

# THIRTY-SIXTH REPORT

## PUBLIC ACCOUNTS COMMITTEE (1980-81)

(SEVENTH LOK SABHA)

### SUPPLY OF DEFECTIVE WATERPROOF COATS AND PROCUREMENT OF SPARE PARTS

MINISTRY OF COMMUNICATIONS  
(P&T BOARD)



Presented in Lok Sabha on.....

Laid in Rajya Sabha on.....

LOK SABHA SECRETARIAT  
NEW DELHI

April, 1981/Chaitra, 1903 (S)

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CORRIGENDA TO 36TH REPORT OF PAC(7TH LOK SABHA)  
 RELATING TO SUPPLY OF DEFECTIVE WATER PROOF COATS  
 AND PROCUREMENT OF SPARE PARTS, PRESENTED ON 27.4.1981.

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
(vi)	6	1	<u>Delete</u> "also"	
-do-	7	1	<u>Add</u> "also" after Committee	
4	1.15	2	<u>Add</u> "of" after inspection	
6	1.17	4	Firms 'A'	Firm 'A'
18	1.47	1	Dying	Dyeing
22	1.57	2	supplied	supplier
28	1.75	2	Unions'	Unions,
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-do-	-do-	7	Water-proof	Water-proofing
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			"to Rs. 48,611. The Committee would like to be informed whether"	
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CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE . . . . .	(iii)
INTRODUCTION . . . . .	(v)
CHAPTER I—Supply of defective Waterproof Coats . . . . .	1
CHAPTER II—Procurement of Spare parts . . . . .	29
APPENDIX      Conclusions and Recommendations. . . . .	43

PART II\*

Minutes of sittings of the Committee

held on—

24-12-1980

28-3-1981 and

8-4-1981

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\*Not printed (One cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library.)

**PUBLIC ACCOUNTS COMMITTEE**

(1980-81)

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(iii)

(iv)

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3. Shri T. R. Ghai—*Senior Financial Committee Officer.*
4. Shri Ram Kishore—*Senior Legislative Committee Officer (PAC).*

## INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this **Thirty-Sixth Report on Paragraphs 24 and 23 of the Report of the Comptroller and Auditor General of India for the year 1978-79, Union Government (Posts and Telegraphs) on supply of defective waterproof coats and procurement of spare parts.**

2. The Report of the Comptroller and Auditor General of India for the year 1978-79, Union Government (Posts and Telegraphs) was laid on the Table of the House on 12 June, 1980.

3. In this Report the Committee have observed that some of the lots of water-proof coats supplied by M/s. India Water-proofing & Dyeing Works, Calcutta, to the P&T Department through the agency of DGS&D had manufacturing defects. They have recommended for reviewing the whole procedure relating to procurement of such stores from the trade, making reference to government/private test houses for test, visual inspection by the consignee immediately on receipt of the stores, preservation in the store depots and adequacy of 45 days warranty period as applicable at present to this item of stores.

In chapter II of the Report, the Committee have dealt with a case of acceptance by the P&T Department of tenders of two Japanese firms for supplying equipment for setting up eight telephone exchanges in the country although they had not fulfilled the terms of the Notice Inviting Tenders so far as they related to the supply of components needed for maintenance of exchanges sufficient for three years requirements with the result that the department had to resort to outright purchase of spares worth Rs. 12.24 lakhs. The Committee have recommended probe by a high powered panel into various aspects of the deal concerning maintenance spares.

4. The Committee (1980-81) examined para 24 at their sitting held on 24 December 1980. Written information was furnished to the Committee on para 23. The Committee considered and finalised the Report at their sittings held on 28 March, 1981 and 8 April, 1981. Minutes of these sittings of the Committee form Part II\* of the Report.

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\*Not printed. (One cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library).

5. For reference facility and convenience, the observations and recommendations 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 Appendix to the Report.

6. The Committee would also like to express their thanks to the Officers of the Ministry of Communications (P&T Board) and the Department of Supply for the co-operation extended by them in giving information to the Committee.

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

NEW DELHI;  
*April 13, 1981,*  

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*Chaitra 23, 1903 (Saka).*

CHANDRAJIT YADAV,  
*Chairman,*  
*Public Accounts Committee.*

# REPORT

## I

### SUPPLY OF DEFECTIVE WATERPROOF COATS

#### *Audit Para*

1.1. On the basis of the indents received from the Director General, Posts and Telegraphs (DGP&T), the Director General, Supplies and Disposals (DGS&D) placed three orders on firm 'A' in February 1975, February 1976 and June 1976 for the supply of 10,343, 12,086 and 9,972 waterproof coats respectively against the rate contracts/price agreements. Against these orders, firm 'A' supplied a total of 32,401 coats valued at Rs. 14.97 lakhs plus other charges from March 1975 to September 1977 to the various P&T units.

1.2. The General Manager, Telephones, New Delhi reported to the DGP&T in September 1975 that the waterproof coats supplied by firm 'A' were defective. The DGP&T took up the matter with the DGS&D in September 1975. On receipt of a further complaint in August 1976, a report was called for by the DGP&T from the Postmaster General (PMG), Ambala, who forwarded one defective waterproof coat received against the first supply order for examination and reported that the condition of the entire lot was the same. Subsequently, also further complaints, were received (between September 1976 and January 1978) from the users and the employees unions.

1.3. The DGP&T again referred the matter to the DGS&D in September 1976 for investigation, withholding payment to and stopping further supply from firm 'A'. Simultaneously, the DGP&T advised (September 1976) all the P&T circles not to distribute the supplies to the staff and also to ensure that copies of the inspection notes were not released.

1.4. A joint inspection was carried out in November 1976 at the premises of the postal Stock Depot, Ambala by the representatives of firm 'A' and the Director of Inspection of the DGS&D in the presence of the consignee; it was noticed that out of the 268 coats left

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\*Firm 'A'—M/s. India Waterproofing and Dyeing Works, Calcutta.



from the first supply order of February 1975 in stock, 60 had completely deteriorated due to melting of rubber coating. One sample out of these 60 coats was sent to the National Test House, Calcutta for laboratory test. The test report (January 1977) indicated that the sample conformed to the relevant specifications except that the weight of the finished fabric was more than the specified requirement which was not considered to be a defect to cause melting of rubber.

1.5. Another joint inspection was conducted in March 1977. Two samples out of the supply order of June 1976 were drawn and sent to the National Test House, Calcutta for laboratory test. The test report (May 1977) was identical to the one already given.

1.6. Considering the aforesaid test reports as satisfactory, the DGP&T decided (May 1977) that the supplies against the order of June 1976 be distributed by the Postal Stock Depots after satisfying that the rain coats were not found to be defective by visual inspection. The PMG, Ambala, during his personal inspection of the waterproof coats in stock, observed (November 1977) that these were not fit for use and moved the case for seeking second opinion from some other Test House.

1.7. One coat out of the supply of June 1976 was sent to Shri Ram Test House, Delhi in June 1978 for test. The test report (September 1978) revealed that the rubber coating was cracked and at some parts it had become sticky, that the sample did not conform to any standard size as per standard specifications, that breaking strength and weight test on base cloth could not be undertaken as the base cloth could not be separated from the rubber coating and that tests for stability to meet heat could not be done as the conditions mentioned in the specifications were not clear.

1.8. On the basis of the information collected by the DGP&T from the various circles (except General Manager, Telephones, New Delhi), it was seen that 3,788 defective coats costing Rs. 1.90 lakhs were still lying in stock (July 1979). The DGP&T decided (July 1979) to ask the consignees to dispose of these coats.

1.9. The department stated (January 1980) that on rechecking the quality of the stock, 925 coats (cost: Rs. 0.43 lakh) were found defective out of the quantity of 9,830 coats supplied to 4 consignees and the consignees had been directed to make a note of the quantity of rain coats which were defective and available in stock in the "remarks column" of the inspection notes so that cost of defec-

tive coats might be recovered from the bills of the firm by the Pay and Accounts Officer. Further developments were awaited (January 1980). The remaining 22,571 coats had been issued and consumed.

[Paragraph 24 of the Report of the Comptroller and Auditor General of India for the year 1978-79, Union Government (Posts and Telegraphs).]

### *Introductory*

1.10. Waterproof coats supplied to P&T Department and many other Government Departments and Organisations are made from fabric rubberised on one side single textured waterproofed khaki. The coats supplied are generally free from any visible defects and do not show any tendency to separate from the base fabric when folded. These coats are purchased from private trade under contracts/price agreements through the Director General, Supplies and Disposals (DGS&D).

1.11. Stores required are to conform to the following specifications:

(i) Basic material, fabric rubberised single texture waterproof coat to specn. G/Tex/Mis-43 (D).

(ii) *Make up:*

(a) For coats: DGS&D Drg. No. 17285/1 read with specn. No. G/Tex/Misc-43 (D) but without additional shoulder lining and shoulder patches but with patch pockets and flaps.

(b) For caps: DGS&D Drg. No. 22993/1 read with specification No. G/Tex/Misc-43(D).

1.12. These specifications are laid down by DDG (i) DGS&D who is inspection authority for the stores.

1.13. Rain coats are issued to the following categories of staff of the P&T Department:

(i) Postmen with bicycles.

(ii) Postal Peons with bicycles.

- (iii) Telegraph peons with bicycles.
- (iv) Linemen
- (v) Chowkidars
- (vi) RMS Peons, RMS Jamadars, Mail Guards.

1.14. The frequency of issue of coats to the staff is that where the annual rainfall is more than 30", the periodicity is four years; and where it is less than 30", it is once every six years.

1.15. The inspection procedure followed by the Inspectorates on a lot of waterproof coats consists of visual inspection each and every coat, checking of dimensions of 5 to 10 per cent of the lot quantity, physical testing (checking of construction details and weight per sq. metre of the fabric) and waterproof testing (pressure head testing) on one or two representative samples by the Inspecting Officer. This is done to the governing specification No. G/Tex/Misc/43-D. All accepted coats are affix with Inspector's acceptance stamp. The samples are also tested at National Test House independent laboratory for detailed tests.

1.16. Full quantity against three Supply Orders, represented by 7 lots, was released to the P&T consignees at different stations under 50 Inspection Notes issued from September 1975 to September 1977. The inspection of each and every lot is stated to have been carried out as per procedure detailed above. Samples from six lots were got tested at National Test House/Eskay (India) Private Ltd., Calcutta with satisfactory test results. Samples from the seventh lot, which was very small of 90 pieces only, was not tested at N.T.H. This was accepted on the basis of local tests conducted by the Inspector and ESKAPS reports furnished by the firm. The dates on which the samples were sent to N.T.H. are 8-9-75, 24-11-75, 10/17-8-76, 23-6-77 and 1/8-7-77. One sample was got tested at ESKAPS, Calcutta in November, 1975.

1.17. The Committee have been informed that open tenders were invited for concluding Rate Contracts (R/C) for supply of waterproof coats during the period 1974-75 and 1975-76. The details of the offers relating to the items covered against 3 supply orders of the DGP&T were as under:

(a) For the year 1974-75, offers were received from the following 7 firms and their tenders were opened on 21-3-1974.

Sl. No.	Firms	Rates in rupees							
		Size	Size	Size	Size	Size	Size	Size	Size
		1	2	3	4	5	6	7	8
1.	M/s. Tibco	36.02	36.72	37.32	38.02	38.82	40.24	41.94	43.58
2.	M/s. BT Bros	38.48	39.19	39.79	40.47	41.30	42.70	44.39	46.07
3.	M/s. IWDW Cal.	39.00	39.00	41.50	41.50	46.00	46.00	50.50	50.50
4.	M/s. Harlalka Readymade	37.40	39.45	41.50	44.00	46.35	47.80	48.95	50.75
5.	M/s. Sramajibi	42.00	44.00	46.75	49.60	51.40	52.75	54.80	56.70
6.	M/s. Harlalka Supply	48.75	50.40	52.20	53.80	56.55	59.25	62.85	63.95
7.	M/s. GD Banerjee	56.25	56.25	57.38	58.50	58.50	59.63	59.63	60.75

Rate Contract was awarded to the firm 'A' (S. No. 3) (M/s. India Waterproofing and Dyeing Works, Calcutta.)

(b) For the year 1975-76 offers were received from the following 9 firms and their tenders were opened on 10-4-1975.

Sl. No.	Firms	Rates in rupees							
		Size	Size	Size	Size	Size	Size	Size	Size
		1	2	3	4	5	6	7	8
1.	M/s. India Craft	40.90	41.90	43.50	45.85	48.20	50.75	54.10	56.45
2.	M/s IWDW	42.00	44.00	46.00	48.00	50.00	52.00	54.00	56.00
3.	M/s. Sramajibi	46.75	48.75	51.70	53.70	56.75	58.20	59.90	62.10
4.	M/s. Harlalka	51.70	54.50	57.50	60.90	54.20	66.25	67.90	70.40
5.	M/s. GD Banerjee.	53.13	53.13	54.19	55.25	55.25	56.32	56.32	57.38
6.	Modi Ind. Cal.	52.46	54.30	56.38	58.12	61.24	65.06	68.88	73.60
7.	BT Bros	59.41	60.99	62.77	64.39	66.11	68.89	76.89	75.99
8.	MPMP <sup>9</sup>	59.51	61.15	62.89	64.49	65.99	68.79	71.79	75.89
9.	Hindustan Leather Works	54.46	56.30	58.38	60.12	63.24	67.06	70.88	75.60

R/Cs for this item were concluded with M/s. India Crafts and Ind. New Delhi and M/s. India Waterproofing and Dyeing Works Calcutta (S. Nos. 1 and 2) on the basis of lowest acceptable offers. Prices of firms 'A' were second lowest for sizes 1 to 6 and lowest for sizes 7 to 8.

1.18. Since three orders were placed by the Directors General, Supplies and Disposals (DGS&D) M/s. India Waterproofing and Dyeing Works, Calcutta, in February 1975, February 1976 and June 1976 for the supply of 10,343, 12,086 and 9,972 waterproof coats respectively (total 32401 numbers) against the rate contracts/price agreements, the Committee desired to know (i) whether this firm was registered with the DGS&D, (ii) whether its capacity, capability, and reliability were ascertained; and (iii) whether it had any past experience in the supply of waterproof coats to any Government Department Agency. In a note, the Ministry of Communications (DGP&T) have stated that this firm was registered with DGS&D from 13-3-1970 to 14-9-1975 and 13-11-1975 to 13-11-1978. The Ministry have further stated:

"Capacity and capability of firm 'A' was already available on record at the time of conclusion of both the R/Cs in view of the firm having valid registration with DGS&D. Prior to entering into R/C for the year 1974-75, they were also holding R/C during previous years and had executed contracts satisfactorily. Having concluded the R/C with firm 'A' being registered and past supplier, there was no need for varifying the reliability etc. before the placement of supply orders once again.

This firm was R/C holders during previous 2 years against R/C No. TWL-2/RC-8639/Coats Waterproof (4) 1972-73 /PAOD/1975 dated 9-1-1972 and R/C No. TWL-2/RC-Coats/Wp/73-74/8914(3)/PAOD/1636 dated 6-8-1973.

Against R/C TWL-2RC-Coats/WP/73-74-8914(3) PAOD (valid up to 10-6-1974), 16 supply orders for 14513 Nos. were placed on this firm and were executed satisfactorily."

1.19. Against the supply orders placed on the firm, it supplied a total of 32,401 coats valued at Rs. 14.97 lakhs plus other charges from March 1975 to September 1977 to the various P&T units. The General Manager, Telephones, New Delhi, reported to the DGP&T in September 1975 that the waterproof coats supplied by the firm were defective. The DGP&T took up the matter with the DGS&D in

September 1975. A joint inspection by the Assistant Inspecting Officer of the Directorate of Inspection, DGS&D and Assistant General Manager, Telephones, New Delhi was held on 3-12-1975 at the premises of the GMT, New Delhi. The Ministry of Communications have furnished the following note in this connection:

“Only one waterproof coat was presented at the time of joint inspection. As the whole quantity was not made available, no joint inspection was carried out. The Assistant Inspecting Officer of DGS&D wanted that whole quantity should be put up for joint inspection. The entire lot of 997 Nos. of waterproof coats were distributed to the staff. One sample called back was in very bad condition, its rubber having beer melted. In the joint inspection it was stated that selected number of rain coats could be called back from the staff. The Inspection Wing of the DGS&D pointed that if used samples are tested to the relevant specification, the results thereof can neither be compared with the requirements of the contract nor the same can be binding on the supplier or the Inspector and as such no useful purpose would be served in carrying out joint investigation or testing any sample which had been used. The complaint, in their opinion, should have been made within the stipulated period according to the condition of the contract and before consuming any quantity. The DGS&D declined to investigate the matter inspite of repeated requests and treated the case as closed. The GMT, New Delhi in their letter dated 14-1-1976 also showed its inability to call back the whole quantity of store from the staff. The GMT, New Delhi had accepted the stores in good condition as no defect was found at the time of release of the Inspection Note on 22-5-1975.”

1.20. The Committee were given to understand that in addition to the complaint received from GMT, New Delhi the following further complaint were received between September 1976 and January 1978 from the users and the employees Unions.

- |   |         |                                      |
|---|---------|--------------------------------------|
| (1) Dr. Saradish Roy, M.P.  | 5-8-76  | Town Sub-Office Ludhiana             |
| (2) All India Postal Employees Union Postmen and CI IV, New Delhi | 3-1-78  | Do.                                  |
| (3) All India Telegraphs Traffic Employees Union, New Delhi       | 17-1-78 | Karnataka Circle, Maharashtra Circle |

All complaints spoke of bad quality of the material.

1.21. In view of the above, the Committee enquired whether the DGP&T had ascertained the position from other PMG's. Admitting the failure of the Department on this account, the Secretary, Communications, stated during evidence:

"We should have circularised them giving the details and ascertained whether they had any complaints, but that has not been done. Some complaints were there from two other circles, but they could not back them up."

1.22. Intervening, a representative of the Inspection Wing of the DGS&D stated:

"After receiving these complaints, we went to Ambala, New Delhi, Poona, Patna, Muzzaffarpur, Bangalore, Trivandrum, Nagpur etc. and samples were again sent to the NTH, but nothing defective was found."

1.23. Asked why the DGS&D did not consider the desirability of withholding payment to and stopping further supply from the firm when DGP&T took up the matter with DGS&D in September, 1975 and September 1976, the Ministry of Communications, in a note, stated:

"No payment was withheld by the DGS&D as the entire quantity of waterproof coats supplied by the firm was distributed to the staff and not a single piece of unused rain coat was available with the GMT, New Delhi. Joint Inspection was carried out and defects were not proved. Therefore, further supply was not withheld."

1.24. According to Audit Para, report was then called by the DGP&T from the PMG, Ambala, who forwarded one defective waterproof coat received against the first supply order for examination and reported that the condition of the entire lot was the same. A joint inspection was carried out on 15 November, 1976 at the premises of the Postal Store Depot (PSD), Ambala, by the representatives of the firm and the Director of Inspection of the DGS&D in the presence of the consignee. A text of the inspection findings is reproduced below:

"268 Nos. of coats waterproof (unused) were found lying with the consignee in a tin box. It was observed during Joint Inspection, out of 268 Nos. 60 Nos. were completely deterio-

rated due to melting of rubber coating used in the coats. As a result these coats were found to be unserviceable. Balance quantity i.e. 208 Nos. available with the consignee were found to be serviceable visually. Two sets of sample marked (A, B and A, B) were drawn at random representing the supply jointly during Joint Inspection. One set will be forwarded to NTH, Calcutta for full test and report and other set will be retained in the office of the Director N.I.C. for future reference. Further necessary action will be taken on receipt of the test report."

1.25. The test report (January, 1977) of the NTH, Calcutta indicated that the sample conformed to the relevant specification except that the weight of the finished fabric per sq. mtr. was more than the specified requirement which was not considered to be a defect to cause melting of rubber.

1.26. Subsequently another joint inspection was carried out on 30 March 1977 at the premises of the Postal Store Depot, Ambala. The observations made and conclusions arrived at the joint Inspection are as under:

**"Observations:**

The supply was observed to be of two shades i.e. light and deep khaki as represented by the two sets of samples drawn, signed by the consignee and representative of the Director of Inspection and sealed by the consignees.

The deep khaki shade coats were 410 and the rest of light khaki colour shade.

The lot of 1490 Nos. light khaki colour coats on random examination appear to be in sound condition subject to chemical analysis.

The lot of 410 Nos. of deep khaki colour coats were found to contain crease marks wrinkles. The consignee is of the opinion that they are not of usable quality and not acceptable to him. The firms representative has however insisted on getting the samples from this lot also tested.

**Conclusionss**

Whatever stores are to be accepted/rejected acceptable under price reducing etc. subject to approval of concerned Inspectorate.



The lot of 1490 Nos. of light coloured khaki coats were found in sound condition subject to chemical analysis.

The 410 Nos. of deep khaki colour coats with creases and wrinkles are not acceptable to the consignees.

Two sets of samples representing each of the light and deep khaki colour supply have been drawn by the representative of the Director of Inspection for further tests sealed."

1.27. The two samples thus drawn were sent to the National Test House, Calcutta, for laboratory test. The test report (May 1977) was identical to the one already given in January 1977.

1.28. The Audit para points out that considering the two reports of the NTH, Calcutta as satisfactory, the DGPT decided in May 1977 that the supplies against the order of June 1976 be distributed by the Postal Store Depots (PSD) after satisfying that the rain coats were not found to be defective by visual inspection. The PMG, Ambala, during his personal inspection of the waterproof coats in stock, observed in November 1977 that these were not fit for use and moved the case for seeking second opinion from some other Test House. One coat out of the supply of June 1976 was accordingly sent to Sriram Test House, Delhi, in June 1978 for test. In this context the Committee enquired why it took the PMG, Ambala, 7 months from November 1977 to June 1978 to send one coat to Sriram Test House for test. Explaining the reasons for the delay, the Ministry of Communications, in a note, stated:

"The PMG, Ambala got the deteriorated rain coats tested through the Sri Ram Test House, New Delhi as the National Test House, Calcutta did not carry out inspection of the rain coats, the rubber of which had melted. The NTH, Calcutta had carried out test of rain coats which were in good condition. The PMG took time in collecting information from subordinate units."

1.29. Referring specifically to the report (September 1978) of the Sri Ram Test House (a private institution recognised by Government) that the rubber coating was cracked and at some parts it had become sticky, that the sample did not conform to any standard size as per standard specifications, that breaking strength and weight test on base cloth could not be undertaken as the base cloth could not be separated from rubber coating, the Committee posed a question whether various deficiencies mentioned in that test report proved that all the

lots of the waterproof coats supplied by M/s. India Waterproofing and Dyeing Works, Calcutta, were defective. In a note furnished in this regard, the Ministry of Communications have stated:

“It is seen from the remarks given about the condition of sample in Sri Ram Test House Report that the sample sent by PSD, Ambala was the one in which the rubber was sticky and had cracked. The deviation in the dimensions, as reported in the certificate, could be due to measurements having been not taken at the appropriate position of the coat as required in the drawing. No deviation in the dimensions was either reported by any of the P&T consignees or noted during the joint inspection. The Inspector's reports also give the dimensions as per specification/drawing. Only one test (Dry heat Test at 132.5 C for 2 hours) could be carried out in Sri Ram Test House and the result was satisfactory. The NTH, however, tested only those samples which were in physically good condition and found them satisfactory. The N.T.H., however, did not carry out any test on the samples in which the rubber had melted as testing on those samples was not feasible. Only in one case a coat in deteriorated condition at some places was sent from Muzaffarpur consignees to NTH after joint inspection. NTH carried out tests from the undamaged portion of the coat and the results were found satisfactory in every respect except from minor deviation of weight per sq. metre of the fabric being 395 gms. per sq. metre against the requirement of 350

All the 15 samples jointly drawn by DGS&D I/Wing and P&T from the various depots located at different parts of the country, out of the supplies made by M/s. India Waterproofing alleged to be defective when tested to specification No. G/Tex/Misc/43-D, were reported to be satisfactory to the contract specification when tested at National Test House. It would not be correct to conclude that Shri Ram Test. House test result is adverse and National Test House results are satisfactory. In the case referred to in the previous paragraph even National Test House tested a sample which was partially damaged and the result from the undamaged portion was satisfactory. Sri Ram Test House has carried out only one test i.e. dry heat test at 132.5-OC for two hours and the sample passed this test.

It is to be realised that this test was done on a coat in which the rubber coating was cracked at most of the places and at some parts it had become sticky. Considering the already deteriorated condition of the coat the passing of the sample in dry heat test, which is quite severe, clearly indicates that there was nothing wrong with the basic material. To this extent both National Test House test certificate and the Sri Ram Test House test certificate are not contradictory. Remarks of Sri Ram Test House about the condition of the rubber coating being sticky and cracked is merely a record of the physical condition of the coat which DGS&D Inspection Wing have never contradicted. It has never been the case of DGS&D Inspection Wing that the coats with melted rubber should be considered acceptable. Nor was it necessary to send the sample to Sri Ram Test House to give verdict on such a glaring deteriorated condition. National Test House was not prepared to investigate the cause of deterioration. On the other hand, P&T wanted to find out if inspection by DGS&D was done properly or not. Naturally to indicate his stand the Inspector drew samples from the field which were apparently in good physical condition and all samples passed in National Test House. Even one sample which was partly damaged also passed in test for the undamaged portion. There was no point in sending damaged sample to National Test House just to pronounce that it was damaged. Hence there is no contradiction between National Test House and Sri Ram Test House reports. It may also be realised that tests given in the specification are in the nature of acceptance tests and not diagnostic tests."

1.30. Referring to an earlier statement of the Ministry of Communications that the specifications and standards laid down for the waterproof coats were adequate and clearly spelt out, the Committee wanted to know how then the rain coats which were twice found to conform to the specifications by the National Test House, Calcutta, were later found to be defective by the Shri Ram Test House, New Delhi. The information furnished by the Ministry in this regard is given below:

"These stores were previously also procured conforming to these specifications. There had not been any complaints of defective supplies.

No complaint was received from the consignees within stipulated period of 45 days, the right entrusted to the consignee for rejection of the stores. DGP&T complained of defective material after receiving the complaint from the Employees Union only. In the light of the complaints received, joint inspections were undertaken and samples were sent for retesting to National Test House, Calcutta. In view of the satisfactory test results, apprehension of indenter towards defective supplies was not considered appropriate."

1.31. The Deputy Director General (Inspection) DGS&D had the following to state in this regard during evidence:

"Same of the coats had got deteriorated. The rubber had melted. This is a palpable or patent defect; for this purpose there was no need to send a sample to either National Test House or Sri Ram Test House. What P&T wanted to know was the reason for it. The National Test House declined and said. "There is no point in testing the defective samples" Obviously, it will not stand waterproof and other tests because the rubber had already melted. So, National Test House did not agree to test visually defective material. But Sriram Test House agreed to test the sample which had apparently deteriorated. I have got a copy of the Sriram Test House report from the P&T. The dry heat test was to be done at 90 deg. for 90 hours. They have tested it for 2 hours at 132.5 deg. and said that there is no sign of deterioration as compared to the original material. In the report they said. there are cracks; some parts are sticky, etc. This is for everybody to see. No report is required for that. Then, "the sample does not conform to any standard size as per the specification." This is something very inexplicable. The length is 104 cm. as against 107 and the sleeve is 59 as against 90 which is the requirement. This shows that Sriram Test House is not in a position to correctly measure the sleeve due to some reason or other. So, Sriram Test House report should be a little suspect at least in my eye. Another puzzling thing is that "moist heat test could not be done". In our specification, there is no such thing as moist heat test."

1.32. To a question as to what purpose a laboratory served if it could not test something which was obviously defective and for which a layman was more competent by visual inspection to say that the article in question was defective, the witness replied:

"I cannot speak on behalf of National Test House. The request from P&T was to find out whether the inspection by DGS&D was proper or not. For that purpose, two sets of samples were sent. One set was apparently in good condition. Another set was visually in a bad condition. When both the samples went to the National Test House, they decided that the apparently good-condition samples met the requirements of the specifications. As for the bad samples, they said there was no point in subjecting them to the rigours of test. They asked what were the criteria. The matter was taken up between DGS&D and DGPT, and ultimately the latter left it to the discretion of NTH for testing to find out how the material can deteriorate after manufacture. The National Test House is not a research laboratory and probably not competent to take up such a job. It is a very puzzling problem baffling experts all over the world how rubber deteriorates."

He added:

"There are various factors which can have a deleterious effect on the material which cannot be determined by laboratory tests. Copper or manganese present in minute quantities or ozone in the atmosphere even with a concentration of 4.04 parts per million can have adverse effects on rubber."

1.33. Asked when such large quantities bought and supplied to other Departments came up to the prescribed tests, how was it that this defect came in the instant case, the witness replied:

"It is a stray defect."

1.34. On being pointed out that 925 coats found defective out of the quantity of 9 830 coats supplied to 4 consignees, was not a small quantity the witness deposed:

"Nine thousand is only for P&T. They are supplied to other department also. If you take the total supply, the percentage will be very small."

1.35, Drawing attention to the report of the Sri Ram Test House, which *inter-alia* stated that some of the conditions mentioned in the specifications were not clear, the Committee enquired why the conditions were not made clear in all respects in the specifications. In a note, the Ministry of Communications have stated:

“The specifications were laid down by DGS&D much earlier to the test carried out by Sri Ram Test House. The findings of this test house are not binding on DGS&D.”

1.36. Asked on whose authority samples of such stores were sent for laboratory test, The Secretary, Communications, explained the position thus during evidence:

“Normally not the DGPT. It is the DGS&D or his officers. We are required to bring the complaint to the notice of the DGS&D and a joint inspection will be held. There is a procedure laid down for that.”

1.37. Asked further whether PMGs were authorised to do so on their own, the witness replied:

“They are not specifically authorised, but when there are complaints and there is pressure from the staff, naturally they have to take some quick action. In this case, we cannot claim he was specifically authorised for the purpose. We feel that he acted in good faith.”

1.38. To another question whether it was the standard procedure that whenever PMGs came across any defects, they could send the sample to private laboratories also, the witness replied: “Normally not.”

He added:

“Not private firms, Sri Ram Test House is not just any private firm. It is recognised by Government for testing purposes.”

1.39. The Committee enquired why then P&T was not sending all their samples for testing in this circle to Sri Ram Test House. The Deputy Director General (Inspection) DGS&D stated:

“About two years ago, Sri Ram Test House also was recognised by the Department of Supply. Whatever facilities they are having, we are sending samples to them also instead of sending it all the way to National Test House at Calcutta. But that was only for passing the material. In

case of dispute, National Test House continues to be the umpire Laboratory."

He added:

"So far as DGS&D is concerned, the NTH is the umpire laboratory. It does testing on a commercial basis and it has a little more expertise than IIT or CSIR laboratory. We have gone to them also and we found that they have not tested it properly."

1.40. Explaining the procedure to have these tests conducted from a test house, the Ministry of Communications, in a note, have stated:

"Under the Central Government, the premier laboratory responsible for carrying out quality tests is the National Test House, Alipore, Calcutta. Since this Test House has been assigned the specific task of quality control, the Departments requiring tests on samples of items for procurement can get them tested by paying the prescribed fees. The DGS&D also relies on this Test House for conducting the tests. No departmental instructions have been issued for going to test house like Sri Ram Test House, as no necessity has arisen so far conducting tests in such test house. The Sri Ram Test House has been recognised by the Government and carries out tests on payment of usual fees from the Government and other agencies. The PMG, Ambala had referred the matter to Sri Ram Test House as it was a recognised institution, on his own initiative."

1.41. The Committee desired to know whether in the case of complaints from other departments, these were examined by Government laboratory or a private laboratory. A representative of the Inspection Wing of the DGS&D stated in evidence:

"Some complaint about a small consignment was received from Bharat Heavy Electricals and as per our instructions the sample was sent to NTH. We may go to some govt. laboratory or IIT but when there is dispute we must go to NTH; that is our departmental practice."

1.42. In this connection, the Ministry of Communications in a note furnished to the Committee stated that the terms of reference of each of the tests assigned to the National Test House, Calcutta and Sri Ram Test House, New Delhi, were the same viz. to test the

articles to specification No. G/Tex/Misc/43(D) for full test. Asked what types of coats were sent to the test houses and whether a control sample which conformed to the specifications laid down for the purpose was also sent along with the damaged coats for testing the quality of the coats, the Ministry have replied:

“Only a normal sample of rain coat drawn out during the Joint Inspections was got tested by the NTH, Calcutta. No Inspection was carried out by NTH on the samples of rain coats, the rubber of which had melted and got sticky. The tests were carried out as per Specification No. G/Tex-Mics./43(D). No control sample was forwarded to NTH for comparison.”

1.43. The Audit Para points out that originally the DGPT found 3,738 defective coats lying in stock in various circles (except GMT, New Delhi) in July 1979. However, the Department intimated Audit in January 1980 that on rechecking the quality of the stock, 925 coats were found defective out of the quantity of 9,830 coats supplied to 4 consignees. The Committee desired to know (i) how many coats supplied to all consignees were defective and what was their cost; (ii) who were those four consignees and how many coats each of them received; and (iii) how many of the total number of the coats supplied to each were consumed and how many were found defective by each of them. In a note, the Ministry of Communications, have stated:

“Originally 3788 Nos. of waterproof coats were intimated to be defective as the entire stock of 3580 Nos. of rain coats held with the Supdt. Postal Store Depot, Ambala was presumed by him to have been defective. Subsequently out of 3580 Nos. of waterproof coats, only 718 Nos. have been found defective with the Postal Store Depot, Ambala. The total numbers of defective waterproof coats held with all the consignees are 925 Nos. as detailed below. The defects were common in all the coats stored at different places. . . . .”

Name of Consignee	Total recd.	Found defective	Total consume	Balance in stock
1. Supdt. Postal Store Depot Ambala .	6300	718	4719	863
2. Supdt. Postal Store Depot, Bangalore .	2500	164	2336	..
3. Supdt. Postal Store Depot, Muzaffarpur .	590	34	556	..
4. D.M.T., Pune . . . . .	440	9	431	
<b>Total</b>	<b>9830</b>	<b>925</b>	<b>8042</b>	<b>863</b>



The total cost of 925 Nos. of waterproof coats found defective is Rs. 43,000/-."

1.44. To a question whether the balance of 863 coats left in stock in the P.S.D., Ambala were without any defect and fit for issue to staff and whether these have since been issued, the Ministry replied:

"Yes, as far as could be ascertained by visual inspection. All these coats have since been issued to the staff."

1.45. Since bulk of the coats had been issued and consumed by the users before the complaints about defects in the coats had started pouring in, the Committee enquired how the Department ensured that the coats supplied to the users, but not returned by them, were not defective. The Ministry of Communications, in a note, have stated:

"It is presumed in case the rain coats in question had not been serviceable, the same would have been returned by the staff direct to the units or through the unions or many more complaints from all quarters would have been received." .....

1.46. Explaining the basis of this presumption, the Ministry in a subsequent note have stated.

"In the P&T Department, staff unions as well individual employees are very much alive to their rights and entitlements. But no complaint from the unions or any other individual except as already mentioned was received."

1.47. M/s. India Waterproofing and Dying Works had supplied a total of 32,401 coats valued at Rs. 14.97 lakhs plus other charges from March 1975 to September 1977 to the various P&T units against the three orders placed by the DGS&D from February 1975 to June 1976. The Committee enquired how the rain coats were passed by the Inspection unit of the DGS&D. The Ministry of Communications, in a note, have stated:

"After the stores are tendered by the supplier for inspection, samples are drawn by the Inspector concerned and sent to NTH for test. Stores are released depending upon the results of the NTH after tests conducted on the samples."

1.48. Referring specifically to the case under examination, the Deputy Director General (Inspection), DGS&D explained the position in evidence as under:

“So far as this item is concerned, when the material is offered in lots, we first of all, take a sample depending on the quantity or the number supplied; then it is subsequently sent to a laboratory, mostly it is sent to the National Test House which is the Laboratory for Ministry and we get the material tested and see whether it is as per the contract specification. In the laboratory it is tested at an elevated temperature of 90 degrees centigrade for 96 hours to see **its behaviour under adverse conditions** and there are certain other tests, testing for impurity of copper and manganese because these impurities have some deleterious effect on the materials. When the test results are received, then, the lot from which we drew the sample, is examined. Each and every piece is usually examined both inside and outside and after that the dimensions are also checked. Dimensions are not checked for each and every piece but a sort of sketch is placed on the table and the goods are compared with that sketch and in a few cases dimensions are again thoroughly checked. Then it is given a stamp mark by the Inspector who will be having his own separate stamp for identification that it has been inspected and he issues the inspection note in which his stamp mark is also reproduced so that the consignee can know by comparing with the inspection note. A copy of the inspection note also goes to the consignee. He can verify whether it was the same stamp as that of the Inspector. The receiving officer knows that the Inspector has released the material.”

1.49. On being pointed out that the items being 32401 in number how the sampling was done, the witness deposed:

“Sampling depends on the quantity. In this particular case, all of them were not offered at one time. If the quantity offered at a time is upto 500, we take one sample. If it is more than 500, but upto 1500, we take two samples. It is done random. This material was inspected by our Calcutta office...”

1.50. Referring to the justification of the stand taken by the DGS&D that because no complaint was received within 45 days of the receipt of stores by the consignees, their responsibility was over, the Committee pointed out that this was an item which could be used within the stipulated period only in a particular season and enquired what would be the nature of responsibility of the DGS&D if rain coats were given at a time when it would not be necessary to wear them. The witness had the following to state in evidence:

“So far as the 45 day limit is concerned, it is part of our contract. So far as our inspection wing is concerned, as long as the material is stored in good condition, and its identification marks are clear, I will not disown my responsibility. Even after 2 or 3 years, if it is properly kept, there is no time limit as far as my inspection wing is concerned. But the 45-day limit is essential because it is a part of DGS&D contract. The supplier may not accept any responsibility; but I have to accept, subject to the material being in good storage condition.”

1.51. The Committee pointed out that in such a situation, the condition of 45 days seemed to be too technical because unless the rain coat was actually used by the person to whom it was issued, one could not know whether it was good or bad. The Committee, therefore, enquired whether this condition of 45 days could be changed while asking the firms to supply goods of this nature. The witness stated:

“Personally, I don't think that the 45-day limit is correct. But it is a part of the DGS&D rate contract. It concerns the Ministry of Supply and DGS&D.”

1.52. Referring to this reply, the Deputy Director General (Supplies), DGS&D clarified the position as under:

“As far as the purchase officer is concerned, the DGS&D warranty clause regarding consignee's right of rejection is applicable for all the contracts. Wherever this warranty clause is not a sufficient safeguard for the user department, it is for the indenter to say that he wants that the particular store should bear a warranty, e.g. for 6 months, 1 year or even 18 months.

We have got a standard warranty clause of 45 days from the date the main consignee receives the material. It is not a small time because with the first look or the first shower or rain it is easy to find out whether waterproofing is good or bad. This warranty clause has stood the test of time and it is being incorporated in our contract. In the case of plant and machinery it is one year or 15 months. So, it varies from stores to stores. If you want this to be reviewed by the purchase department, we will examine it but it is also incumbent upon the user department to see for how much period he wants the warranty. In the case of defence requirements, the defence department stipulate the time."

1.53. Asked which were the other Departments who supplied rain coats to their employees and whether complaints were received from any of them. The witness stated:

"CRPF, Border Security Force, Railways, CRPF and BSF have taken stores and consumed it without any complaint. This warranty is applicable to them also. I will not say there were no complaints at all; I should say, negligible amount."

1.54. Asked further whether there were other firms also which supplied rain coats to the DGS&D and whether the users had made any complaints against any of those firms, the witness stated:

"There are other firms also, against our rate contract concluded for the year 1974-75. Many firms are quoting against our tenders. We have not received any complaint. This is the first time that we are receiving complaint against this firm in a major way."

1.55. Pointing out in this connection that since there was a definite complaint against this firm, may be for the first time, and also that there was no complaint against any other supplier, the Committee in view of what had happened posed the question whether in such circumstances, the warranty clause needed to be extended. The Deputy Director General (Supplies), DGS&D stated:

"If the Committee recommends, we will certainly examine this warranty clause once more, whether any additional safeguard is required and what is to be done about it."

1.56. To a specific proposition that if the rain coats were issued in January in Bombay and the rain came there in June, 45 days would be over by March, making the warranty clause ineffective and useless, the witness explained:

“This is a very general question. The question of warranty depends upon various factors, not only bad workmanship and manufacturing defects but also storage conditions. The P&T Department have now been sending us indents with warranty clause of 1 year to 15 or 18 months. We had gone out for tenders and we have covered their requirement of warranty clause. The prices that have been quoted range approximately 18.4 per cent to 32.30 per cent higher. Therefore, it is not so difficult for DGS&D to incorporate warranty on the same lines as per the army requirements. But we have to pay the price for it. Whether it is worthy it or not, that aspect has to be considered. If it is a definite recommendation of the Committee, certainly it will be looked into.”

1.57. Asked what then was the remedy available to the DGS&D to take action against the supplier if the defects in supplies were noticed after using them as had happened in the cases under examination, the Ministry of Communications, in a note, have stated:

“Right is invested to the consignee for rejection of the stores legally within 45 days of the receipt and as such, consignee is required to inspect the same within this period. If any further remedy is required beyond this 45 days then a specific period needs to be included in the indent by the Indentor and incorporated in the relevant contract.”

1.58. Since complaints about defective coats were made by the employees after these had been used by them, the Committee enquired how the DGS&D could claim that the stores were accepted by the consignee (DGPT) in good condition and that the complaints should have been made within the stipulated period of 45 days and before consuming any quantity. In a note, the Ministry of Communications, have stated:

“As per DGS&D contract, the consignees are those who are named in the contract. It is their responsibility to check and verify the contents of the consignment as soon as it is received in regard to its good condition before it is

distributed further to the various parts of organisation. The consignee named in the contract, to whom the consignments are booked get 45 clear days to do this after receipt of the consignment by him. The contract does not normally envisage further examination and rejections at levels beyond the consignee named in the contract at later date beyond 45 days' period."

1.59. The Committee wanted to know whether the rain coats were inspected on receipt at the Postal Store Depots and if so, what was the result thereof. The Ministry of Communications replied:

"The rain coats in question were visually inspected immediately after receipt and no defect was found at that time. The Postal Store Depots have no other facilities for inspection of stores received by them except visual inspection."

1.60. Asked whether any note was recorded of the visual inspection at that time, the Ministry stated:

"There was no procedure to record any note about carrying out of the visual inspection."

1.61. In view of the position stated above, and the sad experience in the present case the Committee enquired what steps the P&T Department proposed to take at its level to avoid recurrence of such cases in future. The Ministry have stated:

"Instructions have been issued to all Postmasters General and Postal Store Depots that the stores should be properly checked immediately on their receipt to see that they are in good condition and a certificate, duly signed by the Superintendent, PSD indicating that the stores have been checked properly and no defects have been found, should be kept on record."

1.62. The Committee enquired whether firm 'A' had been black-listed for supply of defective coats. The Ministry of Communications replied in the negative and added:

"Since after the joint inspection and retesting nothing adverse was found, DGP&T was apprised on 6-2-1978 while treating their complaint/apprehension unjustified and treating the matter as closed."

1.63. Asked what action the Department had taken or proposed to take against the supplier firm (M/s. India Waterproofing and Dyeing Works, Calcutta) for supply of defective stores, the Deputy Director General (Supplies) of the DGS&D stated during evidence:

"It has now been reconciled that 925 or so pieces have been found to be defective. For this defective material, we have already withheld Rs. 48,611 from the firm's bill. But the point arises that since the warranty period covers only 45 days and the defect has not been established by the joint inspection, contractually, it may not be possible to hold back this amount of money. We have to examine this.

As regards any other action on the firm, the firm is registered for various other items and their performance in previous years has been satisfactory without any complaint. This complaint has also not been established; their *mala fides* have not been established. They have given an undertaking that any time, whenever any defect is found, they are prepared to replace the material/recovery. With that undertaking, we have withheld the payment of Rs. 48,611.

The firm is supplying vital material like ground sheets which is of more rigorous nature against army requirements to the extent of average 10,000 to 15,000 Nos. per month which means that they are supplying this material worth Rs. 6 lakhs to Rs. 9 lakhs approximately. Apart from that, they are suppliers of tarpaulins and many other products. They are regular suppliers of all these materials. Therefore, the reputation of the firm is not such as warrants any action at this stage specially when the fault has not been established or their *mala fides* have not been established."

1.64. Giving the latest position regarding recovery of the cost of 925 coats found defective, the Ministry of Communications, in a note furnished to the Committee, have stated:

"Chief Controller of Accounts, Department of Supply was addressed on 6-6-1980. Chief Controller of Accounts, Department of Supply was again addressed on 21-7-1980 with copy to DGS&D.

Based upon the DGP&T letter dated 21-7-1980 to PAO, New Delhi, informing receipt of 925 Nos. coats in deteriorated condition and to withhold the cost of the same, P&AO

has withheld the firm's bill dated 18-8-1980 amounting to Rs. 43,611/-.....”

1.65. The Committee find that a total of 32,401 waterproof rain coats valued at Rs. 14.97 lakhs plus other charges were supplied by M/s. India Waterproofing and Dyeing Works, Calcutta to the various P&T Units from March 1975 to September 1977 against rate contracts entered into by the Directorate General of Supplies and Disposals with the firm. The first report about defects in the rain coats supplied by the firm was received in September 1975 from the General Manager, Telephones, New Delhi. A joint inspection by a representative of the DGS&D and of the GMT, New Delhi was arranged on 3 December, 1975 but the inspection could not be carried out because the entire lot of 997 Nos. of waterproof coats had been distributed to the staff. However the one sample called back for testing was in very bad condition as its rubber had melted. In the opinion of the Inspection Wing of the DGS&D, no useful purpose would have been served in carrying out joint inspection or testing any used sample to the relevant specifications as the results thereof could neither be compared with the requirements of the contract nor could the same be binding on the supplier. The complaint, according to the DGS&D, should have been made within the stipulated period of 45 days of the receipt of the stores by the consignee and that too before consuming any quality.

1.66. A further complaint regarding defective waterproof coats was received in August 1976 from the Postmaster-General, Ambala who forwarded one defective waterproof coat for examination and reported that the condition of the entire lot was the same. A joint inspection was then carried out on 15 November, 1976 at the premises of the Postal Store Depot, Ambala by the representatives of the firm and the Inspection Wing of the DGS&D in the presence of the consignee. It was observed during joint inspection that out of 268 unused waterproof coats lying in stock, 60 had completely deteriorated due to melting of rubber coating used in the coats. Balance quantity, i.e. 208 was found to be serviceable. One sample out of the 60 coats was drawn and sent to the National Test House, Calcutta for laboratory test. The test report (January 1977) indicated that the sample conformed to the relevant specifications except that weight of the finished fabric was more than the specified requirement which was not considered to be a defect to cause melting of rubber.



1.67. Another joint inspection at the premises of Postal Store Depot, Ambala was conducted on 30 March, 1977. During the inspection, one lot of 410 Nos. of deep khaki colour coats was found to contain crease marks wringles and was not acceptable to the consignee. The firm's representative, however, insisted on getting the samples from this unused lot of 410 coats tested. Accordingly, samples from this lot were drawn and sent to the National Test House, Calcutta for laboratory test. The test report (May 1977) was identical to the one already given in January 1977. Considering the two reports of the National Test House as satisfactory, the DGPT decided in May 1977 to distribute the supplies to the Postal Store Depots.

1.68. The Postmaster-General, Ambala during his personal inspection of the waterproof coats in stock, however, observed in November 1977 that these were not fit for use. In June 1978, he sent one sample to Shri Ram Test House, Delhi, for test. This test indicated that the rubber coating of the coat was cracked and at some points it had become sticky and that breaking strength and weight test could not be undertaken as the base cloth could not be separated from rubber coating.

1.69. It is seen from the above that the Inspection Wing of the DGS&D initially refused to investigate the complaints regarding defective waterproof coats on two counts, namely, (i) used coats had been produced before them for testing and that (ii) the period of 45 days (stipulated in the general conditions of contract) within which objection regarding defect in coats, should have been raised by the main consignee was over. On the other hand, the stand taken by the P&T Department was that the rain coats in question were visually inspected immediately after receipt and no defect was found at that time. The Postal Store Depots have no other facilities for inspection of stores received by them except visual inspection.

1.70. The defect in the waterproof coats pointed out by the General Manager, Telephones, New Delhi in September 1975 was regarding melting of rubber used in the coats. It is quite evident that such defect could not have been detected by the consignee by visual inspection at the time of receipt of stores. The defects regarding melting of rubber also came to notice after the staff had used them. Pointing out such defect within the stipulated period of 45 days of the receipt of stores by the consignee would not, therefore, have been possible in such cases. In view of this, the Com-

Committee do not appreciate the rigid attitude taken by the Inspection Wing of the DGS&D in refusing to inspect the defective coat during the first joint inspection held on 3 December, 1975 on more technical grounds that used coat had been produced for testing and that the stipulated warranty period of 45 days was over.

1.71. Under the general conditions of contract entered into by DGS&D, the consignee has a right to reject stores within 45 days of its receipt. The Committee have been informed that if this period is not considered a sufficient safeguard, the user department could specify in the indent that a particular store should bear a longer warranty period, e.g., six months, one year or even 18 months. In view of the fact that waterproof coats are liable to defects becoming noticeable either during storage or shortly after use, the Committee recommend that the desirability or otherwise of asking for a warranty period beyond 45 days in the case of waterproof coats should be examined by the P&T Department in the light of past experience and in consultation with other user departments, e.g. Army, Para-military forces, etc.

1.72. Another disquieting feature of this case is that the National Test House, Calcutta insisted on testing samples of undamaged coats and not the defective ones. The DGS&D did not appear to show any seriousness to have samples of defective coats tested at the National Test House for coming to some definite conclusions about the condition of the coats supplied through them. It was rather left to the Postmaster-General, Ambala who was not satisfied with the test results of the National Test House, to refer a sample of a defective coat to Shri Ram Test House, Delhi for second opinion. The test report of Shri Ram Test House indicated a number of defects in it. The Committee have been informed that this Test House though run privately has been recognised by Government for the purpose of test. The Committee feel unhappy that inspite of a large number of coats (925 in Nos.) having been found defective by the various P&T Units, the DGS&D did not arrange to get testing of defective coats done at the National Test House. The Committee also note that no control sample was forwarded to National Test House for comparison. The Committee would therefore like the Government to review the existing procedure regarding making of reference to the National Test House and issue suitable instructions in this regard so as to ensure that in cases of this nature the testing of defective lot (and not the unused one) is got done by the DGS&D as desired by a consignee.

1.73. The Committee have been informed that at present there are no precise instructions as to the circumstances in which any

item of stores supplied through the DGS&D could be referred by a user department direct to a private testing house for test. The Committee recommend that in the light of the instant case suitable procedure in this regard should be laid down.

1.74. The Ministry of Communications have informed the Committee that the rain coats were visually inspected by the P&T authorities immediately after receipt and that there was no procedure to record any note about carrying out of a visual inspection. The Committee are informed that instructions have now been issued to all Heads of Circles and Postal Store Depots that a certificate duly signed by the Superintendent, PSD indicating that the stores have been checked properly and inspected individually and no defects have been found should be kept on record, so as to avoid any dispute later on as to whether the stores were defective ab-initio or they became defective after use. The Committee trust that these instructions will be scrupulously followed and a test check made from time to time by a competent authority. As waterproof coats or items of this nature can also deteriorate during storage, special emphasis should be laid on their proper preservation in the Postal Store Depots and in the consuming units. There should also be periodic inspection of Stores during the period of storage.

1.75. As complaints regarding defective waterproof coats were received from a number of P&T Units and Employees Unions' General Manager Telephones, New Delhi, Postmaster-General, Ambala, All India Postal Employees Union, Postmen and Class IV, New Delhi and All India Telegraphs Traffic Employees Union, New Delhi), the Committee are inclined to take the view that some of the lots of coats supplied by M/s. India Water-proof and Dyeing Works, Calcutta might have manufacturing defects. The Committee therefore, recommend that utmost caution should be exercised while entering into rate contracts with this firm in future and also at the time of acceptance of supplies made by the firm as the defective supply is likely to affect the morale of the staff to which it is issued.

1.76. The Committee have been informed that keeping in view the fact that 925 Nos. of waterproof coats (PSD, Ambala—718, PSD, Bangalore—164, PSD, Muzaffarpur—34 and DMT, Pune—9, Total: 925 Nos.) (cost Rs. 0.43 lakhs) supplied by this firm were in a deteriorating condition, the Pay & Accounts Officer, Department of Supply has withheld the firm's bill dated 18 August, 1980 amounting the cost of the defective coats has since been recovered from the firm.

## II

### PROCUREMENT OF SPARE PARTS

#### *Audit Para*

2.1. For setting up three telephone exchanges at Delhi, two each at Calcutta and Bombay and one at Ahmedabad, the Posts and Telegraphs Department procured during 1976 and 1977 equipment from two foreign firms. The exchanges were commissioned in 1978 and 1979. As to the spare parts needed for the maintenance of the exchanges, the terms of the notice inviting tenders (NIT) provided as follows:

“The tender shall indicate the expected failure rate for the components used in the equipment (with a margin of safety). Based on this failure rate, the maintenance spares sufficient for three years requirements shall be included for each exchange. If the failure rate of the components is found to be higher than that indicated by the tenderer, he shall replace free of cost at site such components and also supply additional quantities required on this basis to cover 3 years requirements.”

2.2. Although the tenderer was to indicate in the tender the expected failure rate for the components used in the equipment, it was not given by both the tenderers and only the quantity of spare parts considered sufficient for three years was indicated by them in their tenders and supplied to the department. The records of the department did not indicate as to why the offers were accepted when the terms of the NIT were not fulfilled.

2.3. In April and May 1978, the General Managers, Telephones (GMT), New Delhi and Calcutta forwarded to the Director General, Posts and Telegraphs (DGPT) lists containing their requirements of spare parts for the new exchanges. The lists showed a wide variation between the requirements given by the two GMTs for the same item. Further, the list also included spare parts which were indicated by the suppliers in their tenders for supply as three years requirements and also those not indicated in the tenders. Although in terms of the above condition of the NIT, the suppliers were to supply free of cost spare parts for three years requirements over and

above the supplies made by them, the department decided (July 1978) to make an outright purchase of further spare parts costing 30.3 million yen (Rs. 12.24 lakhs) from these very suppliers on the grounds that:

- many of the crucial items had not been included in the spare parts supplied by the suppliers ;
- supplies made by the suppliers were inadequate for maintaining an imprest stock of spares and that in case any of the components of the imported exchange became faulty, the department could not wait for free replacement from the suppliers;
- these maintenance spares were not included in the list of spares quoted by the suppliers and that at the time of accepting the tenders, it was not possible to visualize quantities of all the different types of spares required for maintenance, this being a new type of exchange equipment;
- Out of the purchases made, the spare parts used would be got replaced free of cost from the suppliers and the imprest recouped; and
- since the exchanges had to run many more years beyond the initial guarantee period of three years, availability of spare parts from the imprest stock after the initial guarantee period would ultimately, be to the advantage of the department.

2.4. Orders were accordingly placed with the suppliers in September 1978 and December 1978 for spare parts costing Rs. 12.24 lakhs. One of the suppliers shipped these spare parts in June 1979 on payment of Rs. 5.50 lakhs; the second supplier had not yet (November 1979) completed the supplies.

Thus, the following points emerge:

- Since the failure rate of components had not been indicated by the suppliers in their tenders, the exact requirement of the spare parts needed for three years was not susceptible of check by DGPT.
- Although in terms of the contract supply of spare parts to meet three years requirements was to be made by the suppliers, the department, without insisting on this supply, went in for an outright purchase of spare parts costing Rs. 12.24 lakhs from these very suppliers. Regarding

replacement of spare parts used in 3 years free of cost by the suppliers, on being pointed in audit (September 1979), the department issued instructions to the GMT, Delhi for getting free replacement from the suppliers.

2.5. The department stated (January 1980):

“.....during the post-installation period, it was seen that some components which were not included in the spare parts supplied became faulty in some of the exchanges and these were got replaced free of cost. It was also noted that some other components which were not included in the list of spares supplied with the exchanges became faulty. The department had the alternative of taking up this aspect with the suppliers and asking them to supply all items of spares in sufficient quantities as considered necessary for 3 years satisfactory maintenance. However, in the absence of adequate data on the requirement of spares for these new type of exchanges being brought into service in India for the first time and the observation of different pattern of failure of components in different exchanges, such a procedure would have entailed prolonged correspondence with the suppliers with exposure to risks in failure of exchanges due to non-availability of spares during this period..... The reports from the field units indicate that the supplier is making good these components by supplying free of cost”. The fact, however, remains that the terms of the contract were not enforced and additional purchase of spares worth Rs. 12.24 lakhs was resorted to. The extent to which free replacement had been obtained has to be verified in audit (January 1980).

[Paragraph 23 of the Report of the Comptroller and Auditor General of India for the year 1978-79, Union Government (Posts & Telegraphs)]

*New Telephone Exchanges:*

2.6. The Posts and Telegraphs Department floated tenders in 1974 for supply of 80,000 lines of C-400 crossbar type local exchange equipment for setting up three telephone exchanges at Delhi, two each at Calcutta and Bombay and one at Ahmedabad. Based on this tender the equipment was procured from two Japanese Companies,

namely, M/s. Nippon Electric Co. Ltd. and M/s. C. Itoh & Co. The exchanges were commissioned progressively as follows:

1. Delhi—Hauz Khas II . . . . .	25-2-1978
2. Calcutta—Tiretta Bazar II (26) . . . . .	18-5-1978
3. Do. Tiretta Bazar III (27) . . . . .	21-9-1978
4. Bombay—Malabar Hill I . . . . .	24-5-1978
5. Do. Malabar Hill II . . . . .	29-11-1978
6. Ahmedabad—Railwayapura . . . . .	31-3-1978
7. Delhi—Tis Hazari III . . . . .	22-3-1979
8. Delhi—Shaktinagar I . . . . .	31-3-1979

### MAINTENANCE SPARES

#### *Tender Notice & Award of Contract:*

2.7. As to the spare parts needed for the maintenance of the exchanges, the clause 16.4 of the specification included in the notice inviting tenders (NIT) had provided as follows:

“The tender shall indicate the expected failure rate for the components used in the equipment (with margin of safety).

Based on this failure rate, the maintenance spares sufficient for 3 years requirements shall be included for each exchange.

If the failure rate of the components is found to be higher than that indicated by the tenderer, he shall replace free of cost at site such components and also supply additional quantities required on this basis to cover 3 years requirements.”

2.8. Both the tenderers had not indicated in the tender the expected failure rate for the components as required under the terms of NIT. They had indicated only the quantity of spare parts which they considered sufficient to meet the requirements for the first three years.

2.9. Explaining as to why the offers of these two firms were accepted when the terms of the NIT were not fulfilled, the Department of Posts & Telegraphs stated:

“The tenderers while not specifically and separately indicating the expected failure rate for the components used, did

supply a list of components which they considered sufficient for 3 years requirements and accepted the stipulation regarding free replacement of components for which failure rate was higher than indicated. The information about the expected failure rate was required basically to arrive at the actual requirement for the three years. Once the latter information was given and the tenderer accepted the liability to replace additional components free of cost, the non-indication of the failure rate itself was a mere technical deficiency and was not considered sufficient cause for rejection of the tenders. In any case, the Department was at this stage in no position to make any independent check of the expected failure rate even if it had been indicated by the tenderers."

2.10. Explaining the trends in regard to failure of components in **Large Exchanges**, the Department stated:—

"In any large exchange involving use of a very large number and types of components, it is inevitable that some of the components will fail on the first energization of the Exchange. This happens partly due to possible damages and deteriorations during transit and partly due to inherent weakness in some of the components which get detected when the exchange is energized. Such components usually are detected during the through testing to which the Exchanges are subjected during the installation, before commissioning. Even then all the components with any incipient weakness do not get detected during the installation tests. Many of them are detected only during the first few months of the commissioning of the Exchange when sufficient live traffic is passed. To cover such possible failures, the Exchange orders provide for provision of certain quantities of the spares of different types based on the earlier experience of the supplier. Such spares are called 'installation spares'.

"The items which fail during the installation period are made good from the installation spares and where either the items are not included or the quantities supplied are inadequate, free replacement are obtained from the suppliers."



2.11. In April and May, 1978, i.e. immediately after the commissioning of respective exchanges, the General Managers, Telephones (GMTs), New Delhi and Calcutta forwarded to the Director General, Posts and Telegraphs (DGPT) lists containing their requirements of spare parts for the new exchanges. These lists, according to Audit, showed a wide variation between the requirements given by the suppliers in their tenders for supply of three years requirements and also those not indicated in the tenders. The DGPT decided in July 1978 to make an outright purchase of further spare parts from these very suppliers. Orders were accordingly placed with the suppliers in September 1978 and December 1978 for spares costing Rs. 12.24 lakhs.

One of the suppliers shipped the spare parts in June 1979 on payment of Rs. 5.05 lakhs while the second supplier had not completed supplies till November, 1979. The Department have since confirmed that the second supplier has also completed the supplies.

2.12. The Committee desired to know as to why the matter was not taken up with the suppliers to supply free of cost spare parts when the General Managers, Telephones, New Delhi and Calcutta had forwarded lists containing their requirements of spares. In reply, the Department stated:—

“This list of components received from G.Ms. consisted of:—

- (a) certain crucial components whose failure, and possible delay in supply of replacements could result in serious deterioration in service. While apparently the supplier had not included these spares on the basis of his earlier experience, G.Ms. felt that some quantities were necessary as an insurance against such possible failures and deterioration in service.
- (b) certain components had shown significantly high failure rate during the installation period. The G.M.'s had an apprehension that the same rate may persist during maintenance, in which case the supplies included by the supplier may not be sufficient, and the delays in replenishment of such components may result in deterioration in service.
- (c) certain other components about which G.Ms. felt that the supplies appeared to be very low as compared to the total quantities in use.”

The Department added:

“General Managers projected their demands for additional maintenance spares over and above those already supplied under the original order. 70 per cent of the additional spares in case of one company and 85 per cent in the case of others asked by the G.Ms. related to components not included by the suppliers in their list. The remaining related to additional quantities of components for which provision had been made by the suppliers in their original list.”

According to the Department:—

“As a initial scrutiny of the requirements projected by the G.M.'s was carried out in the Directorate and the demands were reduced significantly. However, at this stage, it was not considered possible to ask for free supplies of either the additional components or the additional quantities of components already included, on the basis of such apprehensions which could not be supported by any firm data. The Department thus decided to invest an additional small sum of money on these components purely as a matter of insurance, without prejudice to the liability of the supplier for free replacement of components failing during the first 3 years of operation.

The Department further added: “Considering the total cost of the projects of about Rs. 70 crores this was considered a justified expenditure.”

2.13. The Committee desired to know that if certain crucial items were not included in the spare parts, supplied by the suppliers, why was this not pointed out to them at the initial stage itself. The Department stated:

“The items were crucial from the point of view of their importance in the working of the exchange. Non-availability of replacement immediately could lead to deterioration in the performance.

Non-inclusion of these items by the supplier meant that he did not anticipate a failure of these components within three years. At this stage, without any definite failure, the department could not possibly ask for free supply of these components.”

2.14. The Committee also enquired that if the supplies made by the suppliers were inadequate, why was this not taken up with them. The Department stated:—

“The inadequacy of the supplies at this stage was a matter of only feeling and judgement. The Department did not have adequate evidence to take up the matter with the suppliers. Once sufficient information became available on the performance of the exchange for about a year, the matter was taken up with the supplier wherever appropriate.”

2.15. The Committee enquired as to why quantities of all types of spares could not be visualised while accepting tenders. Explaining this, the Department stated:—

“The equipment ordered was of a new type about the performance of which the Department did not have any experience. The types and quantities of spares required could thus not be visualised initially. The department had to depend on the judgement, and experience of the supplier backed by the cause regarding free replacement.

It may not be out of place to mention that the maintenance spares included in the exchange orders are separately priced and paid for while the replacements of other components not included in the list by the tenderer or whose failure exceeds the quantities included in the offer by the tenderer, are supplied free.”

2.16. The suppliers are stated to have made good certain components becoming faulty during the post installation period. The Committee, therefore, desired to know as to why the Department did not ask the suppliers for free supply while purchasing additional spares from them and whether any reference about free supply was made to the suppliers.

In reply, the Department stated:—

“It is well known that component failure rates are higher during the early post installation period. It is not possible to extrapolate the failure during a short initial period, to the three year requirements. However, a review had been made about a year after the commissioning and in the few cases where justified, additional

quantities have been asked for on the three year projection."

2.17. The Department had claimed that the suppliers were making good the components used (out of purchases made) free of cost. The Committee desired to know as to when did the first free supply start and to what extent such free supplies had been received. The Department stated in reply: "The supplies are being made progressively directly to the field units. Information has been requested from the field units. The same will be consolidated and submitted in due course."

2.18. Explaining the use of additional maintenance spares procured from the two firms, the Department informed the Committee thus:—

"At the end of the three year period, the Department will have intact the entire quantity of additional spare parts ordered on the two companies. These spare parts will be used not only for the initial 80,000 lines of this type of equipment but also for the subsequent orders totalling about 1,40,000 lines.

The experience indicates that the Component failures are not very large and quantities available may be sufficient for a fairly long period."

2.19. Equipment for setting up eight telephone exchanges in Delhi, Calcutta, Bombay and Ahmedabad was procured from two Japanese firms, namely, M/s. Nippon Electric Co. Ltd. and M/s. Itoh & Co. during 1976 and 1977 by the Posts & Telegraphs Department on the basis of tenders floated in 1974. Six exchanges were commissioned in 1978 and the remaining two in early 1979. The tenders of these two firms were accepted although they had not fulfilled the terms of the Notice Inviting Tenders (NIT) so far as they related to the supply of components needed for maintenance of exchanges. According to Audit, the records of the Department did not indicate as to why these offers were accepted when the terms of the NIT were not complied with.

2.20. The NIT had clearly provided that the "tender shall indicate the expected failure rate of the components used in the equipment (with margin of safety) and that based on this failure rate, the maintenance spares sufficient for three years requirement shall be included for each exchange. NIT had also provided that if the

failure rate of the components was found to be higher than that indicated by the tenderer, he shall replace free of cost at site such components and also supply additional quantities required on this basis to cover 3 years requirements.

2.21. The department have offered the justification for ignoring the aforementioned requirements of the NIT, in the first place, on the ground that the tenderers, while not specifically and separately indicating the expected failure rate for the components used, did supply a list of components which they considered sufficient for 3 years requirements and had accepted the stipulation regarding free replacement of components for which failure rate was higher than indicated; secondly, the information about the expected failure rate was required basically to arrive at the actual requirement for three years and lastly, in any case, the Department was at this stage in no position to make any independent check of the expected failure rate even if it had been indicated by the tenderers.

2.22. The Committee do not feel convinced about the justifications advanced by the Department for ignoring the requirements of the NIT about the "failure rate of components". This requirement was vital so far as the assessment of quantities of spares required for replacing the components susceptible to failures were concerned, particularly, when the exchange equipment purchased was of a new type and the Department had no experience of its functioning. No wonder, the GMTs had to ask for free supply of additional maintenance spares soon after commissioning of the new exchanges.

2.23. The DGP&T have stated that the requirements indicated by the General Managers were based on more "apprehensions" and "only feeling and judgment without adequate evidence of failure rate of components." But the direct result was that the Department had to resort to outright purchase of spares, described as 'crucial components' to the extent of Rs. 12.24 lakhs.

2.24. The Committee feel that had the failure rate of components been insisted upon and indicated by the suppliers in specific terms based on their past experience of the functioning of the equipment supplied, the maintenance units in the field would have known in advance the estimated working life of such components and this would have enabled them to project their demands for replacement spares, if not with perfect accuracy, at least, approximately to "firm data". The GMTs would not have made the alleged unrealistic projections which the Directorate did not consider it worthwhile to ask the suppliers for free supply. With the firm

guidelines in hand, the Directorate would have been in better position to check the total quantities of spares required for 3 years period than with a general list. Again, since a definite "rate of failure" indicated by the suppliers would have been a contractual condition, the necessity of searching for "adequate evidence" to get free supply of spares wherever required would not have arisen.

2.25. The Committee are surprised to note that while the Directorate looked at the projections made by GMTs for free supply of spares described as being based on mere "apprehensions which could not be supported by any firm data", it subsequently considered these very projections, with reduced quantity, realistic enough to go in for an outright purchase within a few months after commissioning of new exchanges from those very suppliers, who were bound under the contract to make free supplies. It is poor consolation to know that out of the purchases made, the spare parts used would be got replaced free of cost from the suppliers and the imprest recouped.

2.26. In reply to a pointed question as to the date on which first free supply for making good the components used (out of purchases made) started and the extent to which free supplies had been received, the Department gave a vague reply saying: "The supplies are being made progressively directly to the field units. Information has been requested from the field units. The same will be consolidated and submitted in due course." This implies that the Directorate, responsible for making outright purchases, was negligent in monitoring the actual implementation of the contract. When the Directorate asked the suppliers to make certain supplies of spares it ought to have kept itself contemporaneously informed of the fact that such supplies to the field units did take place.

2.27. In the light of foregoing the Committee recommend that a high powered panel chaired by a representative of the Ministry of Finance, not below the rank of Additional Secretary, and two experts in exchange technology (who were never associated with any dealings with these two Japanese firms), should be set-up to probe in the following aspects for this deal:—

- (1) Why were the tenders accepted when the terms of the NIT were not fulfilled by the two Japanese firms,
- (2) Why the Directorate did not ask the suppliers to make free supplies before going in for outright purchase of maintenance spares which the suppliers were bound to supply free at site;

- (3) Why the Directorate considered the projections made by GMTs as unrealistic for purposes of asking the suppliers to make free supplies while for outright purchases the same projections, though with reduced quantity as stated by the Directorate, were considered realistic;
- (4) (a) whether the spares which required to be replaced were really "crucial" for efficient functioning of new exchanges and whether the GMTs had said so;
- (b) whether those could not have been procured in time had the suppliers been firmly asked to make free supplies under the contract;
- (5) whether the reasonableness of the price (landed cost—C.I.F. value) was considered by the Directorate while ordering the spares costing Rs. 12.24 lakhs; and
- (6) whether the progress of replenishment of the spare parts used out of the purchases made has been satisfactory.

2.28. The Committee would like the panel to finalise its findings and report to the Committee within three months from the date of presentation of this report.

NEW DELHI;

April 13, 1981,

Chaitra 23, 1903 (Saka).

CHANDRAJIT YADAV,

*Chairman,*

*Public Accounts Committee.*

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**APPENDIX**

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## APPENDIX

### Statement of Conclusions/Recommendations

S. No.	Para No. Ministry/Department	3	4	Conclusion/Recommendation
1	1.65 Ministry of Communications (P&T Board) Deptt. of Supply (DGS&D)	3	4	<p>The Committee find that a total of 32,401 waterproof rain coats valued at Rs. 14.97 lakhs plus other charges were supplied by M/s. India Waterproofing and Dyeing Works, Calcutta to the various P&amp;T Units from March 1975 to September 1977 against rate contracts entered into by the Directorate General of Supplies and Disposals with the firm. The first report about defects in the rain coats supplied by the firm was received in September 1975 from the General Manager, Telephones, New Delhi. A joint inspection by a representative of the DGS&amp;D and of the GMT, New Delhi was arranged on 3-12-1975 but the inspection could not be carried out because the entire lot of 997 Nos. of waterproof coats had been distributed to the staff. However the one sample called back for testing was in very bad condition as its rubber had melted. In the opinion of the Inspection Wing of the DGS&amp;D, no useful purpose would have been served in carrying out joint inspection or testing any used sample to the relevant specifications as the results thereof could neither be compared with the requirements of the contract nor could the same be binding on the supplier. The complaint, according to the DGS&amp;D, should have been made within the stipulated period of 45 days of the receipt of the stores by the consignee and that too before consuming any quantity.</p>

2 Ministry of Communications  
(P&T Board) Deptt. of  
Supply (DGS&D)

A further complaint regarding defective waterproof coats was received in August 1976 from the Postmaster-General, Ambala who forwarded one defective waterproof coat for examination and reported that the condition of the entire lot was the same. A joint inspection was then carried out on 15 November, 1976 at the premises of the Postal Store Depot, Ambala by the representatives of the firm and the Inspection Wing of the DGS&D in the presence of the consignee. It was observed during joint inspection that out of 268 unused waterproof coats lying in stock, 60 had completely deteriorated due to melting of rubber coating used in the coats. Balance quantity, i.e., 208 was found to be serviceable. One sample out of the 60 coats was drawn and sent to the National Test House, Calcutta for laboratory test. The test report (January 1977) indicated that the sample conformed to the relevant specifications except that weight of the finished fabric was more than the specified requirement which was not considered to be a defect to cause melting of rubber.

3 1.67

Do.

Another joint inspection at the premises of Postal Store Depot, Ambala was conducted on 30 March 1977. During the inspection, one lot of 410 Nos. of deep khaki colour coats was found to contain crease marks wrinkles and was not acceptable to the consignee. The firm's representative, however insisted on getting the samples from this unused lot of 410 coats tested. Accordingly, samples from this lot were drawn and sent to the National Test House, Calcutta for laboratory test. The test report (May 1977) was identical to the one already given in January 1977. Considering the two reports of the National Test House as satisfactory, the DGPT decided in May 1977 to distribute the supplies to the Postal Store Depots.

4 1.68

Do.

The Postmaster-General, Ambala during his personal inspection of the waterproof coats in stock, however, observed in November 1977 that these were not fit for use. In June 1978, he sent one sample to Shri Ram Test

House, Delhi, for test. This test indicated that the rubber coating of the coat was cracked and at some points it had become sticky and that breaking strength and weight test could not be undertaken as the base cloth could not be separated from rubber coating.

5 1.69 Do. It is seen from the above that the Inspection Wing of the DGS&D initially refused to investigate the complaints regarding defective waterproof coats on two counts, namely, (i) used coats had been produced before them for testing and that (ii) the period of 45 days (stipulated in the general conditions of contract) within which objection regarding defect in coats should have been raised by the main consignee, was over. On the other hand, the stand taken by the P&T Department was that the rain coats in question were visually inspected immediately after receipt and no defect was found at that time. The Postal Store Depots have no other facilities for inspection of stores received by them except visual inspection.

6 1.70 Do. The defect in the waterproof coats pointed out by the General Manager, Telephones, New Delhi in September 1975 was regarding melting of rubber used in the coats. It is quite evident that such defect could not have been detected by the consignee by visual inspection at the time of receipt of stores. The defects regarding melting of rubber also came to notice after the staff had used them. Pointing out such defect within the stipulated period of 45 days of the receipt of stores by the consignee would not, therefore, have been possible in such cases. In view of this, the Committee do not appreciate the rigid attitude taken by the Inspection Wing of the DGS&D in refusing to inspect the defective coat during the first joint inspection held on 3-12-1975 on mere technical ground that used coat had been produced for testing and that the stipulated warranty period of 45 days was over.

7 1.71 Do. Under the general conditions of contract entered into by DGS&D, the consignee has a right to reject stores within 45 days of its receipt. The Committee have been informed that if this period is not considered a sufficient

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safeguard, the user department could specify in the indent that a particular store should bear a longer warranty period, *e.g.*, six months, one year or even 18 months. In view of the fact that waterproof coats are liable to defects becoming noticeable either during storage or shortly after use, the Committee recommend that the desirability or otherwise of asking for a warranty period beyond 45 days in the case of waterproof coats should be examined by the P&T Department in the light of past experience and in consultation with other user departments, *e.g.* Army, Para-military forces, etc.

8 1.72 Ministry of Communications  
(P&T Board) Deptt. of  
Supply (DGS&D)

Another disquieting feature of this case is that the National Test House, Calcutta insisted on testing samples of undamaged coats and not the defective ones. The DGS&D did not appear to show any seriousness to have samples of defective coats tested at the National Test House for coming to some definite conclusions about the condition of the coats supplied through them. It was rather left to the Postmaster-General, Ambala who was not satisfied with the test results of the National Test House, to refer a sample of a defective coat to Shri Ram Test House, Delhi for second opinion. The test report of Shri Ram Test House indicated a number of defects in it. The Committee have been informed that this Test House though run privately has been recognised by Government for the purpose of testing. The Committee feel unhappy that in spite of a large number of coats (925 in Nos.) having been found defective by the various P&T Units, the DGS&D did not arrange to get testing of defective coats done at the National Test House. The Committee also note that no control sample was forwarded to National Test House for comparison. The Committee would therefore like the Government to review the existing procedure regarding making of reference to the National Test House

and issue suitable instructions in this regard so as to ensure that in cases of this nature the testing of defective lot (and not the unused one) is got done by the DGS&D as desired by a consignee.

9 1.73 Ministry of Communications  
(P&T Board)/Deptt. of  
Supply (DGS&D)

The Committee have been informed that at present there are no precise instructions as to the circumstances in which any item of stores supplied through the DGS&D could be referred by a user department direct to a private testing house for test. The Committee recommend that in the light of the instant case suitable procedure in this regard should be laid down.

10 1.74 Ministry of Communications  
(P&T Board)

The Ministry of Communications have informed the Committee that the rain coats were visually inspected by the P&T authorities immediately after receipt and that there was no procedure to record any note about carrying out of a visual inspection. The Committee are informed that instructions have now been issued to all Heads of Circles and Postal Store Depots that a certificate duly signed by the Superintendent, PSD indicating that the stores have been checked properly and inspected individually and no defects have been found should be kept on record, so as to avoid any dispute later on as to whether the stores were defective *ab-initio* or they became defective after use. The Committee trust that these instructions will be scrupulously followed and a test check made from time to time by a competent authority. As waterproof coats or items of this nature can also deteriorate during storage, special emphasis should be laid on their proper preservation in the Postal Store Depots and in the consuming units. There should also be periodic inspection of stores during the period of storage.

11 1.75 Ministry of Communications  
(P&T Board)/Deptt. of  
Supply (DGS&D)

As complaints regarding defective waterproof coats were received from a number of P&T Units and Employees Unions' General Manager Telephones, New Delhi, Postmaster-General, Ambala, All India Postal Employees

Union, Postmen and Class IV, New Delhi and All India Telegraphs Traffic Employees Union, New Delhi, the Committee are inclined to take the view that some of the lots of coats supplied by M/s. India Water-proofing and Dyeing Works, Calcutta might have manufacturing defects. The Committee, therefore, recommend that utmost caution should be exercised while entering into rate contracts with this firm in future and also at the time of acceptance of supplies made by the firm as the defective supply is likely to affect the morale of the staff to which it is issued.

- 12 Ministry of Communications  
(P & T Board)/Deptt. of  
Supply (DGS & D)
- 1.76 The Committee have been informed that keeping in view the fact that 925 Nos. of waterproof coats (PSD, Ambala—718, PSD, Bangalore—164, PSD, Muzaffarpur—34 and DMT, Pune—9, Total: 925 Nos.) (cost Rs. 0.43 lakhs) supplied by this firm were in a deteriorating condition, the Pay & Accounts Officer, Department of Supply has withheld the firm's bill dated 18-8-1980 amounting to Rs. 48,611. The Committee would like to be informed whether the cost of the defective coats has since been recovered from the firm.
- 13 Ministry of Communications  
(P & T Board)
- 2.19 Equipment for setting up eight telephone exchanges in Delhi, Calcutta, Bombay and Ahmedabad was procured from two Japanese firms, namely, M/s. Nippon Electric Co. Ltd. and M/s. Itoh & Co., during 1976 and 1977 by the Posts & Telegraphs Department on the basis of tenders floated in 1974. Six exchanges were commissioned in 1978 and the remaining two in early 1979. The tenders of these two firms were accepted although they had not fulfilled the terms of the Notice Inviting Tenders (NIT) so far as they related to the supply of components needed for maintenance of exchanges. According to Audit, the records of the Department did not indicate as to why these officers were accepted when the terms of the NIT were not complied with.

The NIT had clearly provided that the "tender shall indicate the expected failure rate of the components used in the equipment (with margin of safety) and that based on this failure rate, the maintenance spares sufficient for three years required shall be included for each exchange. NIT had also provided that if the failure rate of the components was found to be higher than that indicated by the tenderer, he shall replace free of cost at site such components and also supply additional quantities required on this basis to cover 3 years requirements.

Do.

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The department have offered the justification for ignoring the aforementioned requirement of the NIT, in the first place, on the ground that the tenderers, while not specifically and separately indicating the expected failure rate for the components used, did supply a list of components which they considered sufficient for 3 years requirements and had accepted the stipulation regarding free replacement of components for which failure rate was higher than indicated; secondly, the information about the expected failure rate was required basically to arrive at the actual requirement for three years and lastly, in any case, the Department was at this stage in no position to make any independent check of the expected failure rate even if it has been indicated by the tenderers.

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The Committee do not feel convinced about the justifications advanced by the Department for ignoring the requirements of the NIT about the "failure rate of components." This requirement was vital so far as the assessment of quantities of spares required for replacing the components susceptible to failure were concerned, particularly, when the exchange a equipment purchased was of a new type and the Department had no experience of its functioning. No wonder, the GMTs had to ask for free supply of additional maintenance spares soon after commissioning of the exchanges. The DGP&T have stated that the requirements indicated by the General Managers were based on more "apprehensions" and "only feeling and judgment without adequate evidence of failure rate of components." But the

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Do.

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direct result was that the Department had to resort to outright purchase of spares, described as "crucial components" to the extent of Rs. 12.24 lakhs.

18 2.24 Ministry of Communication  
(P & T Board)

The Committee feel that had the failure rate of components been insisted upon and indicated by the suppliers in specific terms based on their past experience of the functioning of the equipment supplied, the maintenance units in the field would have known in advance the estimated working life of such components and this would have enabled them to project their demands for replacement spares, if not with perfect accuracy, atleast, approximately to "firm data". The GMTs would not have made the alleged unrealistic projections which the Directorate did not consider it worthwhile to ask the suppliers for free supply. With the firm guidelines in hand, the Directorate would have been in better position to check the total quantities of spares required for 3 years period than with a general list. Again, since a definite "rate of failure" indicated by the suppliers would have been a contractual condition, the necessity of searching for adequate "evidence" to get free supply of spares wherever required would not have arisen.

19 2.25

Do.

The Committee are surprised to note that while the Directorate looked at the projections made by GMTs for free supply of spares described as being based on mere "apprehensions which could not be supported by any firm data", it subsequently considered these very projections, with reduced quantity, realistic enough to go in for an outright purchase within a few months after commissioning of new exchanges from those very suppliers, who were bound under the contract to make free supplies. It is poor consolation to know that out of the purchases made, the spare parts used would be got replaced free of cost from the suppliers and the imprest recouped.



Do.

In reply to a pointed question as to the date on which first free supply for making good the components used (out of purchases made) started and the extent to which free supplies have been received, the Department gave a vague reply saying: "The supplies are being made progressively directly to the field units. Information has been requested from the field units. The same will be consolidated and submitted in due course." This implies that the Directorate, responsible for making outright purchases, was negligent in monitoring the actual implementation of the contract. When the Directorate asked the suppliers to make certain supplies of spares it ought to have kept itself contemporaneously informed of the fact that such supplies to the field units did take place.

Do.

In the light of foregoing the Committee recommend that a high powered panel chaired by a representative of the Ministry of Finance, not below the rank of Additional Secretary, and two experts in exchange technology (who were never associated with any dealings with these two Japanese firms), should be set-up to probe in the following aspects for this deal:—

1. why were the tenders accepted when the terms of the NIT were not fulfilled by the two Japanese firms;
2. why the Directorate did not ask the suppliers to make free supplies before going in for outright purchase of maintenance spares which the suppliers were bound to supply free at site;
3. why the Directorate considered the projections made by GMTs as unrealistic for purposes of asking the suppliers to make free supplies while for outright purchases the same projections, though with reduced quantity as stated by the Directorate, were considered realistic;
4. (a) whether the spares which required to be replaced were really "crucial" for efficient functioning of new exchanges and whether the GMTs had said so;

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			(b) whether those could not have been procured in time had the suppliers been firmly asked to make free supplies under the contract;
5.			whether the reasonableness of the price (landed cost —C.I.f. value) was considered by the Directorate while ordering the spares costing Rs. 12.24 lakhs ; and
6.			whether the progress of replenishment of the spare parts used out of the purchases made has been satisfactory.
22	2.28	Do.	The Committee would like the panel to finalise its findings and report to the Committee within three months from the date of presentation of this report.