

**PROCUREMENT OF
DEFECTIVE IMPORTED
PARACHUTES**

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MINISTRY OF DEFENCE

**PUBLIC ACCOUNTS
COMMITTEE
1993-1994**

TENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

**FIFTY-NINTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(1993-94)**

(TENTH LOK SABHA)

**PROCUREMENT OF DEFECTIVE
IMPORTED PARACHUTES**

MINISTRY OF DEFENCE

[Action taken on 27th Report of Public Accounts Committee (10th Lok Sabha)]

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**LOK SABHA SECRETARIAT
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(1993-94)

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INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Fifty-Ninth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 27th Report (10th Lok Sabha) on Procurement of Defective Imported Parachutes.

2. A contract for the purchase of 2500 parachutes was concluded with M/s. Aerazur, France on 30 December, 1985 at a total cost of Rs. 7.16 crores for meeting immediate operational requirements. According to the contract, the French main parachutes were to be new with a shelf life of 120 descents or 15 years of shelf and the reserve were to be from the used lot but with a shelf life of 10 years. In their earlier Report the Committee had found that based on the inspection carried out in March, 1986. Director General, Quality Assurance (DGQA) had rejected the entire lot of the reserve parachutes on the ground that these had outlived their shelf life and were below specifications. The Committee had regretted the fact that instead of rejecting the reserve parachutes outrightly the Government took a compromising decision to keep them as a general staff reserve to be fit for only one time use. Subsequently based on their inspection of 397 reserve parachutes for assessing their serviceability, DGQA had also declared the entire reserve stock as unserviceable. Considering the entire expenditure of Rs. 7.16 crores incurred on the import of French Parachutes as infructuous, the Committee, in their earlier Report had *inter alia* recommended that the matter should be fully investigated and responsibility fixed for having accepted used parachutes that had outlived their shelf-life and were found to be below specifications. In this Report, the Committee have observed that no tangible progress has been made in the process of investigation even though more than one and half years have elapsed since the presentation of the original Report of the Committee which is indicative of the lack of seriousness on the part of authorities concerned in punishing the guilty. The Committee have deplored the delay in the investigation and desired that it should be completed expeditiously and the responsibility fixed.

3. The Report was considered and adopted by the Public Accounts Committee at their sitting held on 24 January, 1994. Minutes of the sitting form Part II of the Report.

4. For facility of reference and convenience, the 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 the Appendix to the Report.

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

NEW DELHI;
14 February, 1994
Magha, 1915 (Saka)

BHAGWAN SHANKAR RAWAT,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by Government on the recommendations and observations contained in their 27th Report (Tenth Lok Sabha) on Paragraph 14 of the Report of the Comptroller and Auditor General of India for the year ended 31 March, 1990, Union Government—(Army & Ordnance Factories) relating to Procurement of defective imported parachutes.

1.2 The 27th Report which was presented to Lok Sabha on 30 April, 1992 contained 14 recommendations. Action taken notes have been received in respect of all the recommendations and these have been broadly categorised as follows:

- (i) Recommendations and observations which have been accepted by Government:
Sl. Nos. 1, 5 to 9, 12 to 14
- (ii) Recommendations and observations which the Committee do not desire to pursue in the light of the replies received from Government:
Sl. Nos. 2—4
- (iii) Recommendations and observations replies to which have not been accepted by the the Committee and which require reiteration:
Sl. Nos. 10 and 11
- (iv) Recommendations and observations in respect of which Government have furnished interim replies:

—Nil—

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

Import of Defective Parachutes

1.4 A set of man-dropping parachutes consists of one main and one reserve. The reserve parachute fitted with the main parachute enables the para trooper to switch over to the former in the event of failure of the latter.

1.5 In their 27th Report (Tenth Lok Sabha) the Committee had examined two cases of import of parachutes made in terms of the contracts executed by the Ministry of Defence with two foreign firms in December, 1985. These parachutes were imported without following the open tender procedure in view of what was stated as extreme operational urgency.

While the first case involved import of 900 sets of parachutes from M/s. Golden Bell, South Korea for Rs. 89.97 lakhs, the second one related to the contract for import of 2500 sets from M/s. Aerazur, France at a cost of Rs. 7.16 crores. In both the cases, the Committee had found that sub-standard parachutes made available by foreign suppliers against the above mentioned contracts were accepted and that concerned authorities had failed to take action in time which would have prevented such defective imports.

1.6 In the former case, the Committee had found that the 900 parachutes imported in January, 1986 had remained in a defective state for more than six years without any utility defeating the very purpose of placing an import order on the plea of meeting immediate operational requirements. They could not be utilised because of the significant differences which arose between the Army Headquarters and Directorate General of Inspection (DGI) in regard to the General Staff Quality Requirements (GSQR) procedures for the inspection and clearance of the imported parachutes and their very usability. The Committee had disapproved the attitude adopted by the Army Headquarters disagreeing with the recommendation of the DGI made after the conduct of prescribed tests for rejecting the parachutes and in delaying the decision for repairing/modifying the parachutes. While observing that the entire amount of Rs. 89.97 lakhs spent on the import of these parachutes had remained infructuous, the Committee had recommended that with a view to salvaging whatever remains of the shelf life of those parachutes, immediate steps should be taken to carry out the proposed repairs in those parachutes and subject them to necessary tests to determine the serviceability of both main reserve parachutes. They had also recommended that effective steps should also be taken to recover the compensation due from the firm expeditiously.

1.7 The Committee note that subsequent to presentation of their Report, necessary repairs have now been completed and the parachutes were presently in use for routine training jumps (Reference—Ministry of Defence Communication dated 9 December, 1993). As regards compensation, the Committee have been informed that the matter has since been finalised and M/s. Golden Bell have remitted US \$ 35108 by cheque, in full and final settlement of the Ministry's claim for compensation. The Committee have also been informed that the need for review of existing procedures regarding inventory/logistical management etc. have been taken up by the Ministry with the Army Headquarters (being separately dealt with subsequently).

Procurement of French Parachutes

(Sl. Nos. 10 & 11—Paras 76 & 77)

1.8 As per the terms of the contract entered into with M/s. Aerazur, France on 30 December, 1985 the French main parachutes were to be new

with a shelf life of 120 descents or 15 years of shelf and the reserve were to be from the used lot but with a shelf life of 10 years. However, it was observed that though the main parachutes actually supplied were of 1983-84 manufacture, the reserve parachutes supplied by the foreign firm were of 1957-59 manufacture and had outlived their shelf life even at time of receiving the supplies and were unfit for use. In this connection, the Committee in paragraph 77 and 76 of the Report had observed/recommended:

Para 77

“The Committee find that based on the inspection carried out in March, 1986, DGQA had rejected the entire lot of the reserve parachutes as they were of 1957-59 vintage and below specification. They regret to note that instead of adhering to this stand the Government entered into a tacit understanding with the French Government in December, 1986 to get the damaged reserve parachutes as well as those found defective in dummy drop trials replaced and released the performance guarantee even before obtaining the replacement of heavily damaged parachutes or satisfying themselves as regards others by conducting the dummy drops. What is worse is, that the Government compromised there when they decided that as the reserved parachutes would be kept as a general staff reserve to be fit for only one time use.”

Para 76

“To enable replacement of damaged items an inspection team was detailed in March, 1991 as requested by the DGQA and inspection of 397 reserve parachutes was carried out between 25 June, 1991, to 18 August, 1991. Of these only 12 parachutes were declared repairable, the rest were declared unserviceable giving a serviceability state of 3 per cent only. The DGQA based on their inspection of 397 parachutes has now declared the entire reserve stock as unserviceable. The above abundantly prove that the entire expenditure of Rs. 7.16 crores incurred on the contract entered into with the French firm for man dropping parachutes for meeting the operational requirements of the Army has proved to be infructuous. The Committee desire that the matter should be fully investigated and responsibility fixed for having accepted used parachutes that had outlived their shelf life and were found to be below specifications as pointed out by the DGQA.”

1.9 In their action taken notes on the above mentioned recommendations the Ministry of Defence *inter-alia* stated as under:

“Instructions have been issued to the COAS vide MOD I.D. No. 4037/Def.Secy./92 dated 3rd May, 1992. The matter is being accordingly investigated.”

1.10 A contract for the purchase of 2500 parachutes was concluded with M/s. Aerazur, France on 30 December, 1985 at a total cost of Rs. 7.16 crores for meeting immediate operational requirements. According to the contract, the French main parachutes were to be new with a shelf life of 120 descents or 15 years of shelf and the reserve were to be from the used lot but with a shelf life of 10 years. In their earlier report, the Committee had noted with concern that though the main parachutes actually supplied were of 1983-84 manufacture, the reserve parachutes supplied by the foreign firm were of 1957-59 manufacture and had outlived their shelf life even at the time of receiving the supplies and were unfit for use. The Committee had found that based on the inspection carried out in March, 1986, Director General Quality Assurance (DGQA) had rejected the entire lot of the reserve parachutes on the ground that these had outlived their shelf life and were below specifications. The Committee had regretted the fact that instead of rejecting the reserve parachutes outrightly the Government entered into a tacit understanding with the French Government to get the damaged reserve parachutes as well as those found defective in dummy drop trials replaced and released the performance guarantee even before obtaining the replacement of heavily damaged parachutes or Satisfying themselves as regards others by conducting the dummy drops. Further, the Committee were unhappy over the compromising decision of the Government that the reserve parachutes would be kept as a general staff reserve to be fit for only one time use. Subsequently based on their inspection of 397 reserve parachutes for assessing their serviceability, DGQA had also declared the entire reserve stock as unserviceable. Considering the entire expenditure of Rs. 7.16 crores incurred on the import of French Parachutes as infructuous, the Committee, in their earlier Report had *inter-alia* recommended that the matter should be fully investigated and responsibility fixed for having accepted used parachutes that had outlived their shelf-life and were found to be below specifications. The Ministry of Defence have in their action taken note merely stated that in pursuance of the recommendation of the Committee, they have issued instructions to Chief of Army Staff and the matter is being investigated. The action taken note is completely silent about the nature of the inquiry and its present stage. Evidently, no tangible progress has been made in the process of investigation even though more than one and half years have elapsed since the presentation of the original Report of the Committee which is indicative of the lack of seriousness on the part of authorities concerned in punishing the guilty. The Committee take a serious view about the delay in the investigation and desire that it should be completed expeditiously and the responsibility fixed. The Committee would like to be informed of the conclusive action taken in the matter within a period of six months.

Review of procedures regarding inventory/logistical management

(Sl. No. 13 — Para 79)

1.11 In the light of the examination of the two cases involving procurement of defective imported parachutes, the Committee in Para 79 of the Report had observed as follows:

“Both these cases clearly are a sad commentary on the working of the Ministry of Defence in meeting the operational requirements of the Army. Parliament has been very generous in granting funds for defence needs but at the same time it expects that these funds are utilised most judiciously, a timely assessment of operational requirements are made and general staff reserves maintained as per the accepted norms. If these reserves had been maintained, the Government would not have found it essential to go in for foreign contracts at such short notice and receive parachutes of sub-standard quality and not as per specifications thereby jeopardising the safety factor of the Army had a real operational emergency occurred. Unfortunately, such a prudence on the part of the concerned authorities is entirely conspicuous by its absence in the execution of both the contracts. The Committee cannot but deplore such a situation and believe that learning from this experience, the Government will take all the necessary remedial and preventive steps to obviate the chances of such recurrence in future. The Committee would like to be apprised of the detailed steps taken in this regard within a period of six months.”

1.12 The Ministry of Defence in their action taken note stated:

“Remedial action in the form of placement of indent of man-dropping parachutes to obviate the need for any sudden imports has been taken. A plan for the placement of indents upto 1996 is also under finalisation. The AHQ have been addressed vide Defence Secy's note No. 4037/Def. Secy/92 dt. 3.5.92 for taking a detailed look at the procedures in regard to the logistics and inventory management of the Army.”

1.13 In respect of the plan for procurement of parachutes Ministry in a communication dated 9 December, 1993 stated:

“A comprehensive plan to meet future requirements of man carrying parachutes till the year 2003 has been prepared and finalised. Indents are being placed for procurement of parachutes as per this plan.”

1.14 The Committee note that in pursuance of their recommendation the Ministry of Defence have initiated remedial action in the form of placement of indent of man-dropping parachutes to obviate the need for any sudden imports. According to the Ministry, a comprehensive plan has now been

prepared and finalised to meet future requirements of man carrying parachutes till the year 2003 and indents were being placed for procurement of parachutes as per the said plan. Further, in the light of the sad experience in the cases under examination, the Defence Secretary has addressed a communication on 3 May, 1992 for taking a detailed review of the procedures in regard to the logistics and inventory management of the Army. The Committee desire that the Ministry of Defence should keep a close and continuous watch in the matter so that the type of cases under examination do not occur again. The Committee would also like to be informed of the follow-up action taken on Defence Secretary's communication for the detailed review of the inventory/logistical management systems/procedures obtaining in the Army Headquarters.

CHAPTER II

RECOMMENDATIONS AND OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

A set of man-dropping parachutes consists of one main and one reserve. The reserve parachute fitted with the main parachute enables the para trooper to switch over to the former in the event of failure of the latter. The normal life of a parachute is ten years or 100 drops whichever is earlier. On 11 December 1985, the Army projected a total requirement of 6100 sets of parachutes indicating that there was stock of 2712 sets of parachutes with them and that the balance of 3400 sets were required to be procured immediately. Man dropping parachutes are manufactured in India only in the Ordnance Factory, Kanpur. The Department of Defence production had then confirmed that this Factory could not supply 3400 parachutes within the time frame indicated by the Army. According to the prescribed procedure, open tender enquiry procedure is required to be adopted ordinarily in all cases where the estimated value of the indents exceeds Rs. 5 lakhs and in cases of urgency where all the likely sources of supply are known or for any other special reason, this procedure may be waived upto a maximum of Rs. 50 lakhs. But in view of the extreme operational urgency, approval of the then Rajya Raksha Mantri and Finance Minister were obtained to make a emergency procurement without following the open tender procedure. The Committee are surprised to find that no action was taken by the Ministry to initiate action well in time to procure parachutes needed for operational requirement and the stock was allowed to be depleted to such an extent as to create a situation of going for emergency procurement of parachutes from abroad in relaxation of the prescribed procedure. Evidently proper planning for even meeting ordinary requirements did not seem to exist and this requires to be seriously looked into and set right. In view of the operational requirement only limited enquiries were made from our Military Missions in five Countries. As a result of these enquiries only two firms viz. (i) M/s Golden Bell, South Korea and (ii) M/s Aerazur, France had responded to meet the requirements. The Army Headquarters had trial evaluated 12 sets of parachutes from each of the responding firms and had informed the Ministry of Defence that the equipment offered by the two firms had been found suitable and accordingly recommended that the equipment be

procured from these two firms. In December, 1985, the following two contracts for procurement of parachutes were concluded—

- (a) M/s Golden Bell, South Korea — For 900 sets of parachutes.
- (b) M/s Aerazur, France — For 2500 sets of parachutes.

M/s. Aerazur, France are the manufacturers of the parachutes. However, M/s. Golden Bell, Korea, were the authorised marketing organisation of M/s. Korean Security Parachute Co. Ltd., a manufacturer of parachutes. A letter of authorisation was obtained from M/s. Korean Security Parachute Co. Ltd. before the commencement of negotiations. As the facts narrated in the succeeding paragraphs would reveal the execution of both these contracts has been very dismal.

[Sl. No.1 (Para 67) of Appendix II, to Twenty-Seventh Report of PAC (10th Lok Sabha)].

Action Taken

The AHQ had placed order for 1520 mandropping parachutes in June 79 on the Ordnance Parachute Factory, Kanpur. Of these, 250 parachutes were outstanding till 1985. As brought out in the earlier replies, the non-availability of nylon for PTR (M), ex.import, was responsible for the non implementation of the indent by the Ordnance Factory. Mandropping Parachutes already stood covered under the Annual Provision Reviews before 1985. The steps involved in the Annual Provision Review are:-

- (i) A review of the stock already held against the requirement;
- (ii) The calculation of the anticipated deficit inclusive of the wastage rate; and
- (iii) Projection of requirement based on the deficit worked out. Based on the APR then carried out, 2900 Nos. of Mandropping Parachutes were cleared for placement of order, in December 1985. This indent had, however, to be withdrawn in view of the emergent requirement which arose in Jan 1986, necessitating an import of 3400 parachutes. In order to avoid such sudden purchases, in the face of arising emergent situations, in future, the AHQ have placed an indent for 2000 mandropping parachutes (man) & 1000 (reserve) on Ordnance Parachute Factory, Kanpur. A plan for future requirements and indents upto 1996 is under finalization.

[Ministry of Defence O.M. No 12(1)92/D(GS-IV)dt.28-1-1993.]

Recommendation

On communicating the views of the Director General (Inspection) recommending rejection on account of failure in proof load test, the Korean firm in July, 1986, offered two alternatives, viz. to replace the defective components with new ones' of US origin or to compensate an amount of US\$ 35108 for acceptance of the defects without repair/

rectification "as a good will gesture". On 30.7.1986, DGI recommended the acceptance of the first alternative suggested by the firm on the following conditions:

(i) The replacement of Canopy Rigging Lines (CRLs) was acceptable on the ground that this would result in shortening of rigging lines only by 3"-4" and this would not affect the serviceability of the parachutes.

(ii) The supplier should rectify 20 parachutes in regard to a snap hook with safety pin and send the rectified parachutes for dummy drop trials.

(iii) The Korean firm should be asked to send the entire quantity of metal components for proof load test.

The firm intimated on 5.8.1986 that they would replace the CRLs and that their repair team would come to India for complete replacement of CRLs. The firm also agreed to DGI requirement of conducting dummy drop trials. For the balance, financial compensation of US\$ 26,576 was offered. The Committee are deeply distressed to note that subsequently for a very long period of about two and a half year from September, 1986 to February 1989, the matter regarding replacement and repair of the defective parachutes remained under correspondence between Army Headquarters, DGI, Ministry and the firm, particularly, when the import of parachutes were resorted to, to meet the immediate operational requirements of the Army. No immediate action either to claim full compensation from the firm or to work out the cost of repair to ensure that the cost compensation offered towards repairs would be adequate was taken by the Army Headquarters.

[Sl. No.5, (Para 71) of Appendix II, to Twenty-Seventh Report of PAC (10th Lok Sabha)].

Action Taken

The MOD have already submitted available correspondence exchanged with M/s Golden Bell Trading Co. Ltd between July 86 and Sept.89 to the PAC. The correspondence would reveal that as late as Sept.88, attempts were being made to obtain replacements for defective components. It was only on 22nd Sept. 88 that M/s Golden Bell intimated their inability to make supplies and offered compensation instead, Min. of Defence continued to insist on the replacement of defective components. It was only after M/s Golden Bell categorically closed this alternative through their correspondence of April 89 that MOD was constrained to examine the acceptability of the compensation offered. The matter has since been finalised and M/s Golden Bell have remitted US\$ 35108 by cheque, in full and final settlement of MOD's claim for compensation.

[Min. of Defence O.M. No. 12(1)92/D(GS-IV) dt.28-1-1993]

Recommendation

Eventually, in March 1989 the firm expressed its inability to replace the defective components as they did not have the technical ability for it on account of their sub-contractor having become bankrupt. The firm also sought exemption from the warranty obligation by suggesting payment of compensation of US \$ 33,652 as compared to US\$ 35,108 proposed earlier. The offer of compensation was reduced from US\$ 35,108 to US\$ 33,652 on account of reduction in the size of the Technical Team and the reduced duration of their stay in India. The Ministry informed Audit in October, 1990 that the main parachutes have been found acceptable subject to replacement of CRLs to be done at Ordnance Factory, Kanpur and the reserve parachutes should be accepted as the extent of failure were within safety limits. The Committee are deeply concerned to note that since then there has virtually been no progress in the matter of carrying out repairs in the defective parachutes. The compensation of US \$ 33,652 from the firm is also yet to be recovered. It is disquieting that the entire batch of 900 parachutes imported in January, 1986 at a cost of Rs. 89.97 lakhs for meeting the operational requirements of the Army in relaxation of the prescribed procedure have remained in a defective state since then and could not at all be utilised so far, defeating the very purpose of placing an import order on the plea of meeting an immediate operational requirements. On the contrary, the entire lot of 900 parachutes has been allowed to remain dumped up unused for a period of more than 6 years which must have substantially reduced their normal useful life of ten years. The Committee cannot but conclude that the entire expenditure of Rs. 89.97 lakhs has proved to be infructuous. With a view to salvage whatever remains of the shelf life of these parachutes, the Committee recommended that immediate steps should be taken to carry out the proposed repairs in these parachutes and then subject them to the necessary tests to determine the service-ability of both main and reserve parachutes. Effective steps should also be taken to recover the compensation due from the firm expeditiously.

[Sl. No. 6, (Para 72) of Appendix II, to Twenty-Seventh Report of PAC
(10th Lok Sabha)]

Action Taken

Repair of the parachutes could not be undertaken because certain technical specifications/documentation were not supplied by the manufacturing Co. being treated as trade secrets. In the absence of these the Ordnance Parachutes Factory was unable to carry out repairs. The detailed specifications are now being formulated by DGQA by carrying out extensive tests and evaluation. Repairs will be possible once these have been formulated. These parachutes, in the meanwhile, have been modified in consultation with R&D Ordnance (ADR & DE) and have been subjected to trial descents by a trial team for determining the residual life

and utilisation. On the basis of these trials, the parachutes have been cleared for 25 descents as on 29 Oct.92. M/s Golden Bell have since remitted US \$ 35108 as compensation for the defective parachutes.

[Min. of Defence O.M. No. 12(1)92/D(GS-IV) dt.28-1-1993.]

Recommendation

Another contract for the purchase of 2500 parachutes was concluded with M/s. Aerazur, France on December, 1985 at a total cost of Rs. 7.16 crores. According to the contract, the French main parachutes were to be new with a shelf life of 120 descents or 15 years on shelf and the reserve were to be from the used lot but with a shelf life of 10 years. The facts stated in the succeeding paragraphs depict a very dismal picture about the execution of this contract also.

[Sl. No. 7, (Para 73) of Appendix II, to Twenty-Seventh Report of PAC
(10th Lok Sabha)]

Action Taken

No Comments, being factual.

[Min. of Defence O.M. No. 12 (1) 92/D (GS-IV) dt. 28.1.1993.]

Recommendation

The Committee are concerned to note that though the main parachutes actually supplied were of 1983-84 manufacture, the reserve parachutes were of 1957-59 manufacture and had outlived their shelf life even at the time of receiving the supplies and thus were not fit for use. In March, 1986, DGQA inspected 5% of these parachutes (125 Nos.) and rejected the reserves on the ground that these had outlived their shelf life being of 1957-59 vintage and were below specifications. On enquiry, the French firm clarified that the reserve parachutes had been stores in vacuum containers and, as called for by DGQA, furnished a certificate that these parachutes had been stores for possible future use with no prior storage duration limit. Based on this, the French Government was informed about acceptance of the parachutes and the performance guarantee was released in December 1986 with a tacit understanding that the firm will—

(a) Supply free of charge components for repairs of the reserve parachutes for 10 years.

(b) Replace free of charge all blood stained canopies (later found discolouration was due to ageing of cloth) and 50 reserved parachutes chosen by DGQA from amongst the heavily damaged ones.

(c) Replace all parachutes found defective in dummy drops.

[Sl. No. 8, (Para 74) of Appendix II, to Twenty-Seventh Report of PAC
(10th Lok Sabha)]

Action Taken

No Comments, being factual.

[Min. of Defence O.M. No. 12 (1) 92/D (GS-IV) dt. 28.1.1993.]

Recommendation

The French firm initially replaced 50 reserve parachutes. Based on random selection, DGQA then recommended dummy drops trials of a percentage of reserve parachutes. During trials at Agra in September, 1987, 25 reserve parachutes were dropped of which 17 suffered extensive damage. Consequent to these trials the entire lot of 2500 reserves were declared unserviceable and the Ministry of Defence wrote to the French firm for replacement of the entire lot of reserve parachutes or refund of entire value of money. The French firm in a letter dated 17.11.1987 replied that as per contractual obligations they would provide free of charge necessary spares to repair the used ones, whenever they are damaged. During trials of 290 reserve parachutes to Para Holding Wing during March-April, 1988, 80 reserve parachutes got damaged and as a result the trials were stopped. In the meantime, the French representative indicated that it was not possible to replace all the 2500 reserve parachutes as the contract provided for import of used ones but an accepted parameter for testing them in terms of a specific descent rate may be adopted and parachutes not satisfying this requirement will be replaced. Accordingly a demonstration jump was arranged at Agra in October, 1989 in the presence of the representatives of the French firm, the Army Headquarters and the DGQA. 4 reserve parachutes of 1956 vintage were selected alongwith one new parachute. The descent rate of all parachutes varied between 21 feet per second to 22 feet per second. According to the Ministry, this was within acceptable limit. As reserve parachutes are stated to be used in emergency, it was agreed that the parachutes would be able to sustain one emergency drop. The Chief of the Army Staff decided that the entire lot would be kept as a general staff reserve to be fit for one time use.

[Sl. No. 9, (Para 75) of Appendix II, Para 75 to Twenty-Seventh Report of PAC (10th Lok Sabha)].

Action Taken

No comments, being factual.

[Min. of Defence O.M. No. 12(1)92/D(GS-IV) dt. 28-1-1993]

Recommendation

- The Committee are of the opinion that keeping in view the supply of sub-standard material by both the firms, necessary action against them under the penalty clauses in the contracts should have been taken for otherwise it negates the very logic of insertion of such a clause. In reply to a specific query as to why no action was taken against the firm for supply of substandard material under the penalty clause in the contract, the Defence Secretary stated "Definitely such a clause is there. Since we insisted on immediate supply they did us a favour by sending the materials out of their operational stocks which were with the units and formations of their services. Then, naturally the question of very strict and rigid and hundred per cent adherence to our own criteria to the material supplied was not there". The Committee are unable to agree with the view point.

[Sl. No 12, (Para 78) of Appendix II, to Twenty-Seventh Report of PAC (10th Lok Sabha)]

Action Taken

The Committee's observations have been noted for the future.

[Min. of Defence O.M. No. 12(1)92/D(GS-IV) dt. 28-1-1993]

Recommendation

Both these clearly are a sad commentary on the working of the Ministry of Defence in meeting the operational requirements of the Army. Parliament has been very generous in granting funds for defence needs but at the same time it expects that these funds are utilised most judiciously, a timely assessment of operational requirements are made and general staff reserves maintained as per the accepted norms. If these reserves had been maintained, the Government would not have found it essential to go in for foreign contracts at such short notice and receive parachutes of sub-standard quality and not as per specifications thereby jeopardising the safety factor of the Army had a real operational emergency occurred. Unfortunately, such a prudence on the part of the concerned authorities is entirely conspicuous by its absence in the execution of both the contracts. The Committee cannot but deplore such a situation and believe that learning from this experience, the Government will take all the necessary remedial and preventive steps to obviate the chances of such recurrence in future. The Committee would like to be apprised of the detailed steps taken in this regard within a period of six months.

[Sl. No. 13, (Para 79) of Appendix II, to Twenty-Seventh Report of PAC (10th Lok Sabha)]

Action Taken

Remedial action in the form of placement of indent of man-dropping parachutes to obviate the need for any sudden imports has been taken. A plan for the placement of indents upto 1996 is also under finalisation. The

AHQ have been addressed *vide* Defence Secy's note no. 4037/Def. Secy./92 dt. 3-5-92 for taking a detailed look at the procedures in regard to the logistics and inventory management of the Army.

[Min. of Defence O.M. No. 12(1)92/D(GS-IV) dt. 28-1-1993]

Recommendation

Man dropping parachutes are manufactured in India only in the Ordnance Factory, Kanpur. The Department of Defence Production had then confirmed that this factory could not supply 3400 parachutes within the time frame indicated by the Army. The total capacity of this factory for such parachutes was 1000 (new and repaired) till October, 1989, which was enhanced to 3000 thereafter. The Committee are unhappy to note that the factory failed to fully execute the order for the manufacture of 1520 parachutes placed by the Army on it in June, 1979 till October 1985, as on that date 250 parachutes were still outstanding against this order. The Committee recommend close monitoring of the performance of this factory alongwith follow-up measures required immediately to ensure its optimum production in accordance with the rated capacity.

[Sl. No. 14 (Para 80) of Appendix II, to Twenty-Seventh Report of PAC
(10th Lok Sabha)]

Action Taken

The observations of the PAC have been noted. The Department of Defence Production & Supplies have advised Addl. DGOF, Ordnance Equipment Factories Group Hqrs., Kanpur to monitor the performance of the Ordnance Parachute Factory, Kanpur, on a monthly basis, especially in regard to the manufacture of the mandropping parachutes (new and repairs) and to send a report in this regard to this Deptt. by the first week of every month bringing out bottlenecks, if any, in respect of the availability of indents, basic fabrics, etc. *vide* this Ministry's D.O. Letter no. 9(2)90/D (Proj-II) dt. 1-6-1992 (copy not enclosed).

[Min. of Defence O.M. No. 12(1)92/D(GS-IV) dt. 28-1-1993.]

CHAPTER III

RECOMMENDATIONS AND OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES RECEIVED FROM GOVERNMENT

Recommendation

In December, 1985, the Ministry of Defence concluded a contract with M/s Golden Bell, South Korea for procurement of 900 sets of parachutes at Rs. 89.97 lakhs. The contract provided for a joint inspection of the parachutes by the purchaser and the supplier on arrival in India. Those found defective were to be replaced/repaired free of cost including freight charges within a period of two months from such arrival. The warranty for the parachutes was applicable for hundred descents or a shelf-life of ten years, whichever is earlier. The 900 parachutes were imported in January 1986. The Committee are concerned to note that a joint inspection within a period of two months as stipulated in the contract could not be conducted because the log books, technical manuals and inspection schedule were not received alongwith the consignment. In the absence of these particulars it was not found possible to ascertain the date of manufacture or the state of serviceability. Further, some of the reserve parachutes had been withdrawn from user units of the foreign country and the company's representative was not aware of any technical detail of the parachutes. The Committee are unhappy over the fact that keeping in view the operational requirements of the Army for the parachutes, the concerned authorities in the Ministry failed to take timely steps to ensure that all the necessary documents accompanies the consignment so that the equipment could be subjected to joint inspection within the prescribed period of two months of its arrival in India.

[Sl. No. 2 (Para 68) of Appendix II, Para 68 to Twenty-Seventh Report of PAC (10th Lok Sabha)]

Action Taken

As soon as it was realised that the parachutes were without Log Book, Technical Manual and Inspection Schedule, the firm was addressed to supply these so that a meaningful joint inspection could take place. The delay in sending these was not on account of the lack of effort on the part of the Min. of Defence but because of belated action by the firm. In any

case, the delay did not affect the contract as the Koreans themselves agreed to the Joint Inspection in June 86 and accepted their contractual liabilities.

[Ministry of Defence O.M. No. 12(1)92/D(GS-IV) dt. 28-1-1993.]

Recommendation

The Committee note that the laboratory test on sample basis conducted on the Korean parachutes by Director General of Inspection (DGI) in March 1986 revealed failures in metal components and deficiencies in breaking strength of pack inner, harness material etc. The parachutes both main and reserve were recommended for rejection. The parachutes were however not returned to the supplier for replacement as the users considered that since inspection was done by DGI, as per inspection standards laid down for parachutes manufactured by our Ordnance Factory, a fresh inspection should be done on the basis of the inspection criteria/standards laid down by the foreign manufacturer. The joint inspection conducted in June, 1986, in the presence of the firm's representatives indicated similar defects in the parachutes and these again failed in proof-load test and were therefore again recommended for rejection. Unfortunately, the parachutes were not rejected even at this stage inspite of the fact that the parachutes had failed in both the test and inspection conducted in March and June, 1986 respectively.

[Sl. No. 3, (Para 69) of Appendix II, to Twenty-Seventh Report of PAC
(10th Lok Sabha)]

Action Taken

The decision to import Parachutes was taken after 12 sets of Parachutes were trial evaluated through live descent. This trial evaluation involved the subjection of the Parachutes to jump under operational conditions. In the jumps, the parachutes were found acceptable by the Users. Defects in certain components became evident only in subsequent DGI inspections. Since the defects were in relation to standards/criteria used by the DGI, and did not materially affect the operational capability of the equipment based on User trials under actual conditions, the AHQ decided to retain the Parachutes for 'one-time' operational use. It is pertinent to state that a large percentage of the inventory held by the Army in the areas of ammunition, missiles, paradrop equipment etc. is for one time operational use. Hence, the decision not to reject the Parachutes altogether needs to be seen in the context of the Users' assessment that notwithstanding the defects in relation to standards/criteria adopted by the Inspection Agency, the equipment can be used for operational purposes, without endangering the safety of the troops. Such a decision was taken at the highest level in the Army HQ after thorough consideration of the risks involved.

[Ministry of Defence O.M. No. 12(1)92/D(GS-IV) dt. 28-1-1993.]

Recommendation

► As regards the reasons for it the Ministry pleaded that when the question of inspection and quality of parachutes was discussed in the Ministry of Defence on 16th May, 1986, the Army Headquarters stated that in so far as they were concerned, the parachutes supplied by the Korean firm were according to specifications and were acceptable to the users. However, the rejection of the parachute, by the DGI was communicated to the Supplier. The Committee are unable to appreciate the stand of the Army Headquarters, when DGI after conducting the laboratory test, recommended their rejection. The Committee strongly disapprove the attitude adopted by the Army Headquarters in the matter of meeting the operational requirements of the Army and would like to be informed of the basis on which these were considered to be acceptable to the users.

[Sl. No. 4, (Para 70) of Appendix II, to Twenty-Seventh Report of PAC (10th Lok Sabha)]

Action Taken

As explained in the earlier reply, the mandropping Parachutes were accepted after they were found suitable in live descents carried out with 12 sets of Parachutes. It has also been explained that these were required for an immediate operational use. It would be appreciated that for the User, live trials under actual conditions, carry greater significance than laboratory tests, particularly when operational contingencies are involved. It is pertinent to state that the AHQ has recently carried out extensive live trials on the same parachutes and, on the basis of these trials, approved the parachutes for as many as twenty five descents. This reinforces the AHQ's assessment at that point of time that the said parachutes were acceptable even after taking into account their failure during the laboratory tests conducted by the DGI. Moreover, some of the reserves were withdrawn from the Korean Army stocks. These parachutes and the reserves were of the same specification as those in use in the Korean Army, and were not substandard stuff supplied to the Indian Army.

[Ministry of Defence O.M. No. 12(1)92/D(GS-IV) dt. 28-1-1993.]

CHAPTER IV

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

Recommendation

To enable replacement of damaged items an inspection team was detailed in March, 1991 as requested by the DGQA and inspection of 397 reserve parachutes was carried out between 25 June, 1991, to 18 August, 1991. Of these only 12 parachutes were declared repairable, the rest were declared unserviceable giving a serviceability state of 3 per cent only. The GDQA based on their inspection of 397 parachutes has now declared the entire reserve stock as unserviceable. The above abundantly prove that the entire expenditure of Rs. 7.16 crores incurred on the contract entered into with the french firm for man dropping parachutes for meeting the operational requirements of the Army has proved to be infructuous. The Committee desire that the matter should be fully investigated and responsibility fixed for having accepted used parachutes that had outlived their shelf life and were found to be below specifications as pointed out by the DGQA.

[Sl. No. 10 (Para 76) of Appendix II, to Twenty-Seventh Report of PAC) (10th Lok Sabha.)]

Action Taken

Instructions have been issued to the COAS *vide* MOD I.D. No. 4037/Def. Secy/92 dt. 3rd May, 1992 (copy not enclosed). The matter is being accordingly investigated.

[Min. of Defence O.M. No. 12(1)92/D(GS-IV) dt. 28-1-1993.]

Recommendation

The Committee find that based on the inspection carried out in March, 1986, DGQA had rejected the entire lot of the reserve parachutes as they were of 1957—59 vintage and below specification. They regret to note that instead of adhering to this stand the Government entered into a tacit understanding with the French Government in December, 1986 to get the damaged reserved parachutes as well as those found defective in dummy drop trials replaced and released the performance guarantee even before obtaining the replacement of heavily damaged parachutes or satisfying

themselves as regards others by conducting the dummy drops what is worse is that the Government compromised further when they decided that as the reserved parachutes would be kept as a general staff reserve to be fit for only one time use.

[Sl. No. 11 (Para 77) of Appendix II, to Twenty-Seventh Report of PAC) (10th Lok Sabha.)]

Action Taken

The reasons for the acceptance of Parachutes have already been elaborate earlier.

[Min. of Defence O.M. No. 12(1)92/D(GS-IV) dt. 28-1-1993.]

CHAPTER V

**RECOMMENDATIONS AND OBSERVATIONS IN RESPECT OF
WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES**

-NIL-

NEW DELHI;
14 February, 1994

Magha, 1915 (Saka)

BHAGWAN SHANKAR RAWAT,
Chairman,
Public Accounts Committee.

PART II

MINUTES OF THE 18TH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON 24 JANUARY, 1994

The Committee sat from 1500 hrs. to 1600 hrs. on 24 January, 1994 in Room No. 53, Parliament House.

PRESENT

Chairman

Shri Bhagwan Shankar Rawat

MEMBERS

2. Shri Nirmal Kanti Chatterjee
3. Dr. K.V.R. Chowdary
4. Shri Sharad Dighe
5. Shri Jagat Veer Singh Drona
6. Shri Motilal Singh
7. Shri S. B. Thorat
8. Shri Satya Pal Singh Yadav
9. Shri S. S. Ahluwalia
10. Shri Anant Ram Jaiswal
11. Shri Viren J. Shah

LOK SABHA SECRETARIAT

1. Shri S. C. Gupta — *Joint Secretary*
2. Shri P. Sreedharan — *Under Secretary*

REPRESENTATIVES OF AUDIT

1. Shri S. H. Manghani, — Addl. Dy. C&AG
2. Shri K. Muthukumar — Director General of Audit (CR)
3. Shri Vikram Chandra — Pr. Director, Reports (Central)
4. Shri K. S. Manon — Pr. Director (Air Force & Navy)
5. Smt. Divya Malhotra — Dy. Director of Audit (AF&N)
6. Shri P. S. Diwan — Dy. Director of Audit (Defence Services)

2. The Committee considered the following draft Reports and adopted

the same subject to certain modifications and amendments as shown in Annexures I*, II* and III respectively:

3. The Committee authorised the Chairman to finalise these draft reports in the light of other verbal and consequential changes suggested by some Members and also those arising out of factual verification by Audit and present the same to Parliament.

The Committee then adjourned.

ANNEXURE III

Amendments/Modifications made by the Public Accounts committee in their draft Report on Action taken on 27th Report (10th Lok Sabha) Relating to Procurement of Defective Imported Parachutes

Page	Para	Line	Amendments/Modifications
7	1.10	22	<i>Substitute 'deplore' by "take a serious view about"</i>

APPENDIX

Conclusions/Recommendations

Sl. No.	Para No	Ministry/ Deptt. Concerned	Recommendations/Conclusions
1	2	3	4
1	1.10	Ministry of Defence	<p>A contract for the purchase of 2500 parachutes was concluded with M/s. Aerazur, France on 30 December, 1985 at a total cost of Rs. 7.16 crores for meeting immediate operational requirements. According to the contract, the French main parachutes were to be new with a shelf life of 120 descents or 15 years of shelf and the reserve were to be from the used lot but with a shelf life of 10 years. In their earlier report, the Committee had noted with concern that though the main parachutes actually supplied were of 1983-84 manufacture, the reserve parachutes supplied by the foreign firm were of 1957-59 manufacture and had outlived their shelf life even at the time of receiving the supplies and were unfit for use. The Committee had found that based on the inspection carried out in March, 1986, Director General, Quality Assurance (DGQA) had rejected the entire lot of the reserve parachutes on the ground that these had outlived their shelf life and were below specifications. The Committee had regretted the fact that instead of rejecting the reserve parachutes outrightly the Government entered into a tacit understanding with the French Government to get the damaged reserve parachutes as well as those found defective in dummy drop trials replaced and released the performance guarantee even before obtaining the replacement of heavily damaged parachutes or satisfying themselves as regards others by conducting the dummy drops. Further, the Committee were unhappy over the compromising decision of the Government that the reserve parachutes would be kept as a general staff reserve to be fit for only one time use. Subsequently</p>

1	2	3	4
2	1.14	Ministry of Defence	<p>based on their inspection of 397 reserve parachutes for assessing their serviceability, DGQA had also declared the entire reserve stock as unserviceable. Considering the entire expenditure of Rs. 7.16 crores incurred on the import of French Parachutes as infructuous, the Committee, in their earlier Report had <i>inter-alia</i> recommended that the matter should be fully investigated and responsibility fixed for having accepted used parachutes that had outlived their shelf-life and were found to be below specifications. The Ministry of Defence have in their action taken note merely stated that in pursuance of the recommendation of the Committee, they have issued instructions to Chief of Army Staff and the matter is being investigated. The action taken note is completely silent about the nature of the inquiry and its present stage. Evidently, no tangible progress has been made in the process of investigation even though more than one and half years have elapsed since the presentation of the original Report of the Committee which is indicative of the lack of seriousness on the part of authorities concerned in punishing the guilty. The Committee deplore the delay in the investigation and desire that it should be completed expeditiously and the responsibility fixed. The Committee would like to be informed of the conclusive action taken in the matter within a period of six months.</p> <p>The Committee note that in pursuance of their recommendation the Ministry of Defence have initiated remedial action in the form of placement of indent of man-dropping parachutes to obviate the need for any sudden imports. According to the Ministry, a comprehensive plan has now been prepared and finalised to meet future requirements of man carrying parachutes till the year 2003 and indents were being placed for procurement of parachutes as per the said plan. Further, in the light of the sad experience in the cases under examination, the Defence Secretary has addressed a communication on 3 May, 1992 for taking a detailed review of the procedures in regard to the logistics and inventory management of the Army. The</p>

1**2****3****4**

Committee desire that the Ministry of Defence should keep a close and continuous watch in the matter so that the type of cases under examination do not occur again. The Committee would also like to be informed of the follow-up action taken on Defence Secretary's communication for the detailed review of the inventory/logistical management systems/procedures obtaining in the Army Headquarters.