A. Introduction

1.1 Ministry of Supply is the agency through which the Government arranges procurement of a major portion of its requirement of stores excepting certain categories of stores like food, ammunition, armaments and items which are for the exclusive use of certain Ministries/Departments. The Central Ministries/Departments are, by and large, required to make their procurement above certain specified levels through this Ministry. This Ministry also caters to the needs of State Governments and Autonomous Bodies, Statutory Corporation and Government companies, both of the Centre and the States, at their request. It is, in consequence the major policy making body on purchase procedures followed by the Government Departments, and the Central Purchase Organisation.

1.2 The Ministry of Supply's powers for purchase of stores are contained in Rule 21 of the Delegation of Financial Powers Rules, 1978. According to the last amendment issued to these Rules, the powers of the Ministry of Supply are at present limited to Rs. 2 crores. Ministry of Supply have further delegated power for procurement of stores upto the value of Rs. 1.5 crores to the DGS&D, other officers in DGS&D are empowered to make purchases upto specified monetary limits in concurrence with the Integrated Finance Wing of the Ministry of Supply, where specified. Cases beyond Rs. 1.5 crores require the approval of the Ministry who take the advice of the Integrated Finance Wing.

1.3 Although the Ministry's powers are limited to Rs. 2 crores, cases beyond Rs. 2 crores are also dealt within the Ministry with the concurrence of the Financial Adviser who acts as the representative of the Ministry of Finance. Where the Financial Adviser finds it necessary, he can send such cases to the Ministry of Finance. The powers delegated by the Ministry of Supply and the value and types of cases which are required by the DGS&D to be referred to the Ministry for approval/sanction are specified in the Ministry of Supply's *delegation letters* concerning purchase and disposal.

## B. Organisational set up of DGS&D

### Co-ordination and Communication

1.4 It has been represented to the Committee by a private party through a memorandum that:—

“DGS&D, though a centralised organisation, operates through different wings looking after purchase, inspection and planning and development. It also has a wide network of field officers and inspectors. Lack of proper coordination and quick communication between the different wings of DGS&D and the officers working in the field lead to avoidable delays. What makes it worse is the communication gap that emerges between the actual buyers and DGS&D particularly when deliveries are to be made to different departments and organisations in different places on whose behalf DGS&D is making the purchases. The organisational set up of the DGS&D, therefore, needs to be streamlined. There is a need for the greater coordination between the purchase and planning wing of the DGS&D.”

1.5 When asked by the Committee whether there existed such a communication gap between various wings of DGS&D and field officers and between DGS&D and indenting authorities the Secretary, Department of Supply, stated during evidence before the Committee as under:—

“The purchase management and contract administration is the mainstay of DGS&D. It involves several operations such as location of dependable vendor sources, standardisation of specifications and requirements and procurement in accordance with the procedures laid down, quality assurance of the goods, progressing of the supplies, finalisation of the contracts leading to shipping arrangement for imported stores, litigation etc. All these operations are directed towards the goal of meeting Government requirement of various types of stores at the most economical prices in conformity with the functional requirements of the user department. These operations have to be undoubtedly carried-out through different wings of DGS&D. It may not be correct to presume that there is any discord or any lack of communication between different wings of DGS&D.



1.6 While replying to a question, regarding mechanism evolved or intended to be evolved for coordination and communication within the organisation and with the indentors and suppliers, the representative informed the Committee:—

“The assistance of other Ministries who control licensing and production of various items in the country, such as Ministry of Industrial Development, the Ministry of Steel and Mines, the Ministry of Chemicals and Fertilisers, the Ministry of Energy and Coal etc., is also invariably taken in locating the proper sources of supply and enforcing the acceptance of reasonable prices by the suppliers.”

1.7 On the question of coordination between the DGS&D and the indentors, the Secretary of Ministry of Supply submitted that “periodical meetings are held at the level of DDG/DG/SECY. (Supply) both internal and inter-departmental, to sort out various problems faced during the pre-contract and post-contract stages of procurement. The indentors are frequently consulted in regard to suitability of offers, acceptance of stores with deviation if that became inevitable, extension of delivery date etc.” He, however, agreed “that for a more effective coordination between DGS&D and indenting departments, the Planning and Development Wing of DGS&D needs to be strengthened.”

1.8 The witness continued that “in order to bring about better efficiency and supervision, there is a case for increasing the number of purchase directorates and inspection directorates, more so, when we have to buy more and more sophisticated equipment.” The witness added that Government had reviewed this matter and a proposal to this effect had already been sent to Ministry of Finance and Department of Personnel. The workload of DGS&D was increasing. Even then there was no lack of coordination between inspectorates and purchases departments and the regional offices.

1.9 The Committee asked the witness whether the lack of proper coordination between different wings of DGS&D and officers working in the fields leads to avoidable delays in timely supply of materials by the suppliers. The witness replied that the suppliers sought extension due to various reasons like non-availability of Railway wagons on time, power cuts affecting production, labour problem etc. Wherever considered necessary extension were granted. The witness clarified further that such extensions were mostly sought by small scale units because of the lack of availability of raw materials in time.

1.10 In reply to a query by the Committee as to whether delayed inspection by the Inspectorate resulted in the non-supply of materials in time, the witness submitted: "This can only be a minor point. There is need for strengthening the organisation. We did not disagree with that."

The witness further added:

"After examination of various reasons only, this (extension) is given. Sometimes, we also give it for our advantage, because it is perhaps easier or cheaper for us to extend it by two or three months than to call for fresh tenders after cancelling the earlier tender as this would take a longer period. Sometimes, it is also extended because of genuine difficulties of the suppliers due to lack of raw materials."

1.11 On being asked whether the number and location of regional offices and Directorate of Inspections were adequate and well spread out to meet the demands from various regions. The witness replied that there was need for more officers for supervision which would help in quick disposal of cases.

### C. Administrative set up

1.12 The representative of the Ministry was asked by the Committee during the evidence whether the volume of work involved called for some additional posts at the level of ADG and whether it was a fact that the post of ADG had been down-graded to that of DDG. The Secretary, Ministry of Supply replied:—

"..... we are in full agreement with the observations of this Hon. Committee, Our difficulty is that DGS&D is a non-plan Department and to get funds becomes difficult. The proposal of expanding DGS&D is already under consideration of the Government of India. As far as down-grading the post of ADG is concerned it is a temporary phenomenon. I understand that the Appointments Committee has approved the appointment of ADG and the post which was down-graded on 1st April will be up-graded to ADG's post."

1.13 When asked what the recommendations of the High Powered Committee (1976-77) were and what efforts were made to implement those recommendations, the Secretary explained that "recommendation involving financial implications were never implemented."

The witness added:

“..... We have got DG, ADG, DDG (Inspection)..... In sophisticated items we involve indentors also..... The position is that where we have got the expertise at the highest level we use things but where we feel we are not upto the mark we certainly get the people from the indentors and see as to what can be done.”

1.14 The witness further elucidated that the recommendations of the High Powered Committee had been accepted in principle.

1.15 The witness added that “the question is one of getting more people which we are not able to get because of the lack of funds.”

1.16 The Committee drew the attention of the representative to the opinion of a private party that in view of the high technology involved, the staffing pattern should not be based purely on indents but on the quality of purchases at economic prices. The witness responded that so far as the question of high technology was concerned, the opinion of the indentors and other Government experts was taken. As regards the prices, efforts were always made to reduce them to the extent possible.

1.17 It has been represented to the Committee in a memorandum from a non-official organisation that there is lack of coordination between Planning and Development, Purchase and Inspection Wings of DGS&D and between DGS&D and the indentors, which affects the speed and quality of procurement of stores. During evidence, the Secretary, Ministry of Supply spelt out the existing methods of coordination but pointed out that for a more effective coordination between DGS&D and the indenting departments, the Planning and Development Wing of the DGS&D needed to be strengthened. He further stated that in order to bring about better efficiency and supervision, there was need for increasing the number of Purchase and Inspection Directorates, particularly when the stores which DGS&D was required to procure were becoming more and more sophisticated. The Committee are informed that proposals for strengthening the organisation of DGS&D are under consideration of the Ministry of Finance and the Department of Personnel. The Committee recommend that the systems and procedures of work

and the staffing pattern of the DGS&D should be reviewed and rationalised and the Organisation suitably strengthened, if and when necessary, so that the store procurement process is streamlined and the objective of purchase of stores of the requisite quality at economic prices and at greater speed than hitherto is realised. The Committee wish to add that the Inspection Wing should be independent of the Purchase Wing so as to obviate any possible mal-practice...They have dealt with this aspect elsewhere in this Report.

## CHAPTER II

### TENDERS

#### A. System of Tenders

2.1 In a memorandum submitted by a non-official organisation to the Committee belated publication of tender notices, is cited among the difficulties encountered by the prospective suppliers. The following problems have been mentioned in this connection.

- (i) Publication of the Indian Trade Journal is still not up-to-date and regular. Even the bulletins issued by the DGS&D are often received late.
- (ii) Complete tender documents readily are not available.
- (iii) Tender copies issued by the DGS&D either from the Headquarters or from the regional offices are not at times available at the local offices in Calcutta as well as elsewhere well in time;
- (iv) Tenders are often received without relative drawings and specifications.

2.2 With a view to mitigating the above mentioned difficulties one of the suggestions made by the same party is as follows:—

“With a view to closing the information gap, a circular letter issued under certificate of posting may be sent by the DGS&D containing abstracts of tenders to all registered suppliers. All the recognised Chambers of Commerce and leading Associations should be supplied with copies of such circular letters for dissemination of information among the all interested potential participants.”

2.3 During evidence when the Committee desired to know the views of the representative on the above problems and suggestions, the witness replied:—

“The concern expressed by the Committee is well taken. We are constantly making efforts to ensure timely publication of all tender notices in the ITJ and lately we have also started furnishing copies of our tender notices to various trade associations for publicity of the same by them to

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their constituents. Tender notices are invariably sent in advance to all registered suppliers. Orders already exist that at least a period of six weeks should be allowed for the return of the tenders or for the quotations to be received against advertised tenders. The invitation to tender has recently been streamlined and the same is brought out in a booklet form after being standardised for different groups of items. This will also eliminate a certain amount of delay which now takes place between planning of demand and issue of tender enquiry for the same. Experience shows that there have been no complaints about non-receipt of tenders in time by any of the prospective suppliers. As preparation of a number of copies of tender documents involves a lot of labour and cost, it may be imprudent to send the same to a large number of locations without achieving better results. But we make sure that those who are the prospective suppliers get them. We are sending copies to all registered suppliers. We send them to all Chambers of Commerce, all Directors of Industries, all state Corporations, all Associations of Small Scale Industries and to even bodies like the Institute of Marketing Management and they in turn supply to their own people. We are sending 50 copies to the NSIC. Officers of the NSIC sit in the DGS&D building and the day we issue the notice, we give 50 copies of the tender documents to them so that they in turn might try to locate the prospective suppliers and send those forms to them free of cost. The Small Industries Corporations, the Small Industries Associations and the various Chambers of Commerce may or may not use the form, but we are spending a lot of time, money and labour on this. People who really want to do business are always in touch with us. They know well in advance what we are going to come out with. *Ad hoc* things are very few. Therefore, the complaint that people are denied a fair chance to bid is not correct. Our attempt has always been to reach as many people as possible. At least I am not aware of anybody saying that a particular person who wanted to supply could not supply because of non-receipt of information about tender notice."

2.4 The Committee wanted to know specifically the reaction of the witness to the suggestion that circular letter should be sent to all concerned under certificate of posting.

The witness replied:

"I accept the position... I accept it if it is recommended... there is no difficulty in doing it."

2.5 Although the Secretary, Ministry of Supply during evidence belated publication of tender notices is one of the difficulties encountered by the suppliers. It has been pointed out that the publication of the Indian Trade Journal is not up-to-date and regular and the Bulletins issued by the DGS&D are often received late by the parties concerned. Coupled with this is the difficulty of complete tender documents not being available readily; tender copies not being available at local offices; occasionally the tender documents being without connected drawing and specifications.

2.6 Although the Secretary, Ministry of Supply during evidence stated that there was no substance in the complaints that tender documents were not made available to all those who were interested in bidding, the Committee would like to emphasise that in this matter constant vigilance is necessary to ensure that unscrupulous persons in or outside the Organisation do not so manoeuvre that the tenders notice do not reach the parties interested in bidding at all or reach them very late. It should also be ensured that complete tender documents including the drawings and specifications are made available to the prospective bidders well in time so as to encourage free and fair, competition among the bidders. Any complaints in this regard should be promptly enquired into for appropriate action at a higher level.

.. 2.7. With a view to ensure that the tender notices reach the addresses the Secretary, Ministry of Supply during evidence agreed to the suggestion that the tender notices/circular letters should be sent to all concerned under Certificate of Posting. The Committee hope that this procedure would commence forthwith.

#### *B. Tender Committee System*

2.8 According to the Preliminary Material furnished to the Committee by the Ministry, the Tender Committee System has been introduced in four Directorates in an experimental measure with a view to subsequently extending it to all the Directorates.

2.9 During the evidence, the representative of the Ministry was asked by the Committee to spell out the main features of the Tender Committee System. The witness replied:—

"It is like this that when bids are received, they are examined by the base officer who may be an Assistant Director or

a deputy Director. Then he shows to the next higher officer depending on in whose power the contract lies. We have delegated powers for this purpose. It is shown to the Finance representative of the Ministry of Finance and then it is also shown to the Contract officer who is located in the DGS&D office. If any legal problems are involved, then Law Ministry is also consulted. Instead of notings at different levels which takes time. We have evolved a system of Tender Committees that if at a lower level a contract is to be decided, it does not come to the Ministry or DGS&D. The Committee consists of the Base Officer, the Director of the Directorate concerned and the Financial Adviser. They will sit down, discuss all the pros and cons and then give an agreed note as to what should be done in a particular Case. It is collectively decided sitting down and discussing and this eliminates notings at two-three levels and one noting is done, although even now the basic papers are prepared by the Base Officer, that is, the Assistant Director or the Deputy Director concerned. We find that this does expedite decision on tenders and we are now considering that in all the Directorates of the DGS&D, contracts of over Rs. 75 lakhs should be on the basis of such Committee."

2.10 Asked as to when the Tender Committee System was introduced and how it was working, the witness stated:—

"This system has been found to be effective in expediting tender decisions and also in eliminating detailed notings at all levels. Govt. is now considering extension of this system to all contracts."

2.11 The Committee enquired of the witness as to why the Tender Committee System had not been extended to other Directorates even after three years of its introduction in four Directorates. The witness submitted that failure to extend this system was due to shortage of man power and non-availability of the officers of the Finance Ministry.

2.12 The Committee pointed out that the tender Committee system should have been introduced at least in all those Directorates where officers from Finance Ministry were available. The witness responded that there was no objection to the implementation of the suggestion. However, staff strength of the Department would have to be augmented. Asked about the time by which the scheme would be implemented fully, the witness replied



that it had already been decided at the Minister's level that decisions on all tenders above Rs. 1.50 and upto Rs. 5 crores would be taken by a Committee consisting of a Joint Secretary of the Ministry and the Financial Adviser. All contracts above Rs. 5 crores would be processed by a Committee chaired by the Secretary, Ministry of Supply. However, the role of the Committee would be advisory and the final decision would rest with the Minister.

**2.13 The Committee recommend that the system of finalisation of contracts by Tender Committees, which has been experimented for over 3 years in a few Directorates of DGS&D and found successful in expediting tender decisions, should gradually be extended to cover all contracts entered into by DGS&D of the value of over Rs. 75 lakhs.**

### *C. Post-Tender Negotiations*

2.14 According to the Preliminary Material furnished by the Ministry of Supply "as a rule negotiations will not be undertaken unless it becomes absolutely necessary due to firms quoting unnecessarily high prices, cartel formation, etc. At the same time late/delayed/post tender revisions are not being accepted to bring in a certain amount of discipline among the tenderers and to ensure fairness in dealings."

2.15 However, a non-official organisation has represented to the Committee as follows:—

"in recent years there is a growing reliance on post-tender negotiations to further bring down prices. This, it is observed, is not only bad in principle but also undermines the very rationale and sanctity behind inviting tenders while throwing the secrecy of tenders over board. . . . . The unremunerative prices, which often result through such post tender negotiations create genuine difficulties for suppliers to ensure timely and regular compliance."

2.16 During evidence, expressing his views on the above contention, the representative of the Ministry stated:—

"Government are also in agreement with the general principle mentioned just now. They are not in favour of post-tender negotiations to the extent the same can be avoided. We have issued instructions that only in very exceptional cases post-tender negotiations should be done.

But where ring prices are quoted by various tenderers, or competition is lacking, or the prices shown are not considered reasonable for various reasons, then post-tender negotiations become inevitable in order to safeguard the financial interest of the Government. It is only in such cases that post-tender negotiations are done. The total number of cases where such negotiations had to be invoked were 717 in 1981-82 and 701 in 1982-83 as against 70,000 contracts. It works out to about 7 per cent. In rate contract, we want to ensure that the rate that we are fixing is reasonable."

2.17 The witness clarified that in all cases where post-tender negotiations were undertaken, prices were always brought down. Explaining further the motive behind post-tender negotiations, the Secretary said:—

"The main motive is to bring down the prices. Very often the parties do not accept the general conditions which we impose. Then we have to negotiate with them. Then, there are instructions of Government that where public sector undertakings are involved, if the prices differential is more than 10 per cent, we must bring them to the negotiating table and try to bring down the differential to less than 10 per cent. Therefore, whenever any public sector undertaking tenders, it becomes obligatory on our part to have negotiations. But we agree in principle that there should be no negotiation.... But in some cases it becomes absolutely essential. If the tenderers form a cartel, we have to bring down the price through negotiation."

2.18 In response to a suggestion made during evidence that the post-tender negotiation should be conducted by an authority higher than the tender accepting authority, the witness stated. "We do not consider it necessary. If I had my way, I would say that negotiations should be brought down to zero." He further added that according to General Financial Rules when a case was being discussed or until the contract was awarded, no higher authority would interfere.

2.19 The Committee drew the attention of the witness to the possibility of liaison between the contractors and tender calling authority abetting the contractors to quote higher prices initially

and later on starting post-tender negotiations to favour them. The witness stated:

“...Certain powers for accepting tenders have been delegated and these powers are absolute, whether there are negotiations or no negotiations. But what we do is that even though the powers of purchase have been given to the Deputy Director, the negotiations are done at the Director's level only. Where the powers are given to the Director General, then the permission to negotiate will be required from the Government. The negotiations will be done by the Director-General or the Additional Director-General. In cases where it is not within the powers of the Director-General and the Government feels that the negotiations should be done, the Government also decides who will do the negotiations although in such cases the final orders will be passed by the Government alone. But negotiations can be done even at the level of Director-General and Additional Director-General in consultation or in collaboration with such other officers as may be required. Generally, in all negotiations, an officer of the Finance Ministry is always present.

We feel that this system is working all right. In most cases, we do not negotiate. The number of cases is only about 700 and odd which we want to bring down further. In fact, I have suggested to the Government and it is a matter for the Government to decide that it should not be necessary for me to negotiate even with the public sector units in case there is a price preference of more than 10 per cent. Why should we give this special price preference to the public sector? It is a matter of policy and it is for the Government to decide whether the negotiations should be obligatory in such cases or not.

Personally speaking, I want to reduce the number of cases where negotiations are to be done. The ideal situation would be zero. But since we do not work in an ideal situation, we will try to reduce the number of such cases as much as possible. We trust our officers upto the level of Directors and above and, if they do not do justice, such matters are always looked into.”

**2.20. It has been represented to the Committee that to further bring down the prices, there is a growing reliance on post-tender negotiations which is not only bad in principle but also undermines**

the very rationale and sanctity behind inviting tenders throwing the secrecy of tenders over board, and that negotiations resulting in unremunerative prices create genuine difficulties for suppliers inhibiting timely and regular supplies. The Committee were informed by the Secretary, Ministry of Supply during evidence that while he was in agreement with the general principle that post-tender negotiations should be avoided, in exceptional circumstances post-tender negotiations became inevitable such as where abnormally high prices were quoted or where competition was lacking or the prices shown in the tenders were considered unreasonable for any reason. . . In all, cases, such negotiations were held to bring down the prices. Noting the assurance given by the Secretary Ministry of Supply that post-tender negotiations will be resorted to only in exceptional cases, the Committee recommend that even in circumstances where such negotiations become inevitable, the post-tender negotiations should be conducted invariably by an authority higher than the Tender Accepting Authority. Any complaint made at the time of negotiations should be promptly investigated and appropriate action taken. Where tender conditions are modified at the time of negotiations equal opportunity should be given to all the tenderers to revise their quotations.

*D. Time Gap between advance acceptance of tenders and acceptance of Tenders*

2.21 It has been noted from a memorandum submitted to the Committee by a representative Organisation of Trade and Industry that:—

“A/Ts are often issued after a considerable lapse of time after the advance A/T has been issued. The A/T incorporating the full terms are issued very late—are issued after 2-3 months. Changes are also made in the terms/specifications/inspection procedures/indicated in the advance A/T and the A/T. These cause great hardship. The entire procedure involves inconvenience to the tenderers. DGS&D should ensure that A/Ts incorporating the full terms are issued within a week of the Advance A/T.”

2.22 During the evidence, the Committee asked the representative of the Ministry (i) whether the gap between the advance A/T and the A/T could not be reduced; and (ii) the reasons for making changes at the A/T stage in their terms/specifications/inspection procedures. The witness replied:—

“The observations made by the Committee have been very well taken. Although instructions exist that a formal

contract A/T should be issued within 10 days of the issue of the advance A/T, there have been instances, which I have noticed, where these instructions have not been complied with. We are now making a standard proforma for A/T for different items, and the same will be circulated for the guidance of the Purchase Officers."

2.23 Asked by the Committee whether there had been any instance where changes had been made in ATs vis-a-vis advance ATs, the witness replied that it was not permissible, if somebody did it, he committed a wrong. As regards the time gap between issuance of advance ATs and ATs the witness submitted that it took nearly 20 days. The witness further explained:—

"Decision to issue contract is (sometimes) taken on the expiry or one day before the expiry and it is not possible to complete all the formalities to get over the legal lacuna. The contract has to be issued before the offer expires. Sometimes in the midnight we issue the offer and we put it in the post office. It amounts to acceptance by the Government and then we follow it up with a regular contract."

2.24 The witness added that in some Directorates the maximum gap was upto 30 days but in no case beyond that.

2.25 The Committee further asked the witness as to what was the necessity for Advance Tender System. The witness replied:—

"The need for issuing advance acceptance comes only in a small number of cases where the decision to award a contract cannot be taken. Sometimes there are certain reasons. We have to get foreign exchange released. The time was so short that we would have lost the offer and perhaps somebody could have asked for higher price. In order to safeguard the interest of the Government we say this is accepted. Then foreign exchange is released. It takes about ten to fifteen days."

2.26. It has been brought to the notice of the Committee that a considerable gap of time intervenes between issue of "Advance Accepted Tenders" and the "Accepted Tenders". Sometime the gap runs into 2 to 3 months and causes inconvenience to the tenderers. Secretary, Ministry of Supply admitted during evidence that there was some delay despite instructions that ATs should be issued within a period of 10 days of the issue of advance AT. The Committee would

stress that normally it should not be necessary to issue an Advance AT. If for any reason it is necessary to do so regular AT should be issued within the prescribed time limit. In exceptional cases where this time limit has to be exceeded, the matter should be brought to the attention of the appropriate higher authority, who should initially examine the justification for the delay. ..

*E. Delay in Issuance of Amendments to Advance Tenders*

2.27 It has been represented to the Committee by a non-official organisation that:—

“Generally speaking there is an inordinate delay in issuing amendments to A/Ts in almost every case holding up submission of final bills. This badly affect the liquidity position of the suppliers.”

2.28 The Committee, during evidence, wanted to know whether any time limit had been laid down to issuing of amendments to A/Ts to ensure timely settlement of Bills. The representative of the Ministry said:—

“It is true that amendments to A/Ts take considerable time for different reasons which include delay on the part of our purchase officers also; the other reasons are reference to the indenter for accepting the proposed amendment, reference sometimes to the inspector if a price reduction is involved, reference to the Ministry of Law where contractual obligation is involved; calculations in respect of raw materials, excise duty, sales tax, etc., take some time. It has, however, to be appreciated that if the suppliers were to discharge their responsibility in terms of contract, necessity to seek any amendments thereto would not be arising at all. We are ourselves very keen the expedite action on amendments and we want to eliminate delays. Instructions have been issued. In fact, the Director-General/and the other supervisory officers at various level have been given this task to ensure that there is no avoidable delay in the issue of amendments. As I mentioned, a certain amount of delay does take place. Unless the contract is amended, naturally the bills cannot be paid fully. Mostly this delay takes place because of the variation in prices. Sometimes if the party does not supply/ things on time and delays supplies and suppose there is a downward trend in price in the market, then the question arises at what rate we have to pay him for

delayed supplies. All these take time. We have to consult the Law Ministry, we have to talk to various people. In the majority of cases, if the suppliers supply their things on time according to the terms of the contract, the need for amending the contract would not arise."

2.29 The Committee asked, if escalation and deescalation clauses were being provided when the tenders were invited. The witness replied that this was not being done in every case. But if supplier desired and asked for it, its was being provided on certain agreed conditions.

2.30 When enquired by the Committee whether the amendments to ATs arose only due to the failure of contractors or suppliers to keep up to the schedule of supplies, the witness stated:—

"Not 'only', but primarily. Sometimes it is possible that the indentor may change the place. Suppose steel is required by the Railways at a particular place or Defence wants a particular supply to be made at a particular place and then they change and want to tell the party that the supply, instead of at place 'A', be made at place 'B'. That will require an amendment to the contract."

2.31 In regard to the amendments to A/Ts, the witness further clarified the position as follows:—

"What we are paying is strictly according to the contract. So there is no question of paying more or less. All I said was that if the price variation is already in the contract, then only these will be given. Suppose the contract says that if there is increase in steel prices. prices will be automatically increased, then only it will be increased. It has to be provided in the contract."

2.32 The Committee enquired of the witness as to what happened if the prices fell down during the extended period of a contract. The witness replied:—

"Where we find that the prices have come down we pay him at the lower rate and not at the higher rate. So automatically this is covered. Liquidated damages are not penalty. It is against the damage which has been caused and it is done in consultation with the indentor and in all such cases we also consult the Ministry of Law."

The witness further added:—

“If we find that it is in our interests to give extension, we generally extend and we also do it in writing. Otherwise we reserve our rights to levy liquidated damages, and also deny any increase which may take place because of any reason after the extension of time.”

2.33 Asked whether the Committee could be assured that no cost escalation claims were entertained because of the extensions of the delivery period, the witness stated:—

“We will not entertain the claim. We do not pay anything extra. We are not supposed to pay. We cannot pay over and above that is specifically mentioned in the contract. But if a party says ‘We cannot supply you now at what rate because the prices have gone up very much.... legally, it is open to us to cancel the contract and go in for normal risk purchase, liquidated damages etc. in consultation with the Law Ministry. However, where we feel that if we cancel the contract and enter into another contract, and we are likely to pay much more, in such cases, we may agree, in consultation with the Ministry of Finance for such payments, and we call these payments *ex-gratia* payments and this is shown to the Finance Minister.

**2.34. The Secretary, Ministry of Supply has admitted before the Committee during evidence that “a certain amount of delay does take place” in finalising and issuing the amendments to the “Accepted Tenders” which according to him, naturally holds up payments of suppliers’ bills for stores delivered against the ATs. The Committee would like the Ministry to streamline their procedure in such a way that the delays in the finalisation and issue of amendments to the Accepted Tenders is reduced to the minimum. One of the measures could be to refer the matter to a Committee consisting of all the parties concerned for consideration and decision, as is being done for acceptance of Tenders.**



## CHAPTER III

### PURCHASES

#### *Centralised Purchase*

3.1 The following suggestion has been made in a memorandum furnished by a Chamber of Commerce to the Committee:—

“The services of DGS&D as the Central Purchase Organisation should be utilised to the maximum extent possible. This will ensure uniformity in purchase policy and procedure and guarantee optimum advantages to the buyers. For procurement of stores required by all Government Departments and Public Sector Undertakings beyond a certain monetary limit, this should be encouraged. The Central and State Government Departments, Statutory Corporations, Municipalities, Corporations, Public Sector Undertakings and so on should be persuaded to increasingly avail themselves of the proven services and facilities available from the DGS&D.”

3.2 During evidence, the Committee sought the reaction of the representative of the Ministry on the suggestion, the witness replied:—

“We certainly welcome the suggestion of the Committee that the services of the DGS&D should be utilised by State Governments, Central Purchase Organisations of various Public Sector Undertakings, Municipalities, Corporations etc. In fact, we have written to the Bureau of Public Enterprises and to the State Governments also that we have expertise available and they should try to avail of this expertise as much as possible. As it stands today, Public Sector Undertakings and State Governments are not obliged to meet their requirements of various stores through DGS&D irrespective of the value of the purchase. Experience shows that these organisations utilised the services of DGS&D mostly against rate contract items and on such items where they find difficulty and are unable

to buy things and when they are really in a tight corner, they come to us for help.”

3.3 Pointing out that during the years 1979-80 and 1980-81, State Governments purchased goods worth Rs. 59.70 crores and Rs. 66.95 crores respectively through DGS&D but during the year 1981-82, such purchases slumped to Rs. 1.68 crores, the Committee asked the witness reasons therefor. The witness replied that most of the States had established their own purchasing organisations.

3.4 When asked whether any comparison was made of the prices at which the State Governments purchased the goods direct *vis-a-vis* the prices at which goods were obtained by DGS&D, the witness replied that no such statistics were maintained.

3.5 The Committee consider it that it would be certainly economic for the States as also the Public Sector Undertakings to avail of the expertise built up by the DGS&D in the matter of purchase of stores. They recommend that the advantages of centralised purchases of common stores through DGS&D should be brought home to the State Governments, and the Central Public Sector Undertakings through the Bureau of Public Enterprises. At the same time, the Ministry should ensure that the DGS&D is properly geared up to accept and expeditiously execute indents from a wider field. As a step in this direction in the overall interest of the country, the Committee desire that a study of the time taken on procurement and the prices settled *vis-a-vis* those of the States/Public Undertakings in respect of a few typical items should be made to see whether it would be really economical and expeditious to make purchases through the DGS&D. The Committee would also await the outcome of this study.

3.6 Incidentally the Committee desire that the existing system of DGS&D handling the purchase of products of Public Undertakings like petroleum companies the prices of which are either controlled or informally administered, on behalf of Government departments etc. should be reviewed to see whether in view of no price advantage being derived and the distribution being legitimately the function of the Public Undertakings concerned, the DGS&D should continue to handle them unnecessarily adding the service charges to the prices and creating an artificial element of profit for the Public Undertakings. A Senior Official each of the Finance Ministry and the Bureau of Public Enterprises should be associated with this Study.

### B. Proprietary Purchases

3.7 It has been represented to the Committee by a private party that:—

- “(i) DGS&D should not accept the proprietary certificate issued by any indenter without thorough scrutiny of the same. All the indents received from indentors giving proprietary certificates should be first screened by an independent Committee to assess whether the items are really of proprietary nature.
- (ii) such items, for which proprietary certificates are received, should be brought to the notice of DGTD so that parallel sources of manufacture and supply may be developed expeditiously.
- (iii) The Chambers of Commerce and Industrial Associations should be approached to develop parallel sources of such items and in this process DGS&D should assist the entrepreneurs who come up for development of such items by giving developmental orders initially for part quantity and after successful development, the entrepreneurs may be considered at par with other suppliers.

3.8 During evidence the Committee asked the representative of the Ministry as to how the DGS&D ensured that proprietary items purchased did not have alternative source of supply. The witness replied:—

“By and large, the DGS&D have to go by the proprietary articles certificate furnished by the indenting Department. But wherever the Planning and Development Division of the DGS&D have information that a particular item can be purchased at competitive rates, reference is made to the indenter advising him on same. But if he still insists buying on proprietary basis after taking approval of their internal finance, then the DGS&D as a Service Deptt. has no other option but to go along with the Department's indent. It might not be entirely appropriate for the DGS&D to interfere, but DGS&D can play an advisory role, which, even now, they are doing. However, the DGTD is kept informed of the purchases made of the proprietary items. While we do advise in one or two cases, we are the agent of somebody and agent cannot become master.”

3.9 To make his position on this point more clear, the witness clarified:

“It is our constant endeavour to find a new source of supply so that monopoly of anybody could be broken.”

3.10 The witness further added that “when the proprietary item is asked for and we have information with us that there are other makes also available at a more competitive rate, we certainly bring it to their notice.... where we certainly know that there are certain things in market which are doing equally well, then we will certainly bring it to the notice of Ministry concerned.”

3.11 When it was suggested by the Committee that in case of traditional spare parts, the proprietary purchases should be stopped altogether, the witness responded:

“The Ministry concerned has to get the concurrence of the Finance also. The function of the Finance is normally to see that the most economical thing is purchased, so it is for that Ministry to specify. Generally a proprietary item should be costly.”

3.12 In this connection the Committee asked for the reaction of the witness to the following suggestion made to them:

“All the indents received from indentors giving proprietary certificates should be first screened by an independent Committee to assess whether the items are really of proprietary nature.”

The witness stated that the Directorates of Planning and Development in DGS&D examined whether there were alternate suppliers with them for proprietary items.

**3.13. The Committee consider that since the system of proprietary purchases is liable to abuse, in addition to the existing restrictions on such purchases (which are of procedural nature) there is need for further controls at the level of the DGS&D. DGS and D is not merely an agent of indentors but also the principle policy making organisation in respect of Government purchases. It is, therefore, incumbent upon them to see that the system of proprietary purchases is not abused by the Government Departments. The Committee suggest that all indents for proprietary purchases should be scrutinised by the DGS&D in consultation with Director-General of Technical Development and in case it is found that alternative sources of supply**

exist, the indentors should be advised to try the item obtained from the alternative source. Any difference of opinion could be thrashed out at a meeting between the representatives of the indentor, DGS&D and DGTD and procurement action taken accordingly.

3.14. The Committee also recommend that a list of items procured by DGS&D under the Proprietary Purchase System during the 6-month period with value of orders placed in respect of each item should be published in the next Issue of the Indian Trade Journal so as to evoke interest in trade and industry to make sustained R&D effort. There should also be effective coordination between DGS&D and DGTD in developing alternative sources for proprietary items to derive price advantage arising out of healthy competition. . . Particular attention should be paid in regard to the items procured from abroad to develop indigenous source(s) speedily.

### C. Preferential Purchase from SSI

3.15 According to the Preliminary Material furnished by the Ministry of Supply, out of the total value of orders placed by DGS&D during the last 3 years, Orders placed on the small scale industries were as follows:—

Year	Total value of orders placed	Indigenous		Total indigen- ous.	Imported	% of SSI to total indig-e nous purchase
		LSI	SSI			
1979-80 . . . . .	1186.87	993.81	135.78	1129.59	57.28	12%
1980-81 . . . . .	1490.73	1235.23	197.35	1432.58	58.15	13.8%
1981-82 . . . . .	1835.50	1547.06	221.50	1768.56	66.94	12.5%

The above details show that value of orders placed on small scale industries range between 12—14 per cent of the total indigenous purchases by DGS&D.

3.16 During evidence, Committee asked the representative of the Ministry whether he considered the position in this regard satisfactory. The witness stated:

“The DGS&D purchases have been divided in six groups. The first group relates to those items which are manufactured

only by the organised large-scale sector such as petroleum products cement, paper and jute bags. Group II consists of those items which can be purchased only from large scale units, whereas the large-scale units buy a number of ancillary items and components from small scale units. These are items of construction equipment Machinery, automoboiles, power-house equipment, lifts etc. Group III items are those which we purchase both from the large scale sector and from the small scale sector. We do not make any distinction—as far as the DGS&D is concerned—between the large scale and the medium scale. We put medium scale under the large scale category itself. So, we buy from both the large scale as well as the small scale sectors. The Government orders are that a price preference up to 15 per cent can be given to purchases from small scale sector. The items under Group IV are those which are reserved for purchases exclusively from the small scale sector. The total number of such items, at present, is 401. In the same group, we have also included items which are reserved for purchases from the handicraft sector and the handloom sector. There are 14 items like this.

Now, groups 5 and 6 comprise of those items where small scale sector is still in the development stage and their capacity is not considered equally enough to meet the entire requirements of the Government. But we reserve 50 per cent to 75 per cent purchases from the small scale sector. The two categories are exclusively in the large scale because the small scale is not there to compete or supply. So, the percentage of small scale units in the remaining items will work out to 37 per cent in 1978-79. It has progressively gone up to 42.5 per cent in 1979-80, 45 per cent in 1980-81 and 45.6 per cent in 1981-82. When we have discussed this with the small scale sector people and various associations, they also appreciated that the progress has been very good and we have now achieved almost half (45.6 per cent) where they are in a position to supply. We constantly have meetings to see what more items they can supply and there is a standing review committee of which I am the chairman and the Development Commissioner, Small Scale Industries is the convener which goes into continuously whether any more items can be brought under groups 4, 5 or 6."

3.17 The Committee enquired of the witness whether there was any possibility of manipulations through collusion between the large scale industries and small scale industries to abuse the preferential prices accorded to Small Scale Industries. The witness explained:

“When we give an order on price preference, we have to see that it is not a subsidiary of a large scale unit and, therefore, we get a capacity report. Our inspectors are also supposed to inspect during the production after it has been given to them for production, that this is actually the product of that. There is always coordination with the Development Commissioner, Small Scale Industries. They help us in these matters. But it is possible that somebody may surreptitiously put up a small scale unit and supply from a large scale unit. As far as it is practicable, we satisfy ourselves either through the Development Commissioner, Small Scale Industries, or through our own inspectors that this firm has the capacity. In actual practice our Examiner of Stores do go there to see.”

3.18 On the Committee pointing out that the malpractices could be checked if instead of inspecting the final products, the inspections were made during the manufacture, the witness replied that the inspectors were supposed to do it.

3.19 Clarifying further the Secretary informed the Committee that it was specified in the tender document itself that tender should be filled by Small Scale Units only and that tender from others would not be accepted. In many items 15 per cent price preference was given to the Small Scale Units, but this preference was neither automatic nor universal. It was being given only after examining the case on merit according to General Financial Rules. He said:

“...many of the small scale units are saying that 15 per cent price preference should be available to them automatically in all cases. In fact, I have proposed a brief note for the Cabinet asking for clarification. If the Govt. of India wants that in all cases we should give them price preference of 15 per cent, I would be happy.”

3.20 The Committee further desired to know whether there was any procedure through which it might be made obligatory on the part of Large Scale Industries to accept small scale units as their

ancillaries in order to encourage small scale units. The witness stated:

“We have also requested large scale industries to get their things done through small scale industries as far as possible. But the contractual relationship between them is a matter for them, and we cannot come and interfere in that.”

3.21 The Committee note that DGS&D purchase have been divided into six groups... Group I consists of items which are manufactured only by the large scale sector. Group II consist of those items which are purchased only from large scale units but the large scale units buy number of ancillary items and components from small scale units. In Group III are included items purchased from large scale sector as well as from small scale sector. Group IV consist of items which are reserved for purchases exclusively from the small scale sector. Group V and VI comprise of those items where small scale sector is still in the development stage... Barring the first two groups, the percentage of purchases from small scale units in the remaining four Groups is claimed as being 37 per cent in 1978-79, 42.5 per cent in 1979-80, 45 per cent in 1980-81 and 45.6 per cent in 1981-82. The Committee have been further informed that there is a Standing Review Committee with the Secretary Ministry of Supply as the Chairman, and the Development Commissioner, Small Scale Industries as the Convener which goes continuously into whether any more items could be brought under Groups IV, V and VI for purchase from the Small Scale Sector. The Committee trust that efforts to encourage small scale sector would continue. .e

3.22 The Committee learn that 15 per cent price preference has been made available to the small scale sector which is at present being allowed in selected cases on merit. The Secretary, Ministry of Supply informed the Committee during evidence that he has sought certain clarifications from the Cabinet in regard to the extent of applicability of this policy. In this connection, the Committee would like Govt. to bear in mind the following considerations:—

- (i) Price preference is an indirect financial subsidy to the small scale industrial units by Govt. and as such has sizeable financial implications. ..



- (ii) It has to be in the nature of a temporary concession allowed to specified small scale industries in the early stage of their development when they are unable to compete in the matter of pricing of their products with the large scale industry engaged in the same manufacturing activity.
- (iii) The price preference policy has to be clear and unambiguous so as to leave no scope for doubt in the minds of the manufacturers and the administering authority. It should leave minimum discretion with the administering authority.
- (iv) The policy should be subject to review at stated intervals so as to prompt entrepreneurs to constantly endeavour to improve economy of production in their units.

#### D. Acceptance of Higher Prices

3.23 It has been stated in the Preliminary Material furnished by the Ministry to the Committee that, "absolute powers have been given to the Purchase Officers for acceptance of higher prices over Last Purchase Price."

3.24 The Committee asked the representative of the Ministry during evidence to elaborate as to at what levels these powers had been delegated and how it was ensured that powers were not misused. The witness replied:

"Regarding contract value upto Rs. 1.5 lakhs, the concerned Assistant Director (Purchase) has power to accept tender and award the contract. Deputy Director (Purchase) has got powers if it exceeds Rs. 1.5 lakhs and it goes upto Rs. 7 lakhs. Director (Purchase) has full powers to sanction and approve contract upto Rs. 25 lakhs. Deputy Director General has powers upto Rs. 75 lakhs. Director General and Additional Director General have powers upto 1.5 crores. Over and above that it has to go to the Ministry. This is the delegation of powers given.... Previously the powers have been lower and now they have been given more powers. The power of Director General was upto Rs. 1 crore only. Now it is Rs. 1.5 crores. This was done after the whole matter was discussed in the various Ministries including the Ministry of Finance, and approved by the Secretaries Committee and also approved by the Hon. Prime Minister. The concerned purchase officer can accept higher price over

the last purchase price.\* These powers are delegated to him."

3.25 The Committee pointed out to the witness that prior to the latest delegation of powers, the Director General had powers to accept normal tenders upto Rs. 1 crores and negotiated tenders upto Rs. 50 lakhs. The last delegation of power had empowered him to accept tenders, whether normal or negotiated, upto Rs. 1.50 crores. The Committee desired to know the rationale behind the delegation of such powers especially in the case of negotiated contracts. The witness replied:—

"Government in their wisdom felt that more power should be given. Senior Officer is to be trusted to deliver the goods. Previously Finance Ministry did not delegate power; now they have delegated to various Ministries, on our part, we have also delegated to officers down the line."

3.26 The witness added that more powers had been delegated to cut short the delays in award of contracts. In regard to the delegation of powers for the acceptance of higher prices over the last Purchase Price, the witness explained:—

"We have seen that during the last 3-4 years, the prices have increased very much. We go by the tender system. If we find that there is an increase of 30 per cent then we leave it to the discretion of the officer and he has got full powers irrespective of the fact that the increase in the price is 30 per cent over the last purchase price, as long as it is within the financial delegation given to him."

3.27 A point was raised during evidence that it was always better to have institutionalised checks rather than leaving it to the discretion of an officer. The witness responded:—

"There was so many rules and regulations and conditions laid down. Apart from the control at concurrent level by the Finance Ministry, consultation with the Law Ministry, the concurrent audit in all cases, there is a full time vigilance... Every effort is being made to ensure that there is no malafide. There is very little discretion with the officer if there is any deviation from the terms and conditions. If there is any deviation from the standard terms etc., those powers are not given to him. He cannot deviate on the specifications. We feel that it is in the

\*At the time of factual verification, the Ministry of supply have desired to add: In consultation with the "finance".

interest of the organisation, Government and the suppliers also. Their cases are decided at a very early date. Within these checks and balances, these safeguards are considered adequate. We meet these people quite frequently... I hope, nobody has complained to you that he could not meet me. But at the same time, I do want to build up the morale of the officers."

3.28 On a doubt being expressed that the power to make purchases at higher prices over the last purchase price could be abused and lead to malpractices, more so, if tenders were called at short intervals of a few months, the witness stated:—

"As far as financial powers are concerned, he has full powers. But he cannot change the specifications and other conditions of the contract."

3.29 The Committee note that the Purchase Officers have been empowered to accept higher price over the last purchase price if the difference is upto 30 per cent. While the Committee see justification in the delegation of this power because of rapid escalation in prices in recent times, they would like the Ministry to devise suitable checks to ensure that this power is not abused.

#### *E. Price Preference to Public Sector Undertakings*

3.30 It has been stated in a memorandum submitted to the Committee by a non-official organisation that public sector undertakings are being granted 10 per cent price preference in respect of supplies to Government and other public sector enterprises on the plea of ensuring better utilisation of capacity and improving their economic viability. The policy is, according to the memorandum, highly discriminatory and runs counter to the concept of free and fair competition and as such, the sooner this policy is done away with, the better it is for national economy and the buyers.

3.31 The Committee during evidence desired to know the views of the Ministry in this regard. The Supply Secretary replied:—

"Similar feelings have been expressed in various meetings of FICCI and other Associations dominated by the private sector. We have also heard these things in the Regional Purchase Advisory Committee meetings and also in the Central Purchase Advisory Committee meetings. This decision about giving the price preference is actually not initiated or taken in the Department of Supply but the Ministry of Finance and the Bureau of Public Enterprises are doing it. All I can say is that we may appreciate that public sector undertakings do not work for indivi-

dual profit. In their case, it is the national profitability which is involved. There are several other considerations such as balanced regional development, rehabilitation of sick mills, socio-economic considerations, planned development of industries, etc. and all these factors can involve a higher cost."

3.32 A point was raised that when bids were made by the Public Undertakings on behalf of foreign parties, price preference, if any, should be confined to indigenous components only. The witness replied:—

"We agree to this principle.... Actually, very few contracts are given in this way. Our policy is that the price preference to public sector undertakings will be to the indigenous goods and it should be like that."

3.33 The Committee consider it reasonable that when a Public Undertaking bids against tenders floated by DGS&D on behalf of a foreign party, the price preference of ten per cent should be made available to it only on indigenous components. This was agreed to 'in principle' by the Secretary, Department of Supply during evidence before the committee. The Committee trust that this principle will be followed in future.

#### *F. Operation of Rate/Running Contract*

3.34 The Committee have received complaints that there are a large number of Government Departments and Public Sector Undertakings, which buy the items covered under the Rate Contract at much prices higher than Rate Contract prices.

3.35 The Committee, during evidence asked, the representative of the Ministry as to how this practice could be stopped or at least minimised. The witness replied:—

"Under the delegated powers, the Central Departments can buy items on RC. This is up to Rs. 10,000 at a time not exceeding Rs. 50,000 in all in a year. That limits the quantity that they can buy.... We expect that all State Governments and even Public Sector Undertakings will use our RC rates. I know generally they do so. In fact, these RC rates are circulated to all the State Governments and the Accountants General of various States also know these rates and normally they also in their own interest want to buy under the RC to avoid any audit objection. But we shall be certainly very happy if the Committee can make some suggestions on this because we have no authority over the State Governments or on Public Undertakings."

3.36 The Committee asked the witness if the State Governments and Public Undertaking were not bound to make purchases on the RC rates. The witness replied in the negative.

3.37 In reply to a query from the Committee, the witness said that sometimes goods were purchased on rates higher than RC rates by Ministries or Public Undertaking on the plea that there was emergency.

3.38 Asked about the periodicity of the publication of RC list the witness replied, normally it was brought out annually but if the circumstances warranted it could be brought out after a few months of the publication of the earlier list. The lists of RC included about 200 items.

3.39 Asked about the circulation of RC lists, the witness replied that whoever asked was supplied with the list.

3.40 When the Committee suggested that the RC lists should be automatically forwarded to all concerned, the witness accepted the suggestion and agreed to provide RC lists to all Central Public Undertakings.

3.41 The Committee are unable to conceive as to why Government Departments should buy an item included in the running rate contract at prices higher than those provided for in the rate contract unless it is that the rate contract is not readily available with them or that the procurement under the rate contract would take time while the stores were required immediately. However, with a view to achieving wider and better utilisation of the system, the Committee would like to suggest that the Secretary, Ministry of Supply may write to the Chief Secretaries to the State Governments/Union Territory Administrations, the State Accountants-General and the Bureau of Public Enterprises pointing out the economic advantage of purchases under the rate contract system. Further, copies of the rate contract may be sent *suo moto* to all the State Governments/Union Territory Administrations, the State Accountants General and the Central Public Undertakings.

## CHAPTER IV

### INSPECTION

#### *A. Organisation of the Inspection Wing*

4.1 It has been pointed out in a Memorandum to the Committee that:

“viewed from the organisation angle, the supplies wing appear to enjoy greater importance than the Inspection Wing. Thus, the Purchase Wing has got DG and Additional DG, whereas Inspection Wing has got only DDG as top boss. Inspection, however, occupies no less crucial position when judged from the points of view of effective quality control and the value of purchases subjected to inspection.”

4.2 It has, therefore, been suggested that the “Importance of Inspection Wing should not be underrated. Both the Purchase Wing and the Inspection Wing should be provided with Additional DG and Deputy DG and the Senior most ADG should be the D.G.”

Asked during evidence to comment on the above observation and suggestion in the Memorandum, the Secretary Ministry of Supply stated:

“It is not our case that inspection is less important than purchase. As this august body has itself noted, there are 17 Purchase Directorates; there is one Planning & Development Directorate, there is one Disposal Directorate; there is one Coordination and Work-Study Directorate manned by officers of the Indian Inspection service. There are 10 Directorates of Inspection manned by the Indian Inspection Service. The Inspection wing of the DGS&D handles 50 per cent of the total purchase made by the DGS&D. The role of the inspection wing in the total procurement effort is generally limited to standardisation of specifications, capacity-assessment of sources of supply, inspection of stores for quality, etc. The strength of these various services was considered long back, some 20 years ago. It was decided that so many officers should be there and a cadre must be created of such Inspection Service. That was in 1961. That was

done on the basis of requirements and the number of directorates needed depending upon the workload which was involved. However, it is conceded that the posts of the DGS&D should be open to both officers of Indian Inspection service as well as Indian Supply Service."

4.3 Commenting on the suggestion made during evidence that Inspection Wing of the DGS&D should be taken out of DGS&D and attached to the Ministry, the Secretary stated:

"I personally feel that it is not necessary that Inspection Wing should be a separate wing headed by a Director General. What is important is that there should be close co-ordination between Purchase and Inspection wing and this can better be achieved under one single Head of the Deptt. (irrespective of whether he belongs to Indian Inspection Service of Indian Supply Service or IAS or any other service). It is complete and composite work of making purchases and involves registration of firm, call for tender, place order of purchase, inspection of material etc. Without inspection there cannot be proper purchase. The organisation cannot be compartmentalised; it can't be separated.....As far as a separate Additional DG is concerned, I have recommended this myself and this matter is under consideration by the Cadre Review Committee."

4.4 Pointing out of the instances of the Ministries of Railways and Defence where the Inspection Directorates had been given independent status to free them from extraneous influences, the Committee asked the representative whether such a system could not be applied to DGS&D. The witness replied:

"No officer has got any power to over rule inspection. The Deputy Director General is charge of the Inspection Unit. But no D.G. can direct him to give any favourable inspection report....I am certainly not in favour of taking up overall responsibility of purchases from the head of the Department....On the basis of delegation of powers, let the DG be responsible for proper purchases which includes inspection. Inspection has a function before purchase. Purchase comes in between. We are certainly open to what the Hon. Committee says."

The Secretary further added:

"personally I would prefer a unified Deptt. because the functions are separate, the officers are separate, the services

are separate. The examiner of Stores and Inspector of Stores are under the control of the DDG. Supposing, there is a Director General of Inspection. In that case, I cannot guarantee that there will be no complaint from the indentors. The function of the DGS&D is to buy quality goods and at the most economic price. In this the coordination of inspection and purchase is required at every level. But it is the coordination and not authority. For example, inspection people have got no business to dictate to the purchase people and vice-versa."

4.5 The Committee find that at present the Inspection Wing is a part and parcel of the DGS&D under the administrative control of the same Director General who looks after the Purchase Wing. Since the Inspection Wing has to carry out inspection of the Stores ordered for by the Purchase Wing, it would, in the opinion of the Committee, be a better arrangement to separate this Wing from the DGS&D and bring it directly under the Ministry of Supply. This System would insure the Inspection Wing against possible extraneous pressures for clearing sub-standard stores. The Committee would like to point out that similar arrangement exists on the Defence side where procurement functions have been separated from Inspection functions.

#### B. Standards of and delays in Inspections.

4.6 It has been stated in a memorandum submitted to the Committee that the standards of inspection vary from region to region and also from officers to officers in absence of specific and clear guidelines.

4.7 During the evidence, the Committee asked the representative of the Ministry whether uniform standards of inspection had been evolved. The witness replied:

"The inspection is done according to the standard specifications laid down by the ISI and in some cases by similar bodies. It is uniform. The various processes of inspection are regulated by the guidelines laid down. Wherever on individual items inspection informations are required, the same are covered by the inspection schedule."

4.8 Asked whether any guidelines had been laid down specifying the time limit within which the inspection should be conducted after the stores have been offered for inspection, the witness replied:

"The guidelines are the same whether it is in the Northern region or Southern region. Of course, human factor



will always be there. They are given in the book of ISI which is available."

4.9 When asked about the disparity in the time taken for conduct of inspection in various regions, the witness ascribed it to various factors like quantum of goods to be inspected, human factor, climatic conditions and many other such factors. The witness attributed the delays in inspections also to the manifold increase in the workload of the Department without the matching increase in the staff strength. He submitted that "there is need for having much greater supervisory staff" and added that the matter had been taken up with the Cadre Review Committee and Government.

4.10 Dealing with deliberate delays in inspection, the Secretary Ministry of Supply stated:

"Where the Inspectors deliberately delay the inspection, then the Directorate of Inspection is supposed to refer these cases to the Director of Vigilance in DGS&D. These cases are being examined and the Inspectors are being punished not only for delay but also for passing defective material. If necessary, even joint discussions are also held and if after the joint discussion also the rejection has been approved, then the action is taken against the Inspector by our Vigilance. Sometimes these cases are reported by CBI and in consultation with CVC these cases are decided. Inspectors are punished to the extent of even premature retirement."

"The Director of Inspection in whose region the company falls is maintaining a register in which entries are made regarding the inspection calls received and disposed of. If it is for testing, then entries are made as to why the material has gone for testing. Till the inspection notice is released, the Director of Inspection is maintaining the register and in cases of undue delay which can be said to be deliberate on the part of the Inspector to help the contractor, such cases are reported to the Director of Vigilance in Delhi."

4.11 When asked whether any case of fraudulent inspection had come to the notice of the Department, the Secretary, Ministry of Supply informed the Committee that in Jaipur in March, 1983 an inspector approved and passed some consignment which had not been manufactured or partly manufactured. Disciplinary action had been started against the Inspector.

4.12 Asked what action had been taken against the defaulting inspector, the witness informed the Committee that the Inspector had been charge sheeted and transferred.

4.13 In reply to a query, as to why the Inspector, had not been suspended, the witness drew the attention of the Committee to the guidelines on suspension of an employee which, according to him, provided that an officer could be suspended if continuing the person in the same post would result in his sabotaging the enquiry or damaging the evidence.

4.14 The Committee are concerned at the considerable time taken in inspection of stores after the stores have been offered for inspection. They appreciate that it may be partly due to shortage of staff as pointed out by the Secretary, Ministry of Supply, which is already engaging the attention of the Government. The Committee however take a serious view of deliberate delays in conducting inspections by the Inspecting staff for obvious reasons. The Committee would like the Ministry to devise a suitable monitoring system under which delays beyond a prescribed time limit are identified and prompt action is taken to conduct inspection and also punish the staff responsible for the delay, if warranted by the result of an inquiry into the matter.

CHAPTER V  
MISCELLANEOUS

*A. India Supply Missions abroad*

5.1 The administrative control of India supply Mission at London and Washington and office of the Chief Accounts Officer, India Supply Mission, London and Washington, which earlier formed part of the Department of Supply, has been transferred to the Ministry of External Affairs with effect from 1-4-1975. These offices are known as Supply Wing of the High Commission of India, London and Supply Wing of the Embassy of India, Washington."

5.2 During evidence, the Committee asked the representative of the Ministry about the total cost of the goods purchased through the Missions during each of the last three years. The witness replied that "we purchased from London goods worth Rs. 3 crores and from Washington about Rs. 1.93 crores."

5.3 Pointing out that on ISM, London about Rs. 10 million were spent while 96 per cent goods were purchased for Ministry of Defence, the Committee asked the witness why should not the Mission be abolished and the purchases made by the Defence Ministry whose officers were attached to our embassies abroad, the witness replied that to make purchases, some expertise was required. He clarified that "whosoever makes the purchases, he should be an experienced person."

5.4 Asked whether the Mission could not operate from India instead of being stationed at London and Washington, the witness replied:

"There is an expert body which keeps in touch with the manufacturers. They know in the past who had been supplying what and they keep in touch with them."

5.5 The Committee recall that in paragraph 2.42 of their 54th Report (7th Lok Sabha) on Ordnance Factories, they had observed that they did not appreciate the existing position wherein the Ministry of External Affairs had control over the ISM London which was mostly catering to the needs of the Ministry of Defence and had expressed the view that it would be more appropriate to transfer control

of that organisation to Ministry of Defence which was the main user of the facility of the organisation. In this connection, the Government has informed the Committee that it had been decided by the Government that the Supply Wing in London would work under the local administrative control of the High Commission but would functionally be answerable to the Ministry of Defence. It was further stated that specific ways and means by which the functional control over the Supply Wing would be effectively exercised by the Ministry of Defence were being devised in consultation with the Service Headquarters and others concerned. The Committee desire that the ways and means of functional control by the Ministry of Defence and the local administrative control of the High Commission should be drawn up early. The ways and means should clearly define the responsibility of the Supply Wing in the matter of procurement of stores and the line of control in regard to various aspects of the working of the organisation.

#### B. Arbitration

5.6 The Committee have been informed by a non-official organisation that "at present the system of arbitration followed by the DGS&D is that a representative of the Union Law Ministry is appointed as the sole arbitrator." It has been further stated that at present, arbitration has become a time consuming process. This has been ascribed to two reasons: The number of arbitrators available is much too small as compared to the number of cases involving arbitration. Quite often in the process of arbitration the arbitrator might be transferred to another Ministry/Department or may even retire calling for appointment of a fresh arbitrator.

5.7 The same organisation has, therefore, suggested that in the interest of equity and justice, arbitrators—one representing the suppliers and the other the buyer—should be appointed for the purpose of meaningful arbitration of disputes.

5.8 When the Secretary of the Ministry was asked during evidence, to give his reaction to the above suggestion he said:

"Experience in the past has shown that dual arbitration, consisting of a representative each of the supplier and of the buyer led to more delays and complications, than the position obtaining now. The fact that a representative of the Ministry of Law who is well acquainted with the Law of contract is being appointed as the sole arbitrator, should more than satisfy any criticism against this practice being one-sided, because such a person is an independent

person like a judicial officer, on whom we have no control. Since he has knowledge of law, he is able to decide cases according to law. It is not compulsory for a person or party to agree to an arbitration clause. If he does not accept it, the alternative method of settling the disputes through the court is available, but the courts also delay matters. He need not accept arbitration at the time of entering into the agreement."

"..... there is an arbitration clause which says that there will be a sole arbitrator. A few years ago, the other practice was there. If there are two arbitrators, one from the Law Ministry and the other representing the party, there should be an umpire. It will lead to complications. So, there is no reason why it should be felt that either it is delaying things or that it is not fair. It is not compulsory to have one Arbitrator. If the party is not satisfied with the Arbitrator, he can go to the court."

5.9 Asked by the Committee whether at the time of drawing up the contract, option is given to the contractor to accept or not accept arbitration, he witness replied:

"in the tender itself he has to say that he does not accept arbitration by the arbitrator."

5.10 As regards the delays in arbitration, the witness conceded:

"It is not a very difficult thing. The Ministry of Law should make a realistic assessment of the number of arbitrators required. We are not the only department; there are other departments also. The Ministry of Law should have an adequate number of Joint Secretaries who could be earmarked for this purpose. That will be a much better solution."

5.11 The Committee enquired of the witness whether the arbitrators gave "speaking awards". The witness replied: "we have requested them (Ministry of Law) that an award of over Rs. 1 lakh should be a "speaking award" but it has not been implemented." When it was pointed out that the procedure could be changed by amending the relevant rules, the witness replied that amendment of Rules were the responsibility of the Law Ministry.

5.12 The Committee would like the Ministry of Supply to make a general survey of the pendency of cases under Arbitration and if it

is found that Arbitration proceedings are taking unduly long time, the matter should be taken up with the Ministry of Law for remedial action.

5.13 The Committee agree with the suggestion of the Ministry of Supply that awards of the value of Rs. 1 lakhs or more should be "speaking awards". They recommend that the question of amending the relevant rules accordingly may be examined by the Ministry of Law.

NEW DELHI;  
March 14, 1984  

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Phalguna 24, 1905 (S)

  
BANSI LAL,  
Chairman,  
Estimates Committee.

## APPENDIX

### *Summary of Observations/Recommendations*

S. No.	Para No. of Report	Recommendation/Observation
1	2	3
1	1.17	<p>It has been represented to the Committee in a memorandum from a non-official organisation that there is lack of coordination between Planning and Development, Purchase and Inspection Wings of DGS&amp;D and between DGS&amp;D and the indentors, which affects the speed and quality of procurement of stores. During evidence, the Secretary, Ministry of Supply spelt out the existing methods of coordination but pointed out that for a more effective coordination between DGS&amp;D and the indenting departments, the Planning and Development Wing of the DGS&amp;D needed to be strengthened. He further stated that in order to bring about better efficiency and supervision, there was need for increasing the number of Purchase and Inspection Directorates, particularly when the stores which DGS&amp;D was required to procure were becoming more and more sophisticated. The Committee are informed that proposals for strengthening the organisation of DGS&amp;D are under consideration of the Ministry of Finance and the Department of Personnel. The Committee recommend that the systems and procedures of work and the staffing pattern of the DGS&amp;D should be reviewed and rationalised and the Organisation suitably strengthened, if and when necessary, so that the store procurement process is streamlined and the objective of purchase of stores of the requisite quality at</p>

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economic prices and at greater speed than hitherto is realised. The Committee wish to add that the Inspection Wing should be independent of the Purchase Wing so as to obviate any possible malpractice. They have dealt with this aspect elsewhere in this Report.

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It has been brought to the notice of the Committee that belated publication of tender notices is one of the difficulties encountered by the suppliers. It has been pointed out that the publication of the Indian Trade Journal is not up-to-date and regular and the Bulletins issued by the DGS&D are often received late by the parties concerned. Coupled with this is the difficulty of complete tender documents not being available readily; tender copies not being available at local offices; occasionally the tender documents being without connected drawings and specifications.

Although the Secretary, Ministry of Supply during evidence stated that there was no substance in the complaint that tender documents were not made available to all those who were interested in bidding, the Committee would like to emphasise that in this matter constant vigilance is necessary to ensure that unscrupulous persons in or outside the Organisation do not so manoeuvre that the tender notices do not reach the parties interested in bidding at all or reach them very late. It should also be ensured that complete tender documents including the drawings and specifications are made available to prospective bidders well in time so as to encourage free and fair competition among the bidders. Any complaints in this regard should be promptly enquired into for appropriate action at a higher level.



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With a view to ensure that the tender notices reach the addresses the Secretary, Ministry of Supply during evidence agreed to the suggestion that the tender notices/circular letters should be sent to all concerned under Certificate of Posting. The Committee hope that this procedure would commence forthwith.

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The Committee recommend that the system of finalisation of contracts by Tender Committees, which has been experimented for over 3 years in a few Directorates of DGS&D and found successful in expediting tender decisions, should gradually be extended to cover all contracts entered into by DGS&D of the value of over Rs. 75 lakhs.

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It has been represented to the Committee that to further bring down the prices, there is a growing reliance on post-tender negotiations which is not only bad in principle but also undermines the very rationale and sanctity behind inviting tenders throwing the secrecy of tenders over board, and that negotiations resulting in unremunerative prices create genuine difficulties for suppliers inhibiting timely and regular supplies. The Committee were informed by the Secretary, Ministry of Supply during evidence that while he was in agreement with the general principle, that post-tender negotiations should be avoided, in exceptional circumstances post-tender negotiations became inevitable such as where abnormally high prices were quoted or where competition was lacking or the prices shown in the tenders were considered unreasonable for any reason. In all cases, such negotiations, were held to bring down the prices. Noting the assurance given by the Secretary Ministry of Supply that post-tender negotiations will be resorted to only in exceptional cases, the Committee recommend that even in

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circumstances where such negotiations become inevitable, the post-tender negotiations should be conducted invariably by an authority higher than the Tender Accepting Authority. Any complaint made at the time of negotiations should be promptly investigated and appropriate action taken. Where tender conditions are modified at the time of negotiations equal opportunity should be given to all the tenderers to revise their quotations.

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2.26

It has been brought to the notice of the Committee that a considerable gap of time intervenes between issue of "Advance Accepted Tenders" and the "Accepted Tenders". Sometimes the gap runs into 2 to 3 months and cause inconvenience to the tenderers. Secretary, Ministry of Supply admitted during evidence that there was some delay despite instructions that ATs should be issued within a period of 10 days of the issue of advance AT. The Committee would stress that normally it should not be necessary to issue an Advance AT. If for any reason it is necessary to do so regular AT should be issued within the prescribed time limit. In exceptional cases where this time limit has to be exceeded, the matter should be brought to the attention of the appropriate higher authority, who should initially examine the justification for the delay.

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2.34

The Secretary, Ministry of Supply has admitted before the Committee during evidence that "a certain amount of delay does take place" in finalising and issuing the amendments to the "Accepted Tenders" which, according to him, naturally holds up payments of suppliers' bills for stores delivered against the ATs. The Committee would like the Ministry to streamline their procedure in such a way that the delays in the finalisation and issue of amendments to

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the Accepted Tenders is reduced to the minimum. One of the measures could be to refer the matter to a Committee consisting of all the parties concerned for consideration and decision, as is being done for acceptance of Tenders.

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The Committee consider that it would be certainly economic for the States as also the Public Sector Undertakings to avail of the expertise built up by the DGS&D in the matter of purchase of stores. They recommend that the advantages of centralised purchases of common stores through DGS&D should be brought home to the State Governments, and the Central Public Sector Undertakings through the Bureau of Public Enterprises. At the same time, the Ministry should ensure that the DGS&D is properly geared up to accept and expeditiously execute indents from a wider field. As a step in this direction in the overall interest of the country, the Committee desire that a study of the time taken on procurement and the prices settled *vis-a-vis* those of the State/Public Undertakings in respect of a few typical items should be made to see whether it would be really economical and expeditious to make purchases through the DGS&D. The Committee would also await the outcome of this study.

Incidentally the Committee desire that the existing system of DGS&D handling the purchase of products of Public Undertakings like petroleum companies the prices of which are either controlled or informally administered, on behalf of Government departments etc. should be reviewed to see whether in view of no price advantage being derived and the distribution being legitimately the function of the Public Undertakings concerned, the DGS&D should continue to handle them unnecessarily

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adding the service charges to the prices and creating an artificial element of profit for the Public Undertakings. A senior Official each of the Finance Ministry and the Bureau of Public Enterprises should be associated with this Study.

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The Committee consider that since the system of proprietary purchases is liable to abuse, in addition to the existing restrictions on such purchases (which are of procedural nature) there is need for further controls at the level of the DGS&D. DGS&D is not merely an agent of indentors but also the principle policy making organisation in respect of Government purchases. It is, therefore, incumbent upon them to see that the system of proprietary purchases is not abused by the Government Departments. The Committee suggest that all indent's for proprietary purchases should be scrutinised by the DGS&D in consultation with Director-General of Technical Development and in case it is found that alternative sources of supply exists, the indentors should be advised to try the item obtained from the alternative source. Any difference of opinion could be thrashed out at a meeting between the representatives of the indenter, DGS&D and DGTD and procurement action taken accordingly.

The Committee also recommend that a list of items procured by DGS&D under the Proprietary Purchase System during the 6 month period with value of orders placed in respect of each item should be published in the next issue of the Indian Trade Journal so as to evoke a interest in trade and industry to make sustained R&D effort. There should also be effective co-ordination between DGS&D and DGTD in developing alternative sources for proprietary items to derive price advantage arising out of

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healthy competition. Particular attention should be paid in regard to the items procured from abroad to develop indigenous source(s) speedily.

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The Committee note that DGS&D purchases have been divided into six groups. Group I consist of items which are manufactured only by the large scale sector. Group II consist of those items which are purchased only from large scale units but the large scale units buy number of ancillary items and components from small scale units. In Group III are included items purchased from large scale sector as well as from small scale sector. Group IV consist of items which are reserved for purchases exclusively from the small scale sector. Group V and VI comprise of those items where small scale sector is still in the developmental stage. Barring the first two groups, the percentage of purchases from small scale units in the remaining four Groups is claimed as being 37 per cent in 1978-79, 42.5 per cent in 1979-80, 45 per cent in 1980-81 and 45.6 per cent in 1981-82. The Committee have been further informed that there is a Standing Review Committee with the Secretary Ministry of Supply as the Chairman, and the Development Commissioner, Small Scale Industries as the Convener which goes continuously into whether any more items could be brought under Groups IV, V and VI for purchase from the Small Scale Sector. The Committee trust that efforts to encourage small scale sector would continue.

The Committee learn that 15 per cent price preference has been made available to the small scale sector which is at present being allowed in selected cases on merit. The Secretary, Ministry of Supply informed the Committee during evidence that he has sought certain clarifications

from the Cabinet in regard to the extent of applicability of this policy. In this connection, the Committee would like Government to bear in mind the following considerations:—

- (i) Price preference is an indirect financial subsidy to the small scale industrial units by Government and as such has sizeable financial implications.
- (ii) It has to be in the nature of a temporary concession allowed to specified small scale industries in the early stage of their development when they are unable to compete in the matter of pricing of their products with the large scale industry engaged in the same manufacturing activity.
- (iii) The price preference policy has to be clear and unambiguous so as to leave no scope for doubt in the minds of the manufacturers and the administering authority. It should leave minimum discretion with the administering authority.
- (iv) The policy should be subject to review at stated intervals so as to prompt entrepreneurs to constantly endeavour to improve economy of production in their units.

The Committee note that the Purchase Officers have been empowered to accept higher price over the last purchase price if the difference is upto 30 per cent. While the Committee see justification in the delegation of this power because of rapid escalation in prices in recent times, they would like the Ministry to devise suitable checks to ensure that this power is not abused.

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11	3.33	The Committee consider it reasonable that when a Public Undertaking bids against tenders floated by DGS&D on behalf of a foreign party, the price preference of ten per cent should be made available to it only on indigenous components. This was agreed to 'in principle' by the Secretary Department of Supply during evidence before the Committee. The Committee trust that this principle will be followed n future.
12	3.41	The Committee are unable to conceive as to why Government Departments should buy an item included in the running rate contract at prices higher than those provided for in the rate contract unless it is, that the rate contract is not readily available with them or that the procurement under the rate contract would take time while the stores were required immediately. However, with a view to achieving wider and better utilisation of the system, the Committee would like to suggest that the Secretary, Ministry of Supply may write to the Chief Secretaries to the State Governments/Union Territory Administratons, the State Accountants-General and the Bureau of Public Enterprises pointing out the economic advantage of purchases under the rate contract system. Further, copies of the rate contract may be sent <i>suo moto</i> to all the State Governments/Union Territory Administrations, the State Accountants General and the Central Public Undertakings.
13	4.5	The Committee find that at present the Inspection Wing is a part and parcel of the DGS&D under the administrative control of the same Director General who looks after the Purchase Wing. Since the Inspection Wing has to carry out inspection of the Stores ordered for by the Purchase Wing, it would, in the opinion of the Committee, be a better arrangement to separate this Wing from the DGS&D and bring it directly

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under the Ministry of Supply. This System would insure the Inspection Wing against possible extraneous pressures for clearing sub-standard stores. The Committee would like to point out that similar arrangement exists on the Defence side where procurement functions have been separated from Inspection functions.

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4.14

The Committee are concerned at the considerable time taken in inspection of stores after the stores have been offered for inspection. They appreciate that it may be partly due to shortage of staff as pointed out by the Secretary, Ministry of Supply, which is already engaging the attention of the Government. The Committee however take a serious view of deliberate delays in conducting inspections by the Inspecting staff for obvious reasons. The Committee would like the Ministry to devise a suitable monitoring system under which delays beyond a prescribed time limit are identified and prompt action is taken to conduct inspection and also punish the staff responsible for the delay, if warranted by the result of an inquiry into the matter.

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The Committee recall that in paragraph 2.42 of their 54th Report (7th Lok Sabha) on Ordnance Factories, they had observed that they did not appreciate the existing position wherein the Ministry of External Affairs had control over the ISM London which was mostly catering to the needs of the Ministry of Defence and had expressed the view that it would be more appropriate to transfer control of that organisation to Ministry of Defence which was the main user of the facility of the organisation. In this connection, the Government has informed the Committee that it had been decided by the Government that the Supply Wing in London would work under the local administrative control of the High Commission but would functionally be



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16	5.12 to 5.13	<p>answerable to the Ministry of Defence. It was further stated that specific ways and means by which the functional control over the Supply Wing would be effectively exercised by the Ministry of Defence were being devised in consultation with the Service Headquarters and others concerned. The Committee desire that the ways and means of functional control by the Ministry of Defence and the local administrative control of the High Commission should be drawn up early. The ways and means should clearly define the responsibility of the Supply Wing in the matter of procurement of stores and the line of control in regard to various aspects of the working of the organisation.</p> <p>The Committee would like the Ministry of Supply to make a general survey of the pendency of cases under Arbitration and if it is found that Arbitration proceedings are taking unduly long time, the matter should be taken up with the Ministry of Law for remedial action.</p> <p>The Committee agree with the suggestion of the Ministry of Supply that awards of the value of Rs. 1 lakhs or more should be "speaking awards". They recommend that the question of amending the relevant rules accordingly may be examined by the Ministry of Law.</p>