

SIXTY-SIXTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(1981-82)

(SEVENTH LOK SABHA)

**REDUNDANCY IN MATERIALS PROCURED
FOR THE MANUFACTURE OF AN AIRCRAFT**

MINISTRY OF DEFENCE



Presented in Lok Sabha on :

Laid in Rajya Sabha on :

LOK SABHA SECRETARIAT
NEW DELHI

December, 1981/Agrahayana, 1903 (Saka)

Price : Rs. 1.60

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PART-II

Minutes of the sitting of the
Public Accounts Committee
held on 10 December, 1981.

PUBLIC ACCOUNTS COMMITTEE

(1981-82)

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INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Sixty-sixth Report on Paragraph 37 of the Report of the Comptroller and Auditor General of India for the year 1978-79, Union Government (Defence Services) on redundancy in materials for the manufacture of an aircraft.

2. The Report of the Comptroller and Auditor General of India for the year 1978-79, Union Government (Defence Services) was laid on the Table of the House on 26 March, 1980. The Committee considered and finalised the Report at their sitting held on 10 December, 1981. Minutes of the sitting form part II of the Report.

3. The Committee have *inter-alia* emphasized the need for preparing a realistic re-equipment plan for the Air Force so that the designing and production facilities built up in HAL can be put to optimum use.

4. 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 II 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 assistance rendered to them in the matter by the officer of the Comptroller and Auditor General of India.

6. The Committee would also like to express their thanks to the Officers of the Ministry of Defence for the co-operation extended by them in giving information to the Committee.

SATISH AGARWAL

NEW DELHI;
December 15, 1981
Agrahayana 24, 1903 (S).

Chairman
Public Account Committee.

REPORT

1.1. The Audit Paragraph 37 of the Report of the Comptroller and Auditor General of India for the year 1978-79, Union Government Offence Services on which this Report is based appears in Appendix I of this Report.

1.2. The Audit Paragraph points out that in October 1969, Government entered into an agreement with a foreign supplier for transfer to Government of licence and technical documentation for the manufacture of a certain number of aircraft 'A' for the Air Force on payment of a licence fee of Rs. 5 crores in five equal annual instalments (plus interest at 2 per cent on unpaid amounts). According to the agreement, the terms and mode of payment for the right of manufacture of aircraft over and above the envisaged programme were to be determined separately. The licence agreement was assigned to a public sector undertaking in September 1970.

1.3. The Committee desired to know the basis for and the year in which the immediate/long term requirements of aircraft 'A' to be purchased/manufactured in India under the licence agreement in October, 1969 were worked out. In a note the Ministry of Defence stated:

"In September 1968 Government of India was informed by the Foreign Supplier that an improved version of aircraft called type 'A' was under development and that it could be offered in early 1969 for evaluation. The Foreign Supplier also informed that a licence for manufacture of type 'A' aircraft could be given to us. This aircraft was claimed to be substantially superior to its predecessor particularly in the ground attack role. Based on the recommendations of the Defence Cabinet Committee and the Aeronautics Committee it was decided that a peak force level of 6 Squadrons of this type should be built up by 1976-77. It was on this basis that the immediate/long term requirement of aircraft 'A' was worked out for the manufacture in India under licence agreement of October 1969."

1.4. Asked on what basis the peak force level of 6 Squadrons of type 'A' aircraft to be built up by 1976-77 was assessed and by whom the Ministry of Defence explained:

"The forecast of force level of six squadrons was proposed by the Air HQrs and considered and approved by the Defence Committee of the Cabinet. This force level was arrived at keeping in view the need to maintain the authorised force level and the availability of spares, etc. for maintenance of the aircraft, which were already in the inventory. The force levels of certain other aircraft were going down over the years and the gap was to be filled by this aircraft."

1.5. It is seen from the Audit Paragraph that against sanctions accorded in August 1971 and March 1972 by the Ministry of Defence for the manufacture of 'X' numbers of aircraft 'A' at an estimated cost of Rs. 78.33 lakhs each, two orders were placed by the Air Headquarters on the undertaking in September 1971 or Rs. 37.60 crores and May 1972 for Rs. 79.90 crores. The undertaking entered into contracts with the foreign supplier for procurement of materials etc. during 1970-71 to 1976-77. The aircraft were scheduled to be delivered to the Air Force during 1972-73 to 1978-79.

1.6. The Committee desired to know the reasons for the time lag of two years between the execution of the licence agreement in October 1969 and placement of the first order by Air Headquarters on HAL in September 1971 and the extent to which the production schedule was affected by this delay. The Ministry of Defence stated:

"Between signing of a licence agreement and production of an aircraft, there is an inevitable time-lag. Only after signing of the licence agreement, exchange of technical persons for preparing the project report, ordering plant and machinery, kits of parts and training of personnel etc. can take place. This need not necessarily wait for formal RMS orders. Department of Defence Production and HAL were associated from the very beginning and necessary steps were taken without waiting for the formalities of RMS order. The production schedule was not affected by the landmarks of assignment of licence to HAL and Govt. sanction for placement of RMS orders. Contract for supply of 30 numbers of aircraft to be manufactured from assembly phases was concluded with the foreign manufacturer in July 1970 itself. The assignment of the licence to HAL

in September 1970 was made only for the technical purposes of HAL dealing directly with the foreign supplier, as the licence agreement was on inter-Governmental document. The formal sanction for placement of RMS order was also to enable HAL to draw stage payments as production commenced at HAL. Production could commence at HAL only after the receipt of kits of parts from the foreign supplier following the contract of 1970."

1.7. The Committee enquired about the year upto which the requirements of Air Force were proposed to be met by the supplies against the orders placed in September, 1971 and May, 1972. The Committee further enquired as to normally for how many years future requirements were taken into account while working out such proposals. The Ministry of Defence stated:

"The supplies against the orders placed in September 1971 and May 1972 were to cater for the requirement of the Air Force till 1986-87. A span covering 10/15 years is the normal basis for working out the long term requirements of aircraft."

1.8. The Committee desired to know whether the economics of manufacture of aircraft 'A' in India under licence from the foreign supplier vis-a-vis outright purchase of aircraft 'A' from foreign supplier were examined before negotiating the licence agreement with the foreign country. In a note, the Ministry of Defence stated:

"The economics of manufacture of an aircraft 'A' in India under licence from the foreign supplier vis-a-vis outright purchase of aircraft 'A' from foreign supplier were not examined as the manufacture of Aircraft 'A' was considered to be an extension of the manufacture of another type of aircraft already under production by the Public Sector Undertaking. Hence, the project report for the manufacture of aircraft 'A' provided only for installation of certain additional plant and machinery over and above that already available for the manufacture of the aircraft already under production. It was also envisaged that the production of aircraft 'A' would provide sufficient workload for three Divisions of the Undertaking for another ten years and thus help the Divisions to stabilise production and to update technology. On this basis, the manufacture of aircraft 'A' was considered to be an economically viable and attractive project."

planned to cater to a peak force level of six squadrons by 1976-77 and to meet the requirements upto 1986-87 for this type 'A'. In addition, production of two types of aircraft under indigenous development was envisaged. Acquisition of a deep strike aircraft also was under examination. All these factors influenced the calculations for long term requirements in 1969."

1.12. Asked toⁱ furnish the precise reasons for reassessing in February 1973 the requirements of aircraft 'A' as 205.3 per cent of 'X' numbers already ordered and why these could not be envisaged earlier, the Ministry of Defence stated:

"The Air Headquarters had assessed the requirement of aircraft 'A' as 205.3 per cent of 'X' numbers already ordered because of the problem of sustainability of the force level some other types of combat aircraft. Accordingly a force level of 10 Squadrons of type 'A' aircraft was planned to be built up in 1980-81 as against the original planned peak level of 6 Squadrons. These revised requirements were approved by the Government in 1974 and orders issued in November 1974."

1.13. The Committee desired to know the reasons for the import of aircraft 'B' in July 1972 as also the date on which the proposal for this aircraft was sanctioned by Government. The Committee also enquired whether aircraft 'B' were required to perform the same role as aircraft 'A' and whether the proposal for the procurement of this aircraft was examined in the light of production of aircraft 'A'. The Committee further enquired about the cost of aircraft 'A' in comparison to that of aircraft 'B' and the date on which the aircraft were actually received. In a note, the Ministry of Defence stated:

"The import of aircraft 'B' in 1972 was primarily to recoup wastages during the 1971 conflict with Pakistan. Proposal for 'B' aircraft was sanctioned by the Government in 1972. Type 'B' was expected to perform the same role as that of type 'A'. The proposal for procurement of 'B' aircraft was examined in the light of production of type 'A' aircraft. The cost of type 'B' aircraft was Rs. 1.05 crores 1972 level, while that of type 'A' was Rs. 1.15 crores. All the type 'B' aircraft were received by middle of 1973."

1.14. It is seen from the Audit Paragraph that a protocol for manufacture of aircraft upto additional 'X' numbers was signed in April 1973. A licence fee of Rs. 2.25 crores on production of these

additional aircraft was payable in five equal annual instalments (together with interest at 2 per cent on unpaid amounts). Asked about the basis on which the amount of Rs. 2.25 crores payable in terms of the protocol of April, 1973 was determined, the Ministry of Defence stated:

“The amount of licence fee of Rs. 2.25 crores payable in terms of the protocol of April 1973 was determined on the basis of the negotiations by the delegation led by the then Secretary (DP).”

1.15. Asked to indicate precisely the benefits derived by payment of the additional licence fee of Rs. 2.25 crores, the Ministry of Defence stated:

“The licence fee of Rs. 2.25 crores is towards manufacture of Qty. 150 Nos. of type ‘A’ aircraft in addition to the quantity provided for the Agreement of October 30, 1969. In this connection it may be stated that the entire amount of licence fee paid under this Agreement has been adjusted towards the licence fee payable for manufacture of type ‘C’ aircraft.”

Delay in delivery of aircraft by HAL

1.16. The Audit Paragraph points out that upto March, 1975 the undertaking had delivered aircraft to the extent of 20 per cent of ‘X’ number against the first two orders. In April, 1975, the Air Headquarters proposed the outright purchase from the foreign supplier of a certain number (60 per cent ‘X’ numbers) of aircraft over and above the total requirement assessed in February, 1973 due to ageing and obsolescence of large number of aircraft and slippage in delivery of aircraft ‘A’ by the undertaking.

1.17. The Committee desired to know the reasons for the delayed delivery of the aircraft by the undertaking. In a note, the Ministry of Defence have stated:

“The delay in delivery of type ‘A’ aircraft was partly attributed to the delay in supply of raw materials from the foreign Supplier, unforeseen technical problems and delay and short comings at the Public Sector Undertaking.”

1.18. Asked about the extent of delay and steps taken by the authorities to ensure timely supply of the raw materials by the foreign supplier, the Ministry of Defence stated:

“The extent of delay in supply of raw materials from the foreign suppliers has been analysed as under:.

1.19. The Committee further enquired about the remedies available in the contract against such delays and also whether these remedies were actually enforced. The Ministry of Defence stated:

“As per the Licence Agreement of October, 1969 all the questions connected with the implementation of the agreement or the contracts were to be solved by mutual consultation. There has been periodic dialogue between the Public Sector Undertaking and the foreign supplier for expediting supplies of materials wherever required from time to time.”

1.20. Asked to explain whether any other factors were also responsible for the delay, the Ministry of Defence stated;

“Apart from delays in the receipt of documentation, tooling and material from the supplier, which were identified as some of the reasons for the slippages, it was also observed that there was a need to strengthen the production planning and management information system in the undertaking and improve the quality of managerial supervision in the undertaking.”

Escalation in cost

1.21. The Committee wanted to know the reasons for the increase in the estimated unit cost of aircraft 'A' from Rs. 78.33 lakhs in

September 1971|May, 1972 to Rs. 105.16 lakhs in November, 1974. The Ministry of Defence stated:

"The unit cost of aircraft of Rs. 78.33 lakhs was based on the imported cost of the flyaway aircraft. This was provisional liable to revision. The estimated unit cost of Rs. 105.16 lakhs was based on the unit cost estimate of the detailed project report as indicated by the Public Sector Undertaking to the Government and was for aircraft to be produced from imported raw materials."

Foreclosure of production of aircraft 'A'

1.22. The Committee desired to know whether the long term requirements of aircraft 'A' upto 1987-88 assessed by the Air Headquarters in July 1975, did not take into account equipping of increased number of squadrons and if so, for what reasons it was decided soon afterwards in September 1975 to foreclose the production of aircraft 'A' after meeting 108 per cent of 'X' number and to start production of another variant thereafter. The Committee further enquired as to why such a situation could not be visualised before February 1975 when order for additional aircraft 'A' was placed on the undertaking. The Committee also wanted to know the circumstances in which the long term planning for the aircraft normally expected to be in service for about 15 years, had changed within such a short time after the decision for its manufacture. The Ministry of Defence stated:

"The long term requirement of aircraft 'A' upto 1987-88 assessed by the Air HQ in July, 1975 took into account the equipping of increased number of Squadrons with type 'A'. The change-over to type 'C' aircraft took place since it was an improved variant and became available. The selection of this aircraft could not be visualised at that time as the type 'C' aircraft had been offered by the foreign supplier only in January, 1975 for licence production and it was not yet clear whether type 'C' or any other variant would meet the requirements of the I.A.F. better."

1.23. Asked to explain as to why the requirements of aircraft 'A' during the next 25 years re-assessed as 356.7 per cent of 'X' number in July 1975 were reduced to 108 per cent within two months, i.e., in September, 1975, the Ministry of Defence stated:

"The requirement was reduced because subsequent to the discussion in July, 1975 and following our approach to the

foreign supplier in August 1975, a new variant which was considerably better than Aircraft 'A' became available. Hence, it was preferred that we should have this aircraft instead of Aircraft 'A'."

1.24. The Committee desired to know as to why it took over a year to formally amend in October, 1976 the sanction of November 1974 reducing the scope of production of aircraft 'A' especially when Government had approved in January 1976 the outright purchase of certain number of aircraft of variants 'C' and 'D'. The Ministry of Defence stated:

"The delay in formal amendment to Government sanction reducing the scope of producing the aircraft was mainly due to the absence of budgetary estimates and project reports of type 'C' aircraft which was to be manufactured by the Public Sector Undertaking. However, the Public Sector Undertaking which was associated with the procurement and licence manufacture of type 'C' aircraft was fully aware of the decision even though the formal amendment was issued only in October, 1976."

1.25. The Committee desired to know the precise reasons for not making budgetary provision in time. The Ministry of Defence stated:

"It is regretted that reply to Question No. 12 (a) communicated *vide* O.M. No. 57(5)/80/D(Air-I) dated 31st October, 1980 was not precise. The decision that we will manufacture only 108 per cent of the original order was taken in 1975 in association with the Deptt. of Defence Production and the Undertaking and keeping in view the availability of material for manufacturing engines for additional aircraft. Further action was taken by the Undertaking in this respect. The amendment to the RMS order reflecting the change was only a formality and in no way affected the manufacturing programme of aircraft type 'A' or aircraft type 'C'."

1.26. Asked to state the reasons for the delay in preparation of project report of type 'C' aircraft, the Ministry of Defence stated:

"Discussions relating to the induction of Aircraft 'C' commenced with the foreign supplier in October 1975, during the visit of the delegation led by the then Secretary (DP)."

Based on these discussions and other details available with the Undertaking, preliminary cost details and budget estimates were furnished to Govt. in November 1975. Eventually, licence agreement for the manufacture of the aircraft 'C' was signed in August 1976 and the manufacture of the aircraft was entrusted to the Undertaking in September 1976. Government orders for the actual number of aircraft to be manufactured by the Undertaking were issued in December 1976. A preliminary project report was submitted by the undertaking based on the available data in September, 1977.

The target date for submission of the detailed Project Report was fixed as December 1978 on the assumption that all the relevant detailed documents for preparation of the project report could be received from the supplier by March, 1978. However, all the documents were received from the foreign supplier only by September, 1979. Thereafter the detailed project report was prepared and submitted to the Board of Directors of the Undertaking in March, 1980 and then to the Government in April, 1980.

It will be seen from the sequence of events indicated above that there has been no avoidable delay on the part of the Undertaking in preparation and submission of the detailed Project Report."

1.27. In a further note, the Ministry of Defence stated:

"Government have considered the report for the production of aircraft 'C' submitted by the Undertaking and approved the investment of capital and deferred revenue expenditure in February, 1981."

1.28. Asked if the import of aircraft 'C' and 'D' was attributable to delay in deliveries of aircraft 'A' by the Undertaking or it was meant to induct an improved version of aircraft which became available, the Ministry of Defence stated:

"The import of aircraft 'C' and 'D' facilitated induction of an improved version of aircraft and helped to improve the squadron strength."

1.29. Asked to explain in precise terms as to how the induction of these aircraft helped to improve the squadron strength, the Ministry of Defence stated:

"Induction of aircraft type 'C' gave the IAF a better aircraft with improved capability. With the availability of certain number of aircraft 'C', the squadrons with obsolescent aircraft could be re-equipped faster than if we had waited for additional quantities of aircraft type 'A'. The quick induction of type 'C' aircraft increased the total available serviceable assets and improved the strength of the squadrons."

1.30. The Committee enquired as to when the supplies of aircraft 'C' and 'D' were expected to be received and when these were actually received. The Ministry of Defence stated:

"Variant 'C' was supposed to be delivered in 1976 and 1977. Actually certain number of aircraft were received in 1976 and in 1977. Variant 'D' is being received on schedule from 1976 to 1980."

1.31. The Committee further enquired as to why the Undertaking was informed only in March, 1977 by the Air Headquarters about the curtailment in the order for additional numbers of aircraft 'A' placed in February 1975, when the decision to this effect had been taken in September 1975 itself. The Committee also enquired whether the Undertaking had been contemporaneously kept apprised of the decision. The Ministry of Defence stated:

"The Undertaking that had been associated with the decision making was fully aware of all the decisions of the curtailment of the order for additional number of aircraft 'A'. No contracts were entered into after October, 1975 for supplies for type 'A' aircraft."

Procurement of excess materials

1.32. The Committee desired to know the total number of orders placed by the Undertaking for materials required for additional numbers of aircraft 'A', the value of such orders placed after September 1975 and the reasons why the foreign supplier could not be approached for cancellation of such orders soon after September, 1975.

The Ministry of Defence stated:

"The total value of orders placed by the Undertaking for materials required for additional number of aircraft 'A' was Rs. 1864.09 lakhs. The value of the orders placed after September 1975 was for Rs. 188.94 lakhs. The draft supplement for this was received in January 1975 and the approval for signing the contract had been communicated on 7 August, 1975. But the agreement was actually signed only on 25th October, 1975. The foreign supplier was approached by the delegation headed by Secretary (DP) during October, 1975 itself and in May 1976 to curtail the supplies. But the Supplier did not agree on the ground that the equipment had already been manufactured and partially supplied."

1.33. Clarifying the position further, the Ministry have stated:

".....the only contract relating to the additional aircraft signed after September 1975 was one of a series of three such contracts. The first two of these were signed in February 1975.....For a proper appreciation of the circumstances in which this contract was concluded, it is necessary to state, by way of background, that a Memorandum was submitted to the foreign supplier in August 1975 mentioning that it had been provisionally decided to limit production of type 'A' aircraft to that specified in the initial inter-governmental Agreement."

"It was in this context that it was made clear to the supplier in October, 1975 during the course of the visit of the delegation led by the then Secretary (DP) that the delivery of material against the Supplementary Agreements concluded for additional supplies of aircraft 'A' would have to be considered in the context of the decision of the India side to switch over to the manufacture of the aircraft of the modified design beyond the number stipulated initially for the licence agreement for aircraft 'A'. It was also indicated during the course of discussions that the final decision of the Indian side in this regard will be conveyed to the supplier in December 1975. This position was also suitably recorded in the working protocol incorporating the outcome of the discussions that took place during the visit of the delegation."

The position as indicated above was further followed-up with the supplier during the next visit of a delegation in May 1976. It was then pointed out to the supplier that in view of the decision of the change over of production from type 'A' aircraft to type 'C' aircraft of 108 percent of the number stipulated in the initial inter-Governmental licence agreement, the supplier should stop supplies relating to the aircraft beyond that number. It was agreed during the discussions that a request made in this regard at the Govt. level would be considered by the supplier."

1.34. The Committee desired to know whether any study of documentation to utilise the surplus material for purposes of manufacture of aircraft 'C' and overhaul of aircraft 'A' had been made, if so, the outcome there and the value of redundancy finally determined. The Ministry of Defence stated:

"The study of documentation to utilise the surplus material for manufacture of aircraft 'C' and overhaul of aircraft 'A' has been done. It has been noted out of 17,336 detailed parts and sub-assemblies (excluding standard parts) required to be fabricated for manufacture of variant 'C' aircraft it has been assessed that 6,670 parts (39 per cent) are common to variant 'A'. Similarly out of 1441 forgings and castings and 658 ready made articles required for 'C' aircraft 635 forgings and castings and 477 ready made articles are common to variant 'A'. In the Audit Paragraph the cost of excess material contracted has been indicated as Rs. 1672.93 lakhs. Its break-up is as follows:

	Rs. in lakhs
Surplus material pertaining to aircraft Division	1615.52
Surplus material pertaining to Systems Division	57.41

1.34A. The position of the surplus material in so far as it relates to Aircraft Division is as follows:

	Rs. in lakhs
1. Value of material contracted for under supplementary agreement 02-7,03-7 & 30-7	1864.09
2. Value of material received till 30th June, 1980.	1620.00
3. Value of material estimated for manufacture of the balance quantity of 12 type 'A' aircraft	189.05

4. Value of estimated balance material	1430.95
5. Value of estimated total surplus	1482.37
6. Value of material yet to be received	51.42
7. Estimated utilisation in future programmes of manufacture of type 'C' aircraft, overhaul purposes and fabrication of spares for supply to I.A.F.	1189.37
8. Estimated value of net surplus	293.00

The net surplus material with an estimated value of Rs. 293 lakhs as indicated above consists of ready made articles with a value of about Rs. 273 lakhs and forgings and castings to the value of about Rs. 20 lakhs. Of the ready made articles valued at about Rs. 273 lakhs the six types of items alone are valued at about Rs. 227.15 lakhs. Efforts are being made to see whether these and the other ready made articles can be utilised by the Indian Air Force. The forgings and castings, can be melted and re-used. As regards the surplus material at Systems Division with an estimated value of Rs. 57.41 lakhs forming part of the total amount of Rs. 1672.93 lakhs mentioned in the Audit Paragraph, there is no commonality with type 'C' aircraft. However, it is estimated that the entire surplus material will be utilised on overhaul and manufacture of spares for earlier variant and type 'A' aircraft."

1.35. Asked whether balance material for Rs. 51.42 lakhs which was yet to be received had since been received, the Ministry of Defence stated:

"The balance material of Rs. 51.42 lakhs is not likely to be received from the foreign supplier as two supplementary agreements for deletion of the outstanding supplies of the cost of Rs. 45.50 lakhs have since been concluded with the foreign supplier in December 1980 and March 1981. In addition a draft supplement covering deletion of another item valuing Rs. 6.00 lakhs is awaited from the foreign supplier."

1.36. The Committee further enquired the position about the remaining material for Rs. 192.67 lakhs. The Ministry of Defence stated:

"The present position regarding difference of Rs. 192.67 lakhs is that a supplement.....was concluded on 14-12-80 covering deletion of items amounting to Rs. 192.67 lakhs."

1.37. Referring to the contention of the Ministry that the entire surplus material would be utilised on overhaul and manufacture of spares for earlier variant and type 'A' aircraft, the Committee desired to know by whom this assessment was made and whether any Committee was appointed to examine the matter thoroughly. The Committee also desired to know the period by which the surplus material was expected to be utilised. The Ministry of Defence stated:

"The review and physical availability of all surplus materials including those in excess of requirement for the fleet of type 'A' aircraft was carried out by a Committee appointed by the Executive Director of the Complex of the Public Sector Undertaking at that time. The recommendations of the Committee were reviewed by the General Manager of the Division and his Senior Officers in the Public Sector Undertaking. The indents for materials required for manufacture and overhaul of all variants in use including type 'C' aircraft which has been inducted now, have been reviewed to gainfully utilise the surpluses. The surplus material is expected to be utilised during the exploitation life of the aircraft in the Squadron which is expected to be into the 1990s."

1.38. The Committee were informed by Audit that orders for materials required for manufacture of a certain number of aircraft 'C' to keep up the production schedule were stated to have been placed without determining the extent to which the materials ordered for additional quantities of aircraft 'A' would be utilised in production of aircraft 'C'. The Committee therefore, enquired whether the production schedule of aircraft 'C' for which the materials were ordered, had been maintained, as envisaged. The Ministry of Defence stated:

"The agreement signed on 15-10-1978 allows for deletion of items of materials, semi-products and ready made articles. Following this, deletions worth Rs. 54.00 lakhs were made. A further reduction of Rs. 58.98 lakhs is being pursued. A

further quantity of aircraft forming 46.67 per cent of the order on the Undertaking is under consideration for manufacture. It is expected that this order and the requirements to manufacture spares for repair/overhaul types 'A' and 'C' aircraft will absorb a great deal of the items procured. Since the commonality between the two types had not been identified and the orders were not covering the whole anticipated production, orders were placed for the earlier phase pending identification of common items. The production schedule of aircraft 'C' *vide* materials ordered had been maintained till 1979-80 as per the DPR."

In a further note, the Ministry have stated:

"The latest position regarding further reduction of Rs. 58.98 lakhs is that the delegation from the Public Sector Undertaking which visited the country of the foreign supplier in July, 1981 discussed the matter with the concerned authorities who accepted in principle to consider the reduction. Formal offer is awaited."

1.39. Asked to explain why commonality between the two types of aircraft could not be identified before placing orders for raw materials, semi-products and ready-made articles, the Ministry of Defence stated:

"The commonality between the two types of aircraft could not be identified before placing orders for raw-materials, semi-products and ready made articles as all the documents for the manufacture of type 'C' aircraft had not been received nor the study of the same completed by January 1978 when orders for manufacture of first batch of aircraft was placed."

1.40. The Ministry of Defence further informed the Committee that the exercise of identifying of commonality of parts and sub-assemblies between type 'A' and type 'C' aircraft had since been completed and the extent of commonality has been assessed as 39 per cent of the parts.

1.41. The Audit Paragraph reveals that in connection with the excess materials procured, the Ministry of Defence authorised in March 1979 certain 'on account' payment which had been made to

the undertaking. Asked whether there were any other such amounts requiring reimbursement, the Ministry of Defence stated:

"The total reimbursement authorised by Government till 31st August, 1980 including the authorised in March 1979 is as follows:

	Rs in lakhs
Customs Duty	28.89
Interest on deferred credit	60.61

Material to the extent of about Rs. 51.00 Lakhs is yet to be received against two Agreements.

Accordingly, further payments would require to be reimbursed by Government on account of customs duty, if any, and interest on deferred credit as may become due from time to time."

1.42. The Committee pointed out that the reassessment of the long term requirements at short intervals had resulted in redundancy of materials. They therefore, desired to know whether the Government have examined this aspect and if so, the remedial measures proposed to be taken to avoid such situation in future. The Ministry of Defence stated:

"Government has examined this aspect of the reassessment of the long term requirements. It is proposed to have a more realistic Re-equipment Plan for the combat squadrons of the IAF."

1.43. The Committee desired to know the steps taken by the Government to ensure more realistic planning of future requirements. The Ministry of Defence stated:

"Planning of future requirements has been done from time to time taking into account the upto date position regarding the state of indigenous manufacturing of the aircraft, the availability of more modern aircraft, the available life of existing fleet, its serviceability, and its suitability in the changing military environment of the adversary. As and when these factors change, the review of the requirement becomes necessary and this had been resorted to."

1.44. Asked to furnish details of the re-equipment plan, the Ministry of Defence stated:

"The re-equipment plan of the IAF is still in the process of being finalised in the context of the changes taking place in the security environment of our country."

1.45. In October 1969, Government entered into an agreement with a foreign supplier for transfer to them licence and technical documentation for the manufacture of a certain number of aircraft 'A' for the Air Force on payment of a licence fee of Rs. 5 crores. This licence agreement was assigned to HAL, Bangalore in September, 1970. Against sanctions accorded in August 1971 and March 1972 by the Ministry for the manufacture of 'X' numbers of aircraft 'A' at an estimated cost of Rs. 78.33 lakhs each, two orders were placed on the undertaking by Air Headquarters in September, 1971 for Rs. 37.60 crores and May 1972 for Rs. 70.90 crores. The aircraft were scheduled to be delivered to the Air Force during 1972-73 to 1978-79. According to the Ministry of Defence supplies against the aforesaid two orders were to cater to the requirements of the Air Force till 1986-87.

1.46. The Committee note that in February 1973, i.e. within 10 months of placement of the second order, the Air Headquarters reassessed the total requirements of aircraft 'A' as 205.3 per cent of 'X' numbers already ordered, with re-equipment of squadrons commencing from 1973-74 onwards. The Committee are not convinced with the argument advanced by the Ministry that the 'problem of sustainability of the force level of some other types of the combat aircraft' necessitated reassessment to the requirement of aircraft 'A'. As supplies against the aforesaid two orders were to cater for the requirements of the Air Force till 1986-87, it is not understood how the perspective could have changed so much in so short a time as to warrant upward revision of the requirements by 205.3 per cent. The matter therefore needs to be adequately explained to the Committee.

1.47. The Committee find that meanwhile, Government had entered into a contract (July 1972) with a foreign supplier for supply of variant 'B' of the aircraft to meet 24 per cent of 'X' numbers leaving a gap of 81.3 per cent of 'X' numbers between the total quantity ordered and the total requirement. Type 'B' was expected to perform the same role as that of type 'A'. All the type 'B' aircraft were received by middle of 1973.

1.48. In November, 1974, the Ministry of Defence accorded sanction for an additional order being placed on the Undertaking for manufacture and supply of aircraft 'A' to cover the gap of 81.3 per cent of 'X' numbers at an estimated cost of Rs. 105.16 lakhs each. As per the order placed in February 1975 on HAL, these aircraft were scheduled for delivery during 1978-79 to 1981-82 considering that the Undertaking had not been able to adhere to the time schedule of delivery of aircraft against the orders placed in 1971 and 1972 and there was a large back-log which was expected to be cleared not before 1978-79, the Committee do not quite appreciate why the additional order was placed on the Undertaking. In fact, the slippage in the production programme has been adduced as one of the reasons for the decision taken two months later i.e. in April, 1975 to purchase outright from the foreign supplier, 60 per cent of 'X' numbers of the aircraft over and above the total requirement assessed in February, 1973.

1.49. The Committee further observe that whereas in February, 1975 the Air Headquarters placed an additional order on the Undertaking for the supply of 81.3 per cent of aircraft 'A', in September, 1975 it was decided that production of aircraft 'A' should be stopped after meeting 108 per cent of 'X' numbers and production of another variant taken up thereafter. The Committee find that after the assessment of the requirements of aircraft 'A' made in February, 1973, or the period upto 1980-81, the Air Headquarters made yet another long term assessment requirement in July, 1975 of all the variants of aircraft 'A' for the next 25 years. In this assessment, the requirements were pitched as high as 356.7 per cent of 'A' numbers originally assessed. It has been stated that the reduction in the requirement of aircraft 'A' in September, 1975 was necessitated because of the availability of an improved version i.e. variant 'C' which could not have been visualised earlier. The Committee thus observe that whereas according to the Ministry's own reckoning, a span covering 10/15 years is the normal basis for working out the long term requirements of aircraft, there were as many as three long-term assessment reviews of the requirement of aircraft 'A' between the years 1971 and 1975. The Committee believe that if such a review was at all necessary, it should have been made before February, 1975 when orders for additional aircraft 'A' were placed on the undertaking. The sequence of events narrated in the foregoing paragraphs reflects ad hocism in taking decisions and then seems to have been little sense of perspective in the so called perspective plan of the requirements of the Air Force does not really reveal any perspective at all.

1.50. It may be noted that the production of aircraft 'A' was expected to provide sufficient workload for three divisions of the undertaking for another 10 years and thus help in stabilising production and updating technology. The persisting uncertainty in regard to the exact requirement of aircraft 'A' to be supplied by the undertaking was naturally not conducive to attainment of these objectives. The Committee cannot, therefore, emphasise too strongly the need for preparing a realistic re-equipment plan for the Air Force so that the designing and production facilities built up in HAL can be put to optimum use. The Committee need hardly point out that R&D effort cannot be carried out by the undertaking on a systematic and sustained basis unless clear-cut long-term objectives are spelt out.

1.51. The Committee note that the experience in this case has highlighted the need to strengthen the planning production, and management information system. The Committee expect of Ministry of Defence to initiate action without delay to remedy these shortcomings. They would like to be apprised of the action taken and the results achieved in this regard in due course.

1.52. The Committee find that the total value of the material contracted was Rs. 1864.09 lakhs. The value of the orders placed after September 1975 was for Rs. 188.94 lakhs. According to the Ministry, "The draft supplement for this was received in January 1975 and the approval for signing the contract had been communicated on 7th August, 1975. But the agreement was actually signed only on 25th October, 1975. The foreign supplier was approached by the delegation headed by Secretary (DP) during October, 1975 itself and in May 1976 to curtail the supplies. But the supplier did not agree on the ground that the equipment had already been manufactured and partially supplied."

It is indeed surprising that agreement for supply of material for aircraft 'A' was signed in October 1975 when it had already been decided in September 1975 to curtail the production of this aircraft. This needs to be explained.

1.53. According to the Audit Paragraph the cost of redundancy in terms of material procured for production of additional 'X' numbers of aircraft 'A' the production of which was subsequently stopped, is Rs. 1672.93 lakhs. The Committee find that out of the surplus material worth Rs. 1482.37 lakhs pertaining to the Aircraft Division, the net surplus material after taking into consideration

the estimated utilisation of material worth Rs. 1189.37 lakhs in the future programme of manufacture of type 'C' aircraft, overhaul purposes and fabrication of spares for supply to the Air Force, is estimated to be of the value of Rs. 283 lakhs. Besides, the Systems Division is saddled with surplus material valuing Rs. 57.41 lakhs. The Committee have been informed that the surplus material is expected to be utilised during the exploitation life of type 'C' aircraft in squadron service expected to extend into the 1990's.

1.54. The Committee are concerned to observe that orders for materials required for manufacture of certain number of aircraft 'C' were placed without determining the extent to which the materials already ordered for additional quantity of aircraft 'A' could be utilised in the production of aircraft 'C'. The Committee are not satisfied with the reply of the Ministry that 'since the commonality between the two types had not been identified and the orders were not covering the whole anticipated production, orders were placed for the earlier phase pending identification of common items. The Committee consider that identification of common items should have been made before placing orders for materials for aircraft 'C'.

1.55. The Committee have been given to understand that the exercise of identifying common parts and sub-assemblies between type 'A' and type 'C' aircraft has since been completed and it has been found that the extent of commonality is only 39 per cent of the parts. That being the case, the Committee are inclined to believe that the figure of Rs. 1189.37 lakhs being the estimated utilisation in future programme of manufacture of type 'C' aircraft, overhaul purposes etc., represents a rather optimistic picture. The Committee observe that the entire question of reviewing the surpluses was left to the public sector undertaking. The Committee desire that the matter should be gone into afresh by a team of experts from the Air Headquarters/Ministry of Defence in conjunction with the HAL authorities with a view to determining the precise value of surplus materials and to locate alternate avenues for their useful utilisation.

1.56. It would also appear that lack of coordination among the various agencies responsible for assessing the requirements of aircraft 'A' from time to time and those responsible for placing and processing the indents for materials with the foreign supplier has been responsible for the large scale surpluses in this case. The Committee therefore desire that the matter should be investigated with a view to fixing responsibility so as to obviate recurrence of such cases in future.

...

NEW DELHI;

December 15, 1981.

Agrahayana 24, 1903 (S).

SATISH AGARWAL

Chairman

Public Accounts Committee

APPENDIX I

Audit Paragraph

37. Redundancy in materials procured for the manufacture of an aircraft.

In October 1969, Government entered into an agreement with a foreign supplier for transfer to Government of licence and technical documentation for the manufacture of a certain number of aircraft 'A' for the Air Force on payment of a licence fee of Rs. 5 crores in five equal anual instalments (plus interest at 2 per cent on unpaid amounts). According to the agreement, the terms and mode of payment for the right of manufacture of aircraft over and above the envisaged programme were to be determined separately. The licence agreement was assigned to a public sector undertakings in September, 1970.

Against sanctions accorded (August 1971 and March 1972) by the Ministry of Defence for the manufacture of 'C' numbers of aircraft 'A' at an estimated cost of Rs. 78.33 lakhs each, two orders were placed by the Air Headquarters on the undertaking in September 1971 (Rs. 37.60 crores) and May 1972 (Rs. 79.90 crores) respectively. The undertaking entered into contracts with the foreign supplier for procurement of materials etc. during 1970-71 to 1976-77. The aircraft were scheduled to be delivered to the Air Force during 1972-73 to 1978-79.

In order to cater to the requirements of the Air Force up to 1980-81, the Air Headquarters reassessed (February 1973) the total requirements of aircraft 'A' as 205.3 per cent of 'X' numbers already ordered on the undertaking. with re-equipment of squadrons commencing from 1973-74 onwards.

Meanwhile, Government had entered into (July 1972) a contract with the foreign supplier for supply of variant 'B' of the aircraft to meet a part of the total requirements (24 per cent of 'X' numbers) leaving a gap of 81.3 per cent of 'X' numbers between the total quantity ordered and the total requirement.

A protocol for manufacture of aircraft up to additional 'X' numbers was signed in April 1973. A licence fee of Rs. 2.25 crores

for production of these additional aircraft was payable in five equal annual instalments (together with interest at 2 per cent on unpaid amounts).

In November 1974, the Ministry of Defence accorded sanction for an additional order being placed on the undertaking for manufacture and supply of aircraft 'A' to cover the gap (81.8 per cent of 'X' numbers) in the total requirements at an estimated cost of Rs. 105.16 lakhs each. As per the order placed (February 1975) on the undertaking, these aircraft were scheduled for delivery during 1978-79 to 1981-82.

Up to March 1975, the undertaking had delivered aircraft to the extent of 20 per cent of 'X' numbers against the first two orders. In April 1975, the Air Headquarters proposed the outright purchase from the foreign supplier of a certain number (60 per cent of 'X' numbers) of aircraft over and above the total requirement assessed in February 1973 due to ageing and obsolescence of large number of aircraft and slippages in delivery of aircraft 'A' by the undertaking.

The Air Headquarters assessed (July 1975) the long-term requirements up to 1987-88 of all the variants of aircraft 'A' during the next 25 years as 356.7 per cent of 'X' numbers. It was decided (September 1975) that production of aircraft 'A' should be stopped after meeting 108 per cent of 'X' numbers and production of another variant taken up thereafter. (The sanction of November 1974 was formally amended in October 1976).

In January 1976, Government approved the proposal for outright purchase from the foreign supplier of certain numbers of the aircraft of variants 'C' and 'D' to meet the urgent requirements of the Air Force. Approval was also given, in principle, to the induction of variant 'C' in the production programme of the undertaking and for concluding a licence agreement with the foreign supplier for this purpose. Accordingly, a contract was concluded (June 1976) by Government with the foreign supplier for the supply of the requisite numbers of aircraft of variants 'C' and 'D'. An agreement was also signed (August 1976) with the foreign supplier for the licence of production of variant 'C'. Government sanction to the manufacture by the undertaking of 'X' numbers of aircraft of variant 'C' was later issued in December 1976.

The curtailment in the quantities of aircraft 'A' ordered after formal approval (October 1976) by the Ministry was communicated by the Air Headquarters to the undertaking in March 1977. The undertaking had, however, concluded (February and October 1975)

contracts with the foreign supplier for supply of materials/components, etc., for production of aircraft 'A' to the extent of 48.1 per cent over and above the reduced numbers ordered. Efforts made by a high level delegation during August 1976 to persuade the foreign supplier to restrict the supply of materials, etc., for the reduced numbers of aircraft 'A' did not meet with success. The foreign supplier, however, assured that it might be possible to use some of the excess materials procured for the purpose of manufacture of aircraft of variant 'C' and overhaul of aircraft 'A'. According to the undertaking (December 1976), the exact position with regard to utilisation of the excess materials procured would be known only after the preparation of a detailed project report for the manufacture of variant 'C'. The cost of the excess materials contracted was assessed (July 1977) at Rs. 1672.93 lakhs. The excess materials were stored in such a manner that it was not possible to segregate the same physically from other materials/stores. The prospects of utilisation of excess materials procured were yet to be explored (November 1979).

In connection with the excess materials procured, the Ministry of Defence authorised (March 1979) the following 'on account' payments to the undertaking:—

- Rs. 23.89 lakhs towards the reimbursement of customs duty; and
- Rs. 22.71 lakhs towards payment of interest charges to the foreign supplier against the materials procured.

The Ministry of Defence stated (November 1979) that the excess materials procured related to "raw material stage of production of aircraft 'A' " and the possibility of its utilising would be kept in view while placing further orders for materials required for production of variant 'C'.

Thus, the long-term requirements of aircraft 'A' assessed in July 1975 were reduced within a short period (in September 1975) and it was decided to induct variant 'C' in its place resulting in excess procurement of materials costing Rs. 1672.93 lakhs, besides payment of Rs. 51.60 lakhs towards customs duty and interest charges.

[C&AG Report (Defence Services) (1978-79)]

APPENDIX-II

CONCLUSIONS AND RECOMMENDATIONS

Sl. No.	Para No.	Ministry/Department Concerned	Conclusion/Recommendation
1	2	3	4
1	1.45	Defence	<p>In October 1969, Government entered into an agreement with a foreign supplier for transfer to them licence and technical documentation for the manufacture of a certain number of aircraft 'A' for the Air Force on payment of a licence fee of Rs. 5 crores. This licence agreement was assigned to HAL, Bangalore in September, 1970. Against sanctions accorded in August 1971 and March 1972 by the Ministry for the manufacture of 'X' number of aircrafts 'A' at an estimated cost of Rs. 78.33 lakhs each, two orders were placed on the undertaking by Air Headquarters in September, 1971 for Rs. 37.60 crores and May 1972 for Rs. 79.90 crores. The aircraft were scheduled to be delivered to the Air Force during 1972-73 to 1978-79. According to the Ministry of Defence supplies against the aforesaid two orders were to cater to the requirements of the Air Force till 1986-87.</p>
2	1.46	-do-	<p>The Committee note that in February 1973, i.e. within 10 months of placement of the second order, the Air Headquarters reassessed</p>

the total requirements of aircraft 'A' as 205.3 per cent of 'X' numbers already orders, with re-equipment of squadrons commencing from 1973-74 onwards. The Committee are not convinced with the argument advanced by the Ministry that the 'problem of sustainability of the force level of some other types of the combat aircraft' necessitated reassessment of the requirement of aircraft 'A'. As supplies against the aforesaid two orders were to cater for the requirements of the Air Force till 1986-87, it is not understood how the perspective could have changed so much in so short a time as to warrant upward revision of the requirements by 205.3 per cent. The matter therefore needs to be adequately explained to the Committee.

The Committee find that meanwhile, Government had entered into a contract (July 1972) with a foreign supplier for supply of variant 'B' of the aircraft to meet 24 per cent of 'X' numbers leaving a gap of 81.3 per cent of 'X' numbers between the total quantity ordered and the total requirement. Type 'B' was expected to perform the same role as that of type 'A'. All the type 'B' aircraft were received by middle of 1973.

In November, 1974, the Ministry of Defence accorded sanction for an additional order being placed on the Undertaking for manu-

facture and supply of aircraft 'A' to cover the gap of 81.3 per cent of 'X' numbers at an estimated cost of Rs. 105.16 lakhs each. As per the order placed in February 1975 on HAL, these aircraft were scheduled for delivery during 1978-79 to 1981-82. Considering that the Undertaking had not been able to adhere to the time schedule of delivery of aircraft against the orders placed in 1971 and 1972 and there was a large back-log which was expected to be cleared not before 1978-79, the Committee do not quite appreciate why the additional order was placed on the Undertaking. In fact, the slip-page in the production programme has been adduced as one of the reasons for the decision taken two months later i.e. in April, 1975 to purchase outright from the foreign supplier, 60 per cent of 'X' numbers of the aircraft over and above the total requirement assessed in February 1973.

5 1.49

do-

The Committee further observe that whereas in February 1975 the Air Headquarters placed an additional order on the Undertaking for the supply of 81.3 per cent of aircraft 'A', in September 1975 it was decided that production of aircraft 'A' should be stopped after meeting 108 per cent of 'X' numbers and production of another variant taken up thereafter. The Committee find that after the assessment of the requirements of aircraft 'A' made in February, 1973, for the period upto 1980-81, the Air Headquarters made yet another long term assessment in July 1975 of all the variants of aircraft 'A' for the next 25 years. In this assessment, the requirements were pitched as high as 356.7 per cent of 'X' numbers originally assessed. It has been stated that the reduc-

tion in the requirement of aircraft 'A' in September 1975 was necessitated because of the availability of an improved version i.e. variant 'C' which could not have been visualised earlier. The Committee thus observe that whereas according to the Ministry's own reckoning, a span covering 10/15 years is the normal basis for working out the long term requirements of aircraft, there were as many as three long-term assessment reviews of the requirement of aircraft 'A' between the years 1971 and 1975. The Committee believe that if such a review was at all necessary, it should have been made before February, 1975 when orders for additional aircraft 'A' were placed on the undertaking. The sequence of events narrated in the foregoing paragraphs reflects ad hocism in taking decisions and there seem to have been little sense of perspective in the so called perspective plan of the requirements of the Air Force.

It may be noted that the production of aircraft 'A' was expected to provide sufficient workload for three divisions of the undertaking for another 10 years and thus help in stabilising production and updating technology. The persisting uncertainty in regard to the exact requirement of aircraft 'A' to be supplied by the undertaking was naturally not conducive to attainment of these objectives. The Committee cannot, therefore, emphasise too strongly the need for preparing a realistic re-equipment plan for the Air Force so that the designing and production facilities built up in

HAL can be put to optimum use. The Committee need hardly point out that R&D effort cannot be carried out by the undertaking on a systematic and sustained basis unless clear-cut long term objectives are spelt out.

The Committee note that the experience in this case has highlighted the need to strengthen the planning production, and management information system. The Committee expect the Ministry of Defence to initiate action without delay to remedy these shortcomings. They would like to be apprised of the action taken and the results achieved in this regard in due course.

The Committee find that the total value of the material contracted was Rs. 1864.09 lakhs. The value of the orders placed after September 1975 was for Rs. 188.94 lakhs. According to the Ministry, "The draft supplement for this was received in January 1975 and the approval for signing the contract had been communicated on 7th August, 1975. But the agreement was actually signed only on 25th October, 1975. The foreign supplier was approached by the delegation headed by Secretary (DP) during October, 1975 itself and in May 1976 to curtail the supplies. But the supplier did not agree on the ground that the equipment had already been manufactured and partially supplied."

It is indeed surprising that agreement for supply of material for aircraft 'A' was signed in October 1975 when it had already been decided in September 1975 to curtail the production of this aircraft. This needs to be explained.

Defence

1.53

9.

According to the Audit Paragraph the cost of redundancy in terms of material procured for production of additional 'X' numbers of aircraft 'A' the production of which was subsequently stopped, is Rs. 1672.93 lakhs. The Committee find that out of the surplus material worth Rs. 1482.37 lakhs pertaining to the Aircraft Division, the net surplus material after taking into consideration the estimated utilisation of material worth Rs. 1189.37 lakhs in the future programme of manufacture of type 'C' aircraft, overhaul purposes and fabrication of spares for supply to the Air Force, is estimated to be of the value of Rs. 293 lakhs. Besides, the Systems Division is saddled with surplus material valuing Rs. 57.41 lakhs. The Committee have been informed that the surplus material is expected to be utilised during the exploitation life of type 'C' aircraft in squadron service expected to extend into the 1990s.

-do-

1.54

10.

The Committee are concerned to observe that orders for materials required for manufacture of certain number of aircraft 'C' were placed without determining the extent to which the materials already ordered for additional quantity of aircraft 'A' could be utilised in the production of aircraft 'C'. The Committee are not satisfied with the reply of the Ministry that 'since the orders were not covering the whole anticipated production, orders were placed for the earlier phase pending identification of common

items.' The Committee consider that identification of common items should have been made before placing orders for materials for aircraft 'C'.

The Committee have been given to understand that the exercise of identifying common parts and sub-assemblies between type 'A' and type 'C' aircraft that since been completed and it has been found that the extent of commonality in only 39 per cent of the parts. That being the case, the Committee are inclined to believe that the figure of Rs. 1189.37 lakhs being the estimated utilisation in future programme of manufacture of type 'C' aircraft, overhaul purposes etc. represents a rather optimistic picture. The Committee observe that the entire question of reviewing the surpluses was left to the public sector undertaking. The Committee desire that the matter should be gone into afresh by a team of experts from the Air Headquarters/Ministry of Defence in conjunction with the HAL authorities with a view to determining the precise value of surplus materials and to locate alternate avenues for their useful utilisation.

It would also appear that lack of coordination among the various agencies responsible for assessing the requirements of aircraft 'A' from time to time and those responsible for placing and processing the indents for materials with the foreign supplier has been responsible for the large scale surpluses in this case. The Committee therefore desire that the matter should be investigated with a view to fixing responsibility so as to obviate recurrence of such cases in future.

11. 1.55 -do-

12. 1.56 -do-

PART-II
MINUTES OF THE SITTING OF PUBLIC ACCOUNTS
COMMITTEE (1981-82) HELD ON 10-12-1981

The Committee sat from 1500 hrs. to 1600 hrs.

PRESENT

Shri Satish Agarwal		<i>Chairman</i>
Shri Tridib Chaudhuri	}	<i>Members</i>
Shri K. P. Singh Deo		
Shri Mahavir Prasad		
Shri M. V. Chandrashekara Murthy		
Shri Satish Prasad Singh		
Shri Hari Krishna Shastri		
Shri Patitpaban Pradhan	}	

REPRESENTATIVES OF THE OFFICE OF C & A G

Shri K. C. Das	—	<i>ADAI (R)</i>
Shri R. S. Gupta	—	<i>Director (Receipt Audit)</i>
Shri G. N. Pathak	—	<i>D.A.D.S.</i>
Shri S. R. Mukherjee	—	<i>D.A.C.W. & M.</i>
Shri M. L. Malhotra	—	<i>J.D. (R)</i>
Shri N. C. Roychowdhury	—	<i>J.D. (C & CE)</i>
Shri R. S. Gupta	—	<i>J. S. DADS</i>

SECRETARIAT

Shri H. G. Paranjpe	---	<i>Joint Secretary</i>
Shri D. C. Pande	---	<i>C.F.C.O.</i>
Shri K. C. Rastogi	---	<i>S.F.C.O.</i>
Shri K. K. Sharma	---	<i>S.F.C.O.</i>

The Committee considered the following draft Reports of the Public Accounts Committee and approved the same with modifications shown in Annexures I, II & III. The Committee also approved some minor modifications arising out of the factual verification of the draft Reports by Audit:—

- (i) * * * * *
- (ii) Draft 66th Report (7th Lok Sabha) on Paragraph 37 of the Report of C&AC of India for 1978-79—Union Government (Defence Services), relating to Redundancy in materials procured for the manufacture of an aircraft.
- (iii) * * * * *

The Committee then adjourned.

*Annexures I & II not printed.

ANNEXURE—II

Amendments made by the Public Accounts Committee in draft Sixty-Sixth Report on Paragraph 37 of the Report of C&AG for 1978-79 Union Government (Defence Services) regarding Redundancy in materials produced for the manufacture of an aircraft, at their sitting held on 10 December, 1981.

<i>Page No.</i>	<i>Para No.</i>	<i>Lines</i>	<i>Amendment made</i>
23	1.45	12	<i>Substitute</i> "placed on the undertaking by Air Headquarters" for the existing line.
24		12	<i>Substitute</i> "205.3" for "205"
	1.49	1	<i>Delete</i> "in the"
25	1.49	12	<i>Substitute</i> "assessment" for "requirement"
26		19—23	<i>Substitute</i> "reflects <i>ad hocism</i> in taking decisions and there seems to have been little sense of perspective in the so called perspective plan of the requirements of the Air Force" for "only shows that... reveal any perspective at all"
27	1.5.1	3	<i>Substitute</i> "planning, production," for "production, planning"
	1.51	4	<i>Delete</i> "as well as the need to improve the quality of managerial supervision in the undertaking."
28		11	<i>Substitute</i> "curtail" for "stop".

P.A.C. No. 845

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PUBLISHED UNDER RULE 382 OF THE RULES OF PROCEDURE AND CONDUCT
OF BUSINESS IN LOK SABHA (SIXTH EDITION) AND PRINTED BY THE
GENERAL MANAGER, GOVERNMENT OF INDIA PRESS,
MINTO ROAD, NEW DELHI.