

PUBLIC ACCOUNTS COMMITTEE **(1974-75)**

(FIFTH LOK SABHA)

HUNDRED AND FORTIETH REPORT

[Action Taken by Government on the recommendations of the Public Accounts Committee contained in their 121st Report (Fifth Lok Sabha) on paragraphs contained in the Report of the Comptroller and Auditor General of India for the year 1971-72, Union Government, (Defence Services) relating to Defence Production.]

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PUBLIC ACCOUNTS COMMITTEE
(1974-75)

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Shri Jyotirmoy Bosu

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2. Shri S. C. Besra
3. Shri C. D. Gautam
4. Shri Pampan Gowda
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17. Shri G. R. Patil
18. Shri V. B. Raju
19. Shri Mohammed Usman Arif
20. Shri T. N. Singh
21. Shri Sasankasekhar Sanyal
22. Shri A. K. A. Abdul Samad

SECRETARIAT

Shri B. K. Mukherjee—Chief Legislative Committee Officer.

Shri N. Sunder Rajan—Senior Financial Committee Officer.

INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Hundred and Fortieth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 121st Report (Fifth Lok Sabha) relating to Ministry of Defence.

2. On the 31st May, 1974, an 'Action Taken' Sub-Committee was appointed to scrutinise the replies from Government in pursuance of the recommendations made by the Committee in their earlier Reports. The Sub-Committee was constituted with the following Members:

- Shri H. M. Patel—*Convener*
2. Shri Sasankasekhar Sanyal
 3. Shri Jagannathrao Joshi
 4. Shri S. C. Besra
 5. Shri V. B. Raju
 6. Shri Mohammed Usman Arif
 7. Shri P. Antony Reddi
 8. Shri Narain Chand Parashar
 9. Shri T. N. Singh

3. The Action Taken Sub-Committee of the Public Accounts Committee (1974-75) considered and adopted this Report at their sitting held on the 28th February, 1975. The Report was finally adopted by the Public Accounts Committee on the 22nd March, 1975.

4. For facility of reference the main conclusions/recommendations of the Committee had been printed in thick type in the body of the Report. A statement showing the summary of the main recommendations/observations of the Committee is appended to the Report (Appendix).

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

NEW DELHI;
March 24, 1975

Chaitra, 3, 1897 (S)

JYOTIRMOY BOSU,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by Government on the recommendations contained in their 121st Report (Fifth Lok Sabha) on the Report of the Comptroller and Auditor General for the year 1971-72, Union Government (Defence Services) which was presented to Lok Sabha on the 16th April, 1974.

1.2. Action Taken Notes have been received in respect of all the 29 recommendations in the Report.

1.3. The Action Taken Notes on the recommendations have been categorised under the following heads:—

- (i) Recommendations/observations that have been accepted by Government.
S. Nos. 3, 6, 8—12, 15, 21—23, 25—30.
- (ii) Recommendations/observations which the Committee may not desire to pursue in the light of the replies of the Government.
S. No. 13.
- (iii) Recommendations/observations replies to which have not been accepted by the Committee and which require re-iteration.
Nil.
- (iv) Recommendations/observations in respect of which Government have furnished interim replies.
S. Nos. 1, 2, 4, 5, 7, 14, 16—18, 20 and 24.

1.4. The Committee hope that final replies in regard to those recommendations to which only interim replies have so far been furnished will be submitted to them expeditiously after getting them votted by Audit.

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

Delay in acceptance of offers and arranging sale/re-sale of copper scrap by Ordnance Factories—(Paragraphs 1.26, 1.27 and 1.43—S. Nos. 1.2 and 5 respectively).

1.6. Dealing with two cases of serious delays/lapses in acceptance of offers and arranging sale/re-sale of copper scrap by two

Ordnance Factories, the Committee in paragraphs 1.26, 1.27 and 1.43 of the Report had observed as under:—

"1.26. The Committee are deeply concerned to note serious delays|lapses in the sale of 21.95 tonnes of copper scrap by an Ordnance Factory which resulted in a loss of Rs. 1.50 lakhs. The scrap was disposed of at Rs. 9200 per tonne as against the highest offer of Rs. 16,133.65 per tonne initially obtained. The following narration of facts would indicate strongly the possibility of collusion with intent to defraud Government:

- (i) The tenders were initially invited in November/December, 1969 and were opened on 29th December, 1969. The factory took as long as 25 days to scrutinise the tenders and forwarding its recommendation to the DGOF. The Secretary, Defence Production, admitted during evidence that he had his own doubts whether the entire period of 25 days should have been spent on this effort.
- (ii) The highest offer of Rs. 16,133.65 per tonne was valid upto 27th March, 1970. The factory did not remind the DGOF at all to bring to his notice the date of expiry of the offer. No satisfactory explanation is forthcoming for this lapse.
- (iii) The DGOF advised the factory by an Express delivery letter on 13th March, 1970 to accept the offer. But factory received the letter only on 27th March, 1970 after a lapse of 14 days. No specific explanation for this unusual delay in transit could be obtained. It is equally strange that a copy of the DGOF's letter endorsed to the Factory's Financial Officers never reached them at all. ..
- (iv) The acceptance of the offer was not communicated to the tenderer on 27th March 1970 itself and it was done only on 10th April, 1970 and the tenderer backed out.
- (v) The tenderer's offer, was close to the market rate of copper scrap reported in the Eastern Market Review. There was fall in market rate by Rs. 1,400 per tonne between the period 15th December, 1969 and 23rd March, 1970 which meant a reduction of Rs. 30,730 in the value of 21.95 tonnes of copper scrap to be purchased by him. Therefore, the lapses and delays which led to

the tenderers backing out assume significance. The Secretary, Defence Production had to admit during evidence possibility of foul play.

- (vi) The scrap was retendered in June/July, 1970 and the tenders were opened only on 11th September, 1970. It is surprising that tenders were kept open after the closing date.
- (vii) The highest offer on this occasion was Rs. 14,601 per tonne as against the market rate ranging from Rs. 14,500 to Rs. 14,700 during August, 1970 and the beginning of September, 1970. The offer was valid upto 9th December, 1970. There was inordinate delay in recommending the acceptance of the offer.
- (viii) The DGOF advised the Factory telegraphically on 28th November, 1970 to accept the offer. Strangely again the telegram reached the concerned Section of the Factory at 5.00 P.M. on 8th December, 1970 just a day prior to the expiry of the tender.
- (ix) The Factory communicated the acceptance on the 9th December, 1970 and the tenderer revoked the offer on the ground that the validity period had expired. In this connection it should be noted that there was a fall of Rs. 1,300 per tonne in the market rate of copper scrap between the end of July, 1969 and the beginning of December, 1970.
- (x) There was again delay in getting the opinion of Ministry of Law regarding the contention of the tenderer. The opinion could be obtained only in October, 1971. Curiously the factory is reported to have misplaced the files called for by the Ministry of Law. Four reminders had to be sent by the DGOF to the factory but in vain.
- (xi) According to the Ministry of Law a contract had legally come into existence between the parties on 9th December, 1970. Unfortunately earnest money of Rs. 2500 only could be forfeited and the loss sustained by Government could not be recovered owing to delay in arranging resale.

Whatever enquiry was made earlier was clearly of a slipshod nature. The Committee, however, learn that after they took evidence, the case has been handed over to the CBI for investigation, a step which ought to have been taken much earlier. The Com-

mittee expect the CBI to go *inter-alia* into lapses/irregularities mentioned above expeditiously. The Committee desire that exemplary action (including penal recovery) should be taken against the officers and staff found to have indulged in corrupt practices. The Committee would await a detailed report in this regard."

"1.27. Another aspect of the case which causes distress to the Committee is the fixation of the reserve price for auction without due regard to the market rate. The scrap in question was auctioned in February, 1972. The reserve price fixed was only Rs. 10,000 per tonne when the market price was Rs. 13,600 per tonne. The price obtained was Rs. 9,200 per tonne which was slightly higher than the book-value of Rs. 9,060 per tonne. The Committee have obtained the details of the auction of copper scrap by this Ordnance Factory during the past 5 years and found that in all the cases the reserve price was very low when compared to the prevailing market rate and the price obtained in some cases was even less than the reserve price but was slightly higher than the book value. This gives an impression that the bidders somehow come to know of the reserve price as well as the book value and bid low. This impression is strengthened by the fact that whenever a tender is invited the quotations received closely followed the market rate. The Committee would, therefore, call for a thorough investigation of the auctions conducted to see whether there was any collusion."

"1.43. The Committee are distressed to find that Government sustained a loss of Rs. 2.20 lakhs as a result of allowing an attractive offer for the purchase of 72.32 tonnes copper scrap from an Ordnance Factory, to lapse. They have noticed the following deficiencies and lapses in this connection:

- (i) Although the Ordnance Factory was clear that the scrap was not liable to excise duty, it was not mentioned in the tender notice for reasons better known to them. The tenderers were, therefore, left in doubt about the position. The sale offer was made less attractive to the tenderers.
- (ii) The highest offer was inclusive of excise duty, if leviable. As the Factory was clear about its non-leviability it should have been brought to the notice of the

DGOF while recommending the offer for his acceptance. Unfortunately again this was not done.

- (iii) A lot of time was lost in unnecessary correspondence between the Ordnance Factory and the DGOF and in the meantime the period of validity of the offer expired on 27th July, 1970.
- (iv) Significantly enough the telegram sent to the DGOF on 18th July, 1970 by the Factory mentioned that the excise duty was leviable while post copy of the telegram mentioned that no excise duty was leviable which is reported to have caused confusion necessitating further correspondence.

The Committee desire that the above lapses should be thoroughly investigated having regard to the fact that there was fall of Rs. 600 per tonne in the market value of the scrap during the period from the date of invitation of tenders to the date of expiry of the highest offer. As there was a reduction of about 43,400 in value of 72.32 tonnes of copper scrap to be purchased by him, the tenderer would seem to have manipulated with the help of dishonest officials to see somehow that his tender was not accepted within the period of validity. The Committee therefore, urge that severe action (including penal recovery) should be taken against the officials found to have indulged in malpractices. They are further of the view that this is also a fit case for a probe by the CBI."

1.7. In their reply, dated the 23rd October, 1974, the Ministry of Defence (Deptt. of Defence Production) have stated:—

"1.26. The case is still under investigation by the CBI. A copy of the recommendations made by the PAC has also been forwarded to them, requesting them to expedite submission of the final report. Further action will be taken on receipt of the report of CBI."

"1.27. The case has been handed over to the CBI. Further action will be taken on receipt of the report of CBI. As regards the fixation of reserve price, the recommendations of Study Group constituted by this Ministry to review the existing disposal procedure are under examination."

"1.43. The case has been handed over to the CBI for investigation. A copy of the recommendation of the Public Accounts Committee has also been forwarded to the CBI. Further action will be taken on receipt of their report."

1.8. In paragraphs 1.26, 1.27 and 1.43 of their 121st Report (Fifth Lok Sabha), the Committee had expressed their grave concern over serious delays and lapses in the acceptance of offers for copper scrap and their sale/resale by Ordnance Factories. Since an examination of these cases had revealed the possibility of collusion with intent to defraud Government, the Committee had desired detailed investigation by the CBI for fixing responsibility for the lapses. The Committee are astonished to note that the cases are still under investigation by the C.B.I. The Committee deplore the inordinate delay that is taking place in completing the investigations. Moreover, there may take place the retirement from service in the meantime of some of those involved. The Committee would emphasise the need for ensuring that these investigations are completed expeditiously and responsibility fixed under advice to the Committee. Delays of any significant magnitude detract from the effectiveness of whatever disciplinary action that is subsequently taken.

Setting up a Metal Bank or a Clearing House for profitable utilisation of metal rendered surplus or unfit for particular use in Government Organisations. (Paragraph 1.29-Sr. No. 4).

1.9. Commenting on the uneconomic utilisation of non-ferrous scrap in the Ordnance Factories, the Committee in paragraph 1.29 of the Report had observed:—

“Incidentally the Committee would also like Government to consider setting up a sort of Metal Bank or Clearing House so that it can be ensured that the metal especially non-ferrous rendered surplus or unfit for a particular use in one organisation can be profitably utilised elsewhere without, being disposed of at a loss. The Committee consider this stop necessary because non-ferrous metal is becoming costlier and scarcer in the market and it is essential to make the best use of what is already available with the Government.”

1.10. In their reply, dated the 23rd October, 1974, the Ministry of Defence (Deptt. of Defence Production) have stated:—

“The recommendation made by the PAC regarding setting up a sort of Metal Bank or Clearing House is being studied by the Study Group. Its final report is awaited.”

1.11. The Committee note that in pursuance of their suggestion for the establishment of a Metal Bank or a Clearing House for the profitable utilisation of metals, especially non-ferrous metals, rendered surplus or unfit for a particular use, the Government have appointed a Study Group. The Committee need hardly stress the importance of taking a very early decision on this matter. They would invite attention to the fact that even in the current Audit Report for the year 1972-73 on Defence Services, instances of accumulation/disposal of non-ferrous metals have been highlighted. The Committee would, therefore, insist on the Government to process this recommendation with the utmost promptitude in consultation with departments/organisations in which scrap arise, and prescribe a time-bound schedule for its implementation. The Committee would await a further report in this regard.

Delay in completing review of existing procedure in regard to disposal of scrap in the Ordnance Factories (Paragraph 1.45-Sr. No. 7).

1.12. In paragraph 1.45 of the Report, the Committee had observed.—

“The Committee note that after they took evidence, Government have constituted a Study Group to review the existing procedures in regard to disposal of scrap in the Ordnance Factories. The Steps taken to utilise the scrap as much as possible and to dispose of the balance in the best interests of Government, arising out of the study, may be reported to the Committee.”

1.13. In their reply, dated the 23rd October, 1974, the Ministry of Defence (Department of Defence Production) have stated:—

“A part of the report of the Study Group has been received and is under examination. Their final report is awaited. Decision of the Government on the recommendations of this Group will be reported to the PAC.”

1.14. The Committee were informed earlier that a Study Group had been constituted by Government on 1-12-1973 to review the existing procedure for the disposal of surplus ferrous/non-ferrous scrap/ waste items in the Ordnance Factories. The Study Group was required to submit its report within three months of its constitution. The Committee are surprised to learn that the final report of the Study Group is still awaited. In view of the fluctuating nature of the scrap market, the Committee are very anxious that the existing procedures should be streamlined and tightened as early as possible. The Committee would, therefore, desire that the Government should

ensure that the Study Group should be directed to submit their Report without any further delay. The Committee would also like to be apprised of the recommendations of the Study Group in this regard and the action taken or proposed to be taken thereon.

Supply of defective equipment to an Ordnance Factory (Paragraph 1.92-Sr. No. 17).

1.15. Dealing with a case of supply of defective conveyors to an Ordnance Factory, the Committee in paragraph 1.92 of the Report, had observed:—

“A sum of Rs. 5.77 lakhs was paid between December, 1970 and October, 1971 to a firm against supply of conveyors which were later on rejected and the amount has not been recovered from the firm so far. The Committee would like to know how the defective supply was passed on inspection and whether any responsibility was fixed for the negligence. This and the progress in the recovery of the amount should also be reported to the Committee.”

1.16. In their reply, dated the 24th December, 1974, the Ministry of Defence (Department of Defence Production) have stated:—

“DGOF has informed that the initial inspection of the roll-out conveyors was carried out by the Inspection Wing of DGS&D before their despatch. The defect was noticed only after building up and bricking and commissioning the equipment at site. The responsibility for erection and commissioning was also of the firm. Final inspection note has not yet been issued. The question of recovery of Rs. 5.77 lakhs already paid to the firm has been examined with DGS&D, who has regretted his inability to recover the amount. Presently the DGOF is examining the question of recovery of this amount from the dues to the firm from the Ordnance Factories. The Legal Adviser has suggested to go for arbitration before any legal action is taken against the firm.”

1.17. The Committee regret that no decision has yet been taken in respect of the recovery of a sum of Rs. 5.77 lakhs paid to a firm against the supply of defective conveyors. As these payments relate to 1970-71, it is very much desirable that whatever action is decided upon to be taken should be taken without any further loss of time and the Committee informed.

1.18. As the defective conveyors had been passed by inspection, the Committee had desired to know how the supply had been passed

and whether any responsibility had been fixed for the negligence. The reply of the Department is, however, silent on this point. The Committee would like to know the action taken in this regard.

Delay in carrying out repairs to defective buildings of a Filling Factory (Paragraph 1.99-Sr. No. 20).

1.19. Noting with concern the serious structural defects in 110 buildings of a Filling Factory, the Committee, in paragraph 1.99 of the Report, has observed:—

“The Committee note with concern that 110 buildings of the Filling Factory constructed by the Public Works Department of the Government of Maharashtra revealed serious structural defects. According to investigations made by the Central Building Research Institute, Roorkee, the defects were due to inadequate soil testing, use of sub-standard and improperly cured bricks; and poor quality of workmanship. The Ministry stated that the matter of carrying out repairs of these defective buildings estimated to cost Rs. 9.20 lakhs has been taken up with the Government of Maharashtra. The progress made in the matter may be reported to the Committee.”

1.20. In their reply, dated the 24th December, 1974, the Ministry of Defence (Deptt. of Defence Production) have stated:—

“The Chief Minister, Maharashtra Government has been requested to institute inquiries and to fix responsibility for negligence on the part of those responsible for the execution of this project. That Government has also been requested to accept liability for such additional expenditure as Government may have to incur on the repair and reconstruction of the buildings which have been recommended for demolition as well as for the additional expenditure which Government may have to incur on their special maintenance for the duration of their residual life. The Chief Minister has been reminded.”

1.21. The Committee are distressed to find that the question of carrying out repairs to the defective buildings of the Filling Factory and fixing responsibility for the negligence has not yet been settled with the Government of Maharashtra even though these buildings had been taken over as early as 1967-68. The Committee cannot view with equanimity such delays and deprecate this casual approach. As there is a likelihood of further deterioration in the condition of the defective buildings in the absence of adequate repairs and larger ex-

penditure on repairs, maintenance etc., the Committee desire that the matter should be pursued more vigorously.

Excess capacity of the extrusion press in an Ordnance Factory (Paragraph 1.114-Sr. No. 24).

1.22. Commenting on the excess capacity of the extrusion press in an Ordnance Factory, the Committee in paragraph 1.114 of the Report had observed:—

“They have been informed that over the next 10 years about 40 percent of the capacity of the extrusion press would be sufficient to meet Defence purposes. The possibility of utilising the remaining 60 percent of the capacity is being explored. Here again the Committee feel that the question of spare capacity should have engaged the attention of Government when they decided to go in for large size press in December, 1965, so that it could be adequately utilised from the date of commissioning of the press. However, the Committee would await the result of this belated attempt.”

1.23. In their reply, dated the 24th December, 1974, the Ministry of Defence (Deptt. of Defence Production) have stated:—

“In 1967, various Ministries were asked to consider utilising the 60 per cent surplus capacity of the 9,000 tonnes Extrusion Press. In November, 1971, a circular was sent to the Cabinet Secretariat and other technical Departments and Ministries requesting them to intimate if any industrial units, including the Public Sector Undertakings under their control could utilise the spare capacity of this Press. These efforts have not yielded any result. Possibilities are now being explored to supply aluminium extrusions to the various units of the Hindustan Aeronautics Limited. A suggestion to appoint some reputed firm in this line to undertake the commercial utilisation of the surplus capacity on agency basis, is also under examination. Any arrangement with a firm would be temporary and shall ultimately be taken over by Bharat Aluminium Company (a Government of India Undertakings). Possibilities of exporting aluminium extrusions to U.S.S.R., France, Bulgaria are also under examination.”

1.24. The Committee note that the attempts of the Department of Defence Production to utilise the spare capacity of the extrusion press, procured at a cost of Rs. 655.97 lakhs in foreign exchange,

have not so far been successful. The unutilised capacity is as much as 60 per cent. The Department of Defence Production has been endeavouring to utilise the capacity since 1967 without any success. The Committee would like to know how much more time the Ministry would require for taking action which would make possible the economic use of the surplus capacity of the press.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The market rate of copper scrap was highly fluctuating during this period. It was per tonne Rs. 11,800 on 3rd Feb., 1969, Rs. 16,800 on 15th Dec., 1969, Rs. 12,900 on 14th January, 1971 Rs. 14,600 on 21st June, 1971, Rs. 12,800 on 29th November, 1971 and Rs. 15,500 on 19th March, 1973. Therefore, Government ought to have been very careful to safeguard their interests without allowing the purchasers to speculate at their cost. Unfortunately the reserve price fixed for auction is close to the book value computed with reference to the cost of acquisition which is totally irrelevant in a widely fluctuating market. The Committee therefore, stress that the procedure for disposal of scrap and the method of valuation should be rationalised forthwith not only by the Defence Department but also by the other Departments concerned. The Committee would also in this context recommend that the advisability of Government having their own melting and refining plants should be examined.

(Sr. No. 3 Para 1.28) of Appendix V to 121st Report of P.A.C:
(5th Lok Sabha)

Action Taken

A Time Schedule for dealing with tender cases has been introduced vide DGOF's circular No. 212/2|SP|C dated 11-5-73 (copy enclosed). To facilitate quick decision factories have been authorised to accept highest valid offers where the same are most profitable with the concurrence of the Local Accounts Officer, vide DGOF's circular letter No. 212/2|SP|C dt. 6-11-73 (copy enclosed). Instructions have also been issued by DGOF to ensure strict secrecy about the guiding reserve price. A copy of the circular dt. 28-5-74 issued in this regard is enclosed.

The procedure for the disposal of the scrap and the method of fixing reserve price were under examination by a Study Group appointed by this Ministry. Part I of the Report has been submitted by the Study Group and is under examination.

A copy of the recommendation of the PAC has been forwarded to other Government Deptts. for necessary action by them.

The Case regarding setting up of Melting and refining capacities is also under examination by the Study Group. Its final report is awaited.

(Ministry of Defence O.M. No. 26(4)|74|D (PA), dt. 23-10-74).

Copy of DGOF No. 212|2|SP|C, dated 11 May 1973

To

All Factories

Sub: PROCEDURE FOR DIDPOVAL OF SURPLUS STORES AND WASTE PRODUCTS ETC. IN ORDNANCE FACTORIES.

Ref: This Office circular letter No. 212|2|SP|C, dt. 1-8-72.

Normally factories ask for offers submitted in response to their advertised tenders for disposal of surplus stores etc. to remain open for a period of 2 months from the date of opening of the tenders. After preparation, the CSTs along with their recommendations are to be forwarded to the DGOF|RD concerned through Accounts Channel for final decision. In this connection your attention is drawn to this office circular letter No. 109|SP|D dt. 23-4-71.

2. Despite the clear instructions issued under the above quoted circular, instances come to notice where the factories have furnished CSTs to this Office without giving the required informations|particulars either in the CST or in their letters forwarding the proposal thereby causing difficulties|delay in finalising such proposal expeditiously. To obviate unnecessary back reference it is again impressed that while forwarding your proposals regarding disposal of surplus stores etc. on the basis of advertised tender all the relevant informations|particulars as laid down in the above quoted circular dated 3-4-71 are duly furnished.

3. In this connection your attention is invited to this office circular letter No. 212|2|SP|C dt. 29-9-72. The factories have been instructed to submit the proposals to their respective RDs for disposal of surplus stores, waste products etc. against advertised tenders.

In order to ensure that finalisation of the proposal is made within the validity period of the offer, the following time schedules should be strictly adhered to henceforth:—

Submission of proposal in respect of advertised tender requiring decision of RDs—

- (i) From the date of opening of the tenders, the proposal should be submitted by the factory to their respective LAO within 5 days.
- (ii) The LAO on receipt of factory's proposal will transmit the same with their comments to the Internal Financial Adviser within 7 days.
- (iii) The Internal Financial Adviser on receipt of the proposal from the LAO would forward the same to the R.D. concerned within 7 days.
- (iv) The RD concerned will communicate his decision to the factory concerned within 3 days after receipt of proposal from the Internal Financial Adviser.
- (v) The Factory concerned will communicate their decision to the parties concerned within 3 days from the date of receipt of decision from the RD.

Submission of proposal in respect of advertised tender requiring decision of DGOF.

- (a) From the date of opening of the tenders the proposal should be submitted by the factories to their LAO within 5 days.
- (b) The LAO on receipt of Factory's proposal will transmit the same with their comments to the CDA|Fys within 7 days.
- (c) The CDA|Fys. on receipt of the proposal from the LAO would forward the same to DGOF within 7 days.
- (d) The DGOF will refer the case of DFA|Fys. within 4 days.
- (e) DFA|Fys. will return the case to the DGOF within 3 days.
- (f) DGOF will communicate the decision to the Fy. within 4 days.

- (g) The factory concern will communicate the decision to the parties concerned within 3 days from the date of receipt of the decision from the DGOF.

4. In case where the validity period is less than the period of 2 months and the offer is considered attractive and valid in all respects, such cases should be dealt with on most expeditious manner and proposal should be submitted forthwith ignoring the aforesaid time schedule, so that the case is finalised within the validity period.

5. As regards Excise Duty, instructions contained in Central Board of Excise and Customs, New Delhi letter No. F. 23/6/70/C, dt. 20-6-72 circulated under this office letter No. 212/XX/V/III/2/SP/C, dt. 15-9-72 should be rigidly followed.

6. Kindly acknowledge receipt.

Sd/- (I. B. GHOSH)
ADGOF/SP

For Director General, Ord. Fys.

Copy of DGOF No. 212'2/SP/C Dated 6th Nov. 1973.

To

The General Managers,
All Factories.

Sub: Disposal of Scrap items by tender.

In terms of existing instructions contained in para 7(P) of this office circular No. 212/2/SP/C dt. 1-8-72, if in the interest of State, sale of any surplus stores and scrap/waste products by auction is not considered economical, arrangement is made for their disposal through open/limited or individual tender or through Running Contract, Sale by Running contract is arranged for a period of one year at a time. In all such cases, prior sanction of the DGOF is obtained through LAO. In the case of open tender, sanction of DGOF is required for the sale with prior concurrence of the Ministry of Finance (Def/Fys).

2. Advertised tenders are floated by the factories for disposal of certain categories of ferrous scrap (Steel swarf, turnings and borings, tinned/terne plates scrap and cast iron borings etc.) non-ferrous scrap (copper Scrap brass scrap etc.) and waste products like coal ash, cander ash, saw dust/wood shavings unserviceable bags gunny etc. either for the quantities available or for disposal on the basis of running contracts.

3. So far as disposal on the basis of the advertised tenders is concerned, in order to speed up disposal action it was decided by the DGOF that Ordnance Factories should submit their proposals to their R.D. concerned for necessary sanction, who will issue the sanction in consultation with his Internal Financial Advertisers. Factories not coming under any R.D. such as C.F. Aruvankadu, OF Tiruchirapalli VF Jbalpur, OF Ambajhari and OF Chanda should continue to submit their proposals to the DGOF for issue of necessary sanction. As regards limited/single tender, proposals of all factories will continue to be submitted to the DGOF for obtaining Government sanction with the concurrence of Ministry of Finance (Defence). In this connection, this office circular No. 212/2/Sp/C dt. 29.9.72 refers.

4. In order, however, to facilitate quick decisions for expediting disposal of scrap items, it has since been decided in consultation with the Ministry of Finance (Defence) and Ministry of Defence that the General Managers of Ordnance and Equipment Fys. will accept the highest valid offers received on open tenders, where the same are most profitable, with the concurrence of Local. A.O's keeping in view the reserved price/book value.

5. Necessary amendment to para 7(P) of this office circular No. 212/2/SP/C dt. 1.8.72 is under issue separately.

6. Kindly acknowledge receipt.

Sd/- (I.B. GHOSH)

ADGOF/SP

For Director General, Ordnance Factories

SECRET

No. 212/2/SP/(C) (Vol. XXX)

Government of India

Ministry of Defence

Directorate General, Ordnance Factories 6, Esplanade East,

Calcutta-1, the 28th May 1974.

All Factories (for personal attention of GMs)

Sub: Procedure for disposal of surplus stores and waste products in Ordnance Factories—Fixation of reserve/guiding prices.

Ref: This Office letter No. 212/2/SP/C dt. 1-8-72.

It may be recalled that in accordance with the Disposals Procedure in vogue Guiding/Reserve Prices for the items to be sold in

Public Auction, held in the factory, are fixed by the General Manager in consultation with the Local Accounts Officer. In order however, to work out the details of Guiding/Reserve Price of the items proposed for Auction Sale on a scheduled date, the G.M. selects an officer to carry out the preliminary job before he arrives at a final decision for fixation of the prices with the concurrence of his Accounts Officer. The General Manager, should invariably ensure that the officer concerned with the initial preparation of Guiding/Reserve Prices is not detailed for duty as Sale Supervising Officer for the Auction Sale as and when held in respect of these items.

2. It is also emphasized that for obvious reasons, strict secrecy should be maintained about Guiding/Reserve Prices fixed by the General Manager in consultation with the Local Accounts Officer and the relevant document should, therefore, be handed over by the General Manager to the Officer concerned authorised by him as Sale Supervising Officer just before the start of the Auction Sale (say 1/2 hour|1 hour earlier) scheduled to be held on a particular date .

Kindly acknowledge receipt.

Sd/- (R. N. DUTTA)

DDGOF/AMMN.

For Director General, Ordnance Factories.

(True copy)

Recommendation

The Member, Central Board of Excise and Customs informed the Committee that by a notification issued on 16th July, 1968, scrap was exempted from excise duty. As per subsequent notification dated 4th March, 1967, all the scrap in the market is deemed to have discharged the crude stage duty at Rs. 1500 per tonne. It is strange that the DGOF is stated to be not aware of this position. The Committee find that excise duty has been paid in respect of disposal of some cases of copper scrap even after 1967-68 since it could not be certified that the duty had already been paid on the virgin copper from which the scrap arose. There would, however, appear to be no question of verifying the payment of crude stage duty after 4th March, 1967. The Committee, therefore desire that the matter should be gone into, *inter alia*, for giving suitably revised clear instructions to the lower formations so that the disposal of scrap may not be delayed. Similar action should be taken by the DGS&D, Railway Board and other organisations who are disposing of scrap materials.

[S. No. 6—(Para 1.44) of Appendix—V to 121st Report of PAC—
(5th Lok Sabha)].

Action taken

To facilitate quick decision for the expeditious disposals of scrap by open tenders. General Managers have been authorised to accept highest valid offers where the same are most profitable with the concurrence of the LAO, *vide* DGOF letter No. 212|2|SP|C, dated 6th November, 1973. Instructions have also been issued to the Ord. Fys. that all despatches of non-ferrous scrap by other Ord Fys. to MSF or any other receiving factories should be accompanied by certificates showing whether excise duty for the scrap despatched has been paid or not, irrespective of whether the scrap in question is for sale or for re-use *vide* DGOF letter No. 212|XXIX|2|SP|C, dated 7th September, 1973.

An extract of the recommendation of the PAC has been forwarded to the Deptt. of Supply, Ministry of Railways and Ministry of Finance (Central Board of Excise & Revenue) for similar action.

Recommendations made by the Study Group constituted by this Ministry to review the existing disposal procedure are under examination.

[Ministry of Defence O.M. No. 26(4)/74/D(PA), dated 23-10-74].

No. 212/2/SP|C

Government of India

Ministry of Defence

Directorate General, Ordnance Factories

6, Esplanade East,

Calcutta-1, the 6th November, 1973

To

The General Managers,
All Factories.

SUB: Disposal of Scrap of Scrap items by tender

In terms of existing instructions contained in para 7(P) in this office circular No. 212|2|SP|C dated 1st August, 1972, if in the interest of State, sale of any surplus stores and scrap/waste products by auction is not considered economical, arrangement is made for their disposal through open/limited or individual tender or through

Running Contract. Sale by Running Contract is arranged for a period of one year at a time. In all such cases, prior sanction of the DGOF is obtained through LAO. In the case of open tender, sanction of DGOF is required for the sale with prior concurrence of the Ministry of Finance (Def./Fys).

2. Advertised tenders are floated by the factories for disposal of certain categories of ferrous scrap (Steel swarf, turnings and borings, tinned/terne plates scrap and cast iron borings etc.) non-ferrous scrap (copper scrap, brass scrap etc.) and waste products like coal ash, cinder ash, saw dust/wool shavings, unserviceable bags gunny etc. either for the quantities available or for disposal on the basis of running contracts.

3. So far as disposal on the basis of the advertised tenders is concerned, in order to speed up disposal action it was decided by the DGOF that Ordnance Factories should submit their proposals to their R.D. concerned for necessary sanction, who will issue the sanction in consultation with his Internal Financial Advisers. Factories not coming under any R.D. such as C.F. Aruvankadu, OF Tiruchirapalli, VF Jabalpur, OF Ambajhari and OF Chanda should continue to submit their proposals to the DGOF for issue of necessary sanction. As regards limited/single tender, proposals of all factories will continue to be submitted to the DGOF for obtaining Government sanction with the concurrence of Ministry of Finance (Defence). In this connection, this Office circular No. 212/2/SP/C dated 29th September, 1972 refers.

4. In order, however, to facilitate quick decisions for expediting disposal of scrap items, it has since been decided in consultation with the Ministry of Finance (Defence) and Ministry of Defence that the General Managers of Ordnance and Equipment Fys. will accept the highest valid offers received on open tenders, where the same are most profitable, with the concurrence of Local A.Os keeping in view the reserved price/book value.

5. Necessary amendment to para 7(P) of this office circular No. 212/2/SP/C dated 1st August, 1972 is under issue separately.

6. Kindly acknowledge receipt.

Sd/ (I. B. GHOSH)
ADGOF/SP

For Director General, Ordnance Factories.

Copy of DGOF Letter No. 212|XXIX|SP|C dated 7-9-73 addressed to all factories and copy to others.

SUBJECT: Procedure for disposal of surplus stores and waste products etc. in ordnance factories.

REFERENCE: This Office Circular No. 212|2|SP|C dated 1-8-72.

In accordance with the instructions contained in Para 15 of the above quoted circular, surplus nonferrous scrap will be offered to the factories who are likely to utilise them including melting factories (i.e. M.S.F. OF Kat and O.F.A.). It has been decided by M or D that all despatches of nonferrous scrap by other factories to MSF or any other receiving factories should be accompanied by a certificate showing whether the excise duty for the scraps despatched had been paid or not irrespective of whether the scrap in question is for sale for or re-use.

2. You are requested to ensure that the above decision is implemented with immediate effect.

3. Kindly acknowledge receipt.

Sd/- (H. B. GHOSH)
Officer Supervisor,

For Director General, Ordnance Factories.

The observations of the Committee have been noted. Replies received from all the Railways (except Northern Railway and ICF) indicate that no excise duty/crude stage duty is being paid by them on disposal of copper scrap.

This has been seen by Audit.

[Ministry of Railways (Rly. Board) O.M. No. 74-BC-PAC|V|121, dated 26-11-1974].

Recommendation

The Committee also considered that the entire procedure should be revised so as to reduce the occurrence of delays in the scrutiny of tender and its final acceptance. They note that normally tenders are expected to keep open their offers for a period of two months and that certain time schedule is laid down recently for the submission of the proposals for acceptance. In a widely fluctuating market, it is inappropriate to fix so long a time limit, It should be cut down as much possible to safeguard the interests of Government.

[S. No. 8-(Para 1.46) of Appendix. V to 121st Report P.A.C.—
(5th Lok Sabha)]

Action taken

A time schedule for dealing with tender cases was prescribed by DGOF vide his circular No. 212|2|SP|C dated 11-5-73 (copy enclosed). The Study Group has also made some recommendations which are under examination.

[Ministry of Defence O.M. No. 26(4)/74/D(PA), dated 23-10-74].

Copy of DGOF No. 212|2|SP|C dated 11th May, 1973.

To

All factories,

Sub: Procedure for disposal of surplus stores and waste products etc. in ordnance factories.

Ref.: This office Circular letter No. 212|2|SP|C dt. 1-3-72.

Normally factories ask for offers submitted in response to their advertised tenders for disposal of surplus stores etc. to remain open for a period of 2 months from the date of opening of the tenders. After preparation, the CSTs along with their recommendations are to be forwarded to the DGOF|RD concerned through Accounts Channel for final decision. In this connection, your attention is drawn to this office Circular letter No. 109|SP|D dated 23-4-71.

2. Despite the clear instructions issued under the above quoted circular, instances have come to notice where the Factories have furnished CST to this office without the required informations/particulars either in the CST or in their letters forwarding the proposal thereby causing difficulties/delay in finalising such proposal expeditiously. To obviate unnecessary back references it is again impressed that while forwarding your proposal regarding disposal of surplus stores etc. on the basis of advertised tender all the relevant informations/particulars as laid down in the above quoted circular dated 23-4-71 are duly furnished.

3. In this connection your attention is invited to this office circular letter No. 212|2|SP|C dated 29-9-72. The factories have been instructed to submit the proposals to their respective RDs for disposal of surplus stores, waste products etc. against advertised tenders.

In order to ensure that finalisation of the proposal is made within the validity period of the offer, the following time schedules should be strictly adhered to henceforth:

Submission of proposal in respect of advertised tender requiring decision of RD's.

(i) From the date of opening of the tenders, the proposal should be submitted by the Factory to their respective LAO within 5 days.

(ii) The LAO on receipt of Factory's proposal will transmit the same with their comments to the Internal Financial Adviser within 7 days.

(iii) The Internal Financial Adviser on receipt of the proposal from the LAO would forward the same to the R.D. concerned within 7 days.

(iv) The RD concerned will communicate his decision to the Factory concerned within 3 days after receipt of proposal from the Internal Financial Adviser.

(v) The Factory concerned will communicate their decision to the parties concerned within 3 days from the date of receipt of decision from the RD.

Submission of proposal in respect of advertised tender requiring decision of DGOF.

(a) From the date of opening of the tenders, the proposal should be submitted by the Factories to their LAO within 5 days.

(b) The LAO on receipt of Factory's proposal will transmit the same with their comments to the CDA/Fys. within 7 days.

(c) The CDA/Fys. on receipt of the proposal from the LAO would forward the same to DGOF within 7 days.

(d) The DGOF will refer the case of DFA/Fys. within 4 days.

(e) DFA/Fys. will return the case to the DGOF within 3 days.

(f) DGOF will communicate the decision to the Factory within 4 days.

(g) The Factory concerned will communicate the decision to the parties concerned within 3 days from the date of receipt of the decision from the DGOF.

4. In cases where the validity period is less than the period of 2 months and the offer is considered attractive and valid in all respects, such cases should be dealt with on most expeditious manner and proposal should be submitted forthwith ignoring the aforesaid time schedule so that the case finalised within the validity period.

5. As regards Excise Duty, instructions contained in Central Board of Excise and Customs, New Delhi letter No. F. 23|6|70|C.S. dt. 20-6-72 circulated under this office letter No. 212|XX|V|III|2|SP|C dt. 15-9-72 should be rigidly followed.

6. Kindly acknowledge receipt.

Sd/- (I. B. GHOSH)

ADGOF/SP

FOR D.G.O.F.

Recommendation

As early as February, 1963, the setting up of a heavy engineering factory was approved. Owing to foreign exchange difficulties, it was decided in April 1964 to execute the project in two phases. In October, 1965, it was again decided to execute Phase I in two parts due to non-availability of foreign aid. The Committee regret that no firm target date appears to have been fixed by Government for completion of the factory. The lack of proper planning and tardy implementation of the project is discussed in the succeeding sections.

[S. No. 9 (Para 1.67) of Appendix V to 121st Report of P.A.C. (5th Lok Sabha)]

Action taken

The establishment of an engineering factory at Ambajhari was approved in 1963. Government sanctions were issued in instalments from March 17, 1965. The planned target date or the starting of production was December, 1972. But for a variety of reasons, it could not be possible to adhere to the target. The main reason was the withdrawal of the promised foreign assistance following the Indo-Pak conflict in October 1965. The alternate arrangement envisaged was the procurement of plant and machinery from Hindustan Machine Tools and from East European countries.

[Ministry of Defence O.M. No. 26(4)|74|D(PA), dt. 24-12-74].

Recommendation

The cost of Phase I of the project was estimated at Rs. 37.92 crores in April, 1964. This was subsequently revised to Rs. 51.58 crores. The actual cost is expected to be of the order of Rs. 56 crores, presumably after dropping construction of certain civil works and cutting down on procurement of machines. Thus neither the require-

ments were assessed properly nor the estimates prepared realistically, which causes concern to the Committee. This is certainly not the way to sanction a project requiring such huge investments and involving considerable precious foreign exchange.

[S. No. 10 (Para 1.68) of Appendix V to 121st Report of P.A.C.
(5th Lok Sabha)]

Action taken

It is true that the first estimated cost of the project was worked out at Rs. 37.92 crores in April 1964. The purpose of this estimated cost was to seek the approval of the Expenditure Finance Committee. For this estimated cost, all the parameters, requirements of the product and other relevant details were not available. All this data was available only after a team of U.S. Government had completed the engineering study of the project. A revised estimate was, therefore, prepared on the basis of the report of this team. In preparing this revised estimate, the one financial factor that had to be taken into consideration was the de-valuation of the rupee to the extent of 57.5 percent and the escalation of the customs duty from 15 per cent, as indicated in the first estimate, to 27½ per cent. These were the two principal factors for raising the estimate.

2. The upward revision of the estimated cost to Rs. 56 crores became unavoidable for the following reasons:—

- (a) Inclusion of difficult and more sophisticated items of store in place of originally planned less sophisticated items as per later technical developments.
- (b) Revaluation of Deutsche Mark by 8 per cent in December, 1969.
- (c) Prices of indigenously developed machines using imported components being higher than fully imported machines.

and

- (d) higher rate of customs duty on imported items.

[Ministry of Defence O.M. No. 26(4)/74(D(PA), dated 24-12-1974].

Recommendation

The Committee find that as against the requirement of 1869 machines for the various shops orders were placed for 1415 out of which only 1201 have been received and 1145 commissioned so far.

Giving reasons for going slow on the procurement the Secretary, Defence Production Stated that the Department were not sure of the demand for the various items, to be produced as well as its urgency. He also informed the Committee that it was proposed to review the requirement of the machines so as to cut it down as much as possible. The Committee regret that the position is so uncertain even after 10 years of conceiving the factory. They desire that the proposed review should be carried out with the utmost expedition and action taken to establish early adequate production of the required items.

[S. No. 11 (Para 1.69) of Appendix V to 121st Report of PAC (5th Lok Sabha)]

Action taken

It may be appreciated that the decision to establish this factory with a variety of production lines and capacity was taken in the background of the Chinese aggression in 1962. The main reasons for this decision was the realisation that self-sufficiency should be acquired in the manufacture of small arms, artillery and their ammunition. The fact is that all the designs of the arms and ammunition had not been finalised. The finalisation of the designs were done in progressive stages. One of the designs was finalised only in November 1970 and the design of a component is still to be finalised. In the absence of the firm designs of all the requirements, the procurement of plant and machinery relating to such of the items had to be staggered. As desired by the PAC, a review has since been carried out and the procurement of plant and machinery in accordance with the requirements of the product-mix has been finalised.

[Ministry of Defence O.M. No. 26 (4)/74/D(PA), dt. 24-12-74]

Recommendation

The Committee had also occasion to examine certain other defence projects. They are not at all satisfied with the manner in which the projects were conceived, planned and executed. In this connection they would refer to their observations contained in paragraph 2.29 of the 82nd Report and paragraph 2.21 of the 92nd Report (Fifth Lok Sabha). Government ought seriously to consider what is wrong with the system of planning and execution and take steps to see that the shortcomings are overcome early.

[S. No. 12 (Para 1.70) of Appendix V to 121st Report of PAC (5th Lok Sabha)]

Action taken

The observations of the P. A. C. in regard to this project as well as two other projects *vide* 82nd Report and 92nd Report have been noted and necessary corrective steps are being taken to ensure the planning of the project is carried out with utmost scrutiny and thoroughness. The concept of preparing a special project report for each project has since been evolved and accepted. The project teams are entrusted with the specific tasks of ensuring that the projects are not only carefully planned and projected out also the steps required to implement them pursued vigorously.

[Ministry of Defence O. M. No. 26 (4) |74|D(PA), dt. 24-12-74]

Recommendation

A heat treatment plant ordered on a firm in November, 1967 and due to be delivered by January, 1969 had not been delivered even after a lapse of more than 6 years and the contract had to be ultimately cancelled. The question of recovery of general damages from the firm is stated to be under consideration in consultation with the Ministry of Law. The Committee would like Government to come to an early decision in the matter and inform them.

[S. No. 15 (Para 1.90) of Appendix V to 121st Report of P.A.C. (5th Lok Sabha)]

Action taken

Regarding the recovery of general damages from the firm on whom an order for heat treatment plant was placed and finally cancelled, the DGS&D has informed that according to the Ministry of Law, recovery of general damages should be limited to 7.5 per cent of the value stores subject to actual loss suffered by the user. This loss has since been calculated and intimated to DGS&D for further action.

[Ministry of Defence O. M. No. 26 (4) |74|D(PA), dt. 24-12-74]

Recommendation

1.111 The Committee regret that there was inordinate delay in establishing the manufacture of assault bridges which was decided upon as early as April, 1963. There was also lack of synchronisation of the civil works and the procurement of machinery. It is distressing that not a single assault bridge could be manufactured upto January, 1973. In the meantime it is significant that as many

as 8 bridges costing Rs. 3.23 crores had to be imported to meet an urgent need. It is unfortunate that although production was planned so far ahead the execution was so unsatisfactory that it could not materialise at a time when the country needed it most. The Committee would like to know the progress achieved in indigenous production against the target of 12 bridges per year two years after commissioning the project and the steps taken to achieve the target.

1.112. A decision to instal the extrusion press needed for the assault bridge was taken in November, 1966. The press and ancillary equipments were received during August, 1968 to June, 1969, but the press could not be installed as the buildings were not ready till October/November, 1972. The slow progress in the construction of the buildings is attributed to the non-availability of about 400 tonnes of critical sections of steel. It is regrettable that this requirement was not thought of well in advance and supplies ensured in time. The matter requires to be examined in consultation with the Ministry of Steel so that procedures would be devised and implemented whereby the critical defence needs could be met in time.

1.113. The Committee desire that the production of assault bridges should be established without further loss of time.

[S. Nos. 21, 22, 23 (Paras 1.111, 1.112 and 1.133 of Appendix V to 121st Report of P.A.C. (5th Lok Sabha)]

Action taken

S. No. 21

1. The production of Krupp Man Bridge commenced from September 1971. One complete bridge consists of 25 assemblies of aluminium and steel components and each assembly consists of parts ranging from 5 to 292. 17 of the 25 assemblies are assembled at the Ordnance Factory, Ambajhari and the Machine Tool Prototype Factory, Ambarnath. The balance 8 assemblies are manufactured by the civil trade.

2. One complete bridge was issued in April 1974. It has not been possible to issue another complete set. Till the end of August 1974, various components sufficient for 1 to 35 bridge sets were ready, but there have been certain technical difficulties in stabilising matching production of three highly stressed components, namely the main girder, the cross girder and the ram girder. Efforts are being made to overcome the technical difficulties as without these three compo-

nents, it is not possible to supply complete sets. It is expected that by March 1975, it would be possible to supply 8 complete sets and thereafter, the annual rated capacity should be 12 sets.

S. No. 22

3. There are arrangements to ensure supply of critical sections of steel for Defence needs, but bottleneck arises where the manufacture of some critical steel sections is not available in the country. An Officer on Special Duty (Steel) is stationed in Calcutta since October 1971. His main assignment is to maintain effective liaison with the Joint Plant Committee with a view to ensuring priority allocations through the Steel Priority Committee. This arrangement has resulted in improved supplies of steel sections for Defence needs. In addition, all individual cases are taken up by the Department of Defence Production with the Ministry of Steel.

4. The real bottleneck arises when there is no indigenous source for the supply of a particular steel section. For example, steel sections required for stanchions for IFG Project, Kanpur, were not available in the country and consequently the structural design drawings had to be changed.

S. No. 23

5. It has been covered by paragraphs 1 and 2 above.

[Ministry of Defence O.M. No. 26(4) |74|D(PA), dt. 24-12-74]

Recommendation

The Committee are concerned to note that the order placed on the Ordnance Factory in June, 1965 for manufacture of 2750 nos. of an item required for a weapon could not be executed as no action was taken by the General Manager of the Ordnance Factory. It is surprising that although the order was important, no one followed it up closely. It is now presumed by the Ministry that the General Manager did so as he was aware that it was not possible for the Factory to undertake the manufacture of this item. Had he intimated the position to the DGOF, alternative sources could have been located. However, as the General Manager has since expired, the Committee suggest that strict instructions should be issued to the General Manager of the Ordnance Factories that lapses of this type should be avoided.

[S. No. 25 (Para 1.125) Appendix V. to 121st Report of P.A.C. (5th Lok Sabha)]

Action taken

Necessary instructions have been issued by DGOF to all the General Managers and other concerned to avoid lapses of this nature vide DGOF's circular No. 406/P&T dt. 4-7-74. A copy of the circular is enclosed.

[Ministry of Defence O.M. No. 26(4)/74/D(PA) dt. 28-10-74]

Copy of DGOF UO NO. 406/P&T dated 7-4-74 addressed to the General Managers, All Factories.

SUB:—121st Report of the Public Accounts Committee, 1973-74 on Para 6 of the Report of C&AG, 1971-72-Cartg. Clip.

An Ordnance Depot placed an indent in Oct., 64 on the DGOF for supply of an item required for a Weapon. To avoid imports on a long term basis, it was decided that indigenous production of this item should be established in an Ordnance Factory. Accordingly an extract for manufacture of the item required for the weapon was placed on an Ordnance Factory in June, 1965. No action was however, taken by the factory for execution of the important order till 1971. In the meantime, an expeditor was received from the indenter for urgent supply of the store when the factory expressed the view that it would not be possible to undertake the work in that factory especially since the manufacture involved extensive toolings, jigs and fixtures, gauges for intricate alloy steel forgings, and machining work for a small quantity.

2. The above lapse on the part of the factory has been viewed seriously by the Public Accounts Committee. It is accordingly enjoined that adequate steps should be taken in progressing the Extracts to avoid the lapse of the type referred to above. The present procedure and system should be examined with a view to take steps to ensure that costly lapse of this nature do not recur.

3. Kindly acknowledge receipt.

Sd/-

(M. N. HUKKU)

ADDL. DGOF (A)

FOR DGOF.

Copy to:—

1. The Addl. DGOF (OEF) Group Hqrs, ESIC Bhawan, Servodaya Nagar, Kanpur-5. (10 copies).

2. All Production Section including P/W/(L/70 Group) & P|A'

It has been remarked by the PAC that no serious efforts were made by the DGOF to procure the item from the trade in time resulting in import on several occasions. In future all possibilities of locating indigenous manufacture of Defence Stores would be explored in time before placing orders abroad for import.

3. D. P. S.

Please confirm that the present system of computerised progress reporting ensures inclusion of all extracts irrespective of "Priorities" and minimises the chances of recurrence of such serious lapses of this nature in future.

4. A/PAC (C/No. 686/72/A/PAC).

Recommendation

An indent for the supply of an item was placed by the Ordnance Depot in October, 1964. Apart from a reminder to the Ordnance Factory with a copy endorsed to the DGOF in March, 1966, which strongly enough does not appear to have been received by either of them, there was no follow-up by the indenter till August, 1971. The Ordnance Factory having expressed its inability to manufacture, 2750 items had to be airlifted (freight Rs. 0.36 lakhs) from abroad to meet urgent requirements at an extra cost of Rs. 0.59 lakhs. It is clear that the system in operation at present is unsatisfactory or inadequate. Since in this case, it led to considerable expenditure in foreign exchange having to be incurred, the Committee would like Government to examine the procedures and system with a view to taking steps to ensure that costly lapses of this nature do not recur.

[S. No. 26—(Para 1.126) of Appendix V to 121st Report of PAC (5th Lok Sabha)]

Action taken

The procedure regarding progressing of orders has been revised to quarterly computerised progressing system. This takes care of each and every extract irrespective of priority category. Instructions have been issued by MGO to his lower formation/depots to avoid recurrence of such lapses. A copy of the instructions issued *vide* AHQ MCO Branch No. A|22156|PAC|05—10 dt. 29-6-74 is enclosed.

[Ministry of Defence O.M. No. 26(4)/74/D(PA), dt. 28-10-74]

Copy of Army Headquarters|MGO No. A|21156|PAC|OS-1C dt. 29-6-74 addressed to Commandants|COO|OsC (As per Standard Address List 'G') and copy to others.

Commandant CAD PULGAON

Expediting of Dues in-Class 'B' Stores

A case has come to light where the dues in of an item had not been progressed regularly, resulting in air lift of the item to meet emergent requirement and the consequent avoidable expenditure in foreign exchange. This lapse has been severely commented upon by the Public Accounts Committee.

2. In this connection please refer to para 36 of the DOS Technical Instruction No. 040. Warning signals in the form of Review Action Slips are issued by Accounts Branch to Provision Section to warn them about stock depletion. Provision Sections on receipt of these slips, are required to carry out an immediate review and expedite dues in. These in-built safeguards should preclude the possibility of any instance as mentioned in para 1 above.

3. It is hereby directed that machinery and drill for review and expediting dues in is tightened to avoid recurrence.

Sd|-

(K. C. SHARMA)

LT COL

ADOS(C)

For Director of Ordnance Services.

Recommendation

According to the Ministry, the Director General, Ordnance Factory could not take this item into consideration while planning the production of the weapon, because the item in question was not one of those included in the scale given by the foreign manufacture when two weapons were imported in 1959 to assist in establishing indigenous production. The Committee would like to know whether it was not a breach of contract by the foreign firm and if so what action was taken.

[S. No. 27, (Para 1.127) Appendix V 121st Report of P.A.C. (5th Lok Sabha)]

Action taken

Clip Cartridge is not a part of the gun. It is an accessory only and is included in the Complete Equipment Schedule (CES) of L-70 gun which comprises of 523 items of tools accessories and carried spares. Out of 523 (CES) items, there are 45 items (Including clip cartridges) which are not being supplied automatically, free of cost, by the supply. Non inclusion of this item in their scale in the supply of two guns by M/s. BOFORS SWEDEN during 1959 can not, therefore, be treated as a breach of contract.

[Ministry of Defence O.M. No. 26(4)/74/D(PA), dt. 7-11-74]

Recommendation

The Committee further regret that no serious efforts were made by the DGOF to procure the item from trade in time with the result that the item had to be imported on several occasions. They hope that in future all possibilities of locating indigenous manufacture of defence stores would be explored and in time before placing orders abroad for import.

[S. No. 28, (Para 1.128) Appendix V to 121st Report of
P.A.C. (5th Lok Sabha)]

Action taken

The directions of the PAC have been noted and instructions issued.

[Ministry of Defence O.M. No. 26(4)/74/D(PA), dt. 28-10-74]

Recommendation

The Committee find that while the price of the episcopes purchased from the trade was Rs. 645 each, its cost of production in the Ordnance Factory was Rs. 1192.13 in 1967-68 which was progressively brought down to Rs. 1000.36 in 1972-73. Further, the explanation given for such a high cost of production in the Ordnance Factory is not quite convincing. The Committee, therefore, desire that there should be no avoidable duplication of efforts and that the cost structure of the Ordnance Factories production should be gone into in a scientific manner with a view to bringing down the costs. In this connection they would recall their observations contained in paragraph 2.88 of their 22nd Report (5th Lok Sabha).

[S. No. 29, (Para 1.140) Appendix V 121st Report of
P.A.C. (5th Lok Sabha)]

Action taken

The production of Ord. Fys. is primarily meant for Army and all issues are categorised as free issues and hence all charges including fixed overheads which is quite significant are included in the cost of production and debited to Army. It is, therefore, not considered fair to include the fixed overheads charges for comparison of the cost with the trade cost. Another reason for high cost of production of this store is that the factories have been over absorbing the fixed overheads under the stabilisation on cost scheme as most of the shops had been working above the datum load. Action has however, been taken and necessary data forwarded to the Accounts Authority for re-working the leviable fixed charges under stabilised on cost scheme on a more realistic basis.

[Ministry of Defence O.M. No. 26(4)/74/D(PA), dt. 26-10-74]

Recommendation

The Committee are quite definite that once a line of manufacture is established in the ordnance factory it should not be closed down merely because the item can be procured at a lower rate from private sector units. Instead the Government should study the cost structure of the suppliers in private sector so as to ascertain why is it that the ordnance factory cost is higher and then take action to effect economics particularly in overheads and improve efficiency.

[S. No. 30 (Para 1.141) of Appendix V 121st Report of
P.A.C. (5th Lok Sabha)]

Action taken

The suggestion made by the PAC have been noted for guidance.

[Ministry of Defence O.M. No. 26(4)/74/D(PA), dt. 26-10-74]

CHAPTER III

RECOMMENDATIONS|OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF REPLIES BY GOVERNMENT

Recommendation

The Committee find that although the factory has gone into production of certain items included in Phase 1A, which however, is nowhere near the targets fixed, there has been no production so far of items included in Phase 1B Capacity for production of a number of items has not yet been established either because of the delay in finalising designs or they have been abandoned as unsuitable to Army. In the case of one item which has been abandoned, plant and machinery procured at the cost of Rs. 68.80 lakhs are idling. In certain other cases the production is either low or nil owing to inadequate demand or lack of demand altogether or due to defect in machines and equipment. The shortfall in production and delay in establishing production in this factory vitally affected production in the newly established firing factory, the production of which was only about 3.2 per cent of its capacity. Both these causes must have also affected equally seriously the production in the connected explosives factories. All this calls for an immediate investigation at government level. The Committee strongly feel that all the connected projects involving investments of the order of about Rs. 100 crores were neither properly conceived nor planned in depth nor was their execution synchronised. They cannot but deplore this degree of inefficiency and disregard of public money. They would, urge a comprehensive inquiry being carried out forthwith.

[S. No. 13 (Para 1.88) of Appendix V to 121st Report of PAC (5th Lok Sabha)].

Action taken

The Committee has contended that the planning of this factory had not been properly conceived as in the case of items where the production has commenced the scale of production was totally unrelated to the capacity created and in respect of other items planned for production, there had been no production at all

2. In so far as Phase 1A, in respect of which production had commenced, we would like to reiterate that the capacities created were

with reference to certain anticipated demands in times of emergency on the basis of 2 x 10 working shifts as some of the other ordnance factories had also some capacities for manufacture of similar items as this factory, the distribution of the available load had to be judiciously planned between all these factories. Such being the case, naturally preference was given to well established lines of production in the older factories, mainly for ensuring good industrial relations as otherwise diversion of the load in favour of new factory would have meant shut down of these lines of production in older factories. Further, in reckoning the normal capacity in this factory, we would urge the committee to appreciate that this may be done only on the basis of single 8-hour shift working. Thirdly, the assessment of performance may be with reference to the targets fixed annually for this factory. If such a basis is adopted, it would be seen, as explained below, that the utilisation of capacity had been around 63 to 100 per cent of the targets fixed for this factory. In this connection, the following information is submitted:—

Name of item	Planned capacity (2x10 hour shift)	Capacity at 1x8 hr. shift	Target fixed for 73-74	Production in 73-74	Percentage of utilisation
Item 'A'	70,000 p.m.	28,000 p.m.	1.20 lakhs	1 lakh	84
Component of 'A'	70,000 p.m.	28,000 p.m.	2 lakhs	2.01 lakhs	100
Item 'B'	50,000 p.m.	20,000 p.m.
Component of Item 'B'	50,000 p.m.	20,000 p.m.	60,000	38,000	63
Item 'F'	50,000 p.m.	20,000
Substitute product for 'F'	No Capacity planned	..	1.20 lakhs	1.05 lakhs	88

NOTE: The plant and machinery for component of 'B' above was used for manufacture of substitute for 'F'.

3. In so far as Phase 1B is concerned, it had not been possible to commence regular production for one reason or the other as already

indicated in paras 1.83 to 1.86 of PAC 121st Report. So far trickle production of one component of 'B' has commenced to meet the small order received for this item in October 1973. Component for 'C' also has been productionised and the first lot of ammunition 'C' has been issued in July 1974. There was, however, some delay in the productionisation of 'C' as shipment of toolings from U.S. had been delayed during the Indo-Pak hostility of 1971. In regard to 'E', the procurement of plant and machinery which had been abandoned in July 1972 has since been recommended consequent on a decision to establish production of this item at the rate of 15,000 Nos. per month on 2 x 8 hour shifts. However, the design of one of the two components of 'E' still remains to be finalised by Defence R & D without which regular production of 'E' cannot be taken up. It is a fact that certain plant and machinery procured for 'D' is idling and the question of using these for manufacture of ammunition of similar parameters is still under examination.

4. The Committee has mentioned that shortfall in production and delay in establishing production in this factory has affected production in the newly established complementary filling factory. The factual position is, however, different. The filling factory has capacity for filling of 25 types of ammunition out of which this factory was expected to provide empties only for 8 items. To the extent that this factory had suffered for want of orders, the filling factory's production had remained unutilised. In respect of the remaining lines in the filling factory, their non-utilisation was due to availability of filling capacities in other ordnance factories and the limited order for these ammunition on DGOF. As already explained, when older factories have also facilities for similar activities, preference in distribution of load is given to them rather than to the newer factories to ensure that the employed labour are adequately utilised. As to whether the limited utilisation of the installed capacity in the new factories had affected production of explosives in the explosive factories, this was also not so. The required quantities of explosives to meet Army's requirements of ammunition using them had been produced. In fact, Government are proposing to establish an additional explosives factory as the present capacity in the existing explosive factories is not adequate enough.

5. The Committee has expressed itself strongly against the manner in which those connected projects had been conceived and implemented. For appreciation of the whole matter in its proper perspective, we would like to bring to the notice of the PAC that the concept of self-reliance in the matter of production of arms/

ammunition had been evolved after careful deliberation. Firstly, the Committee set-up in 1962 with all representative interests (Ministry of Defence, Armed Forces, Finance, Railways and Steel) had emphasised the need for sufficiency to meet the full requirements of the Services in times of emergency for an indefinite period and had proposed development in three phases, the first phase to augment facilities in the existing Ordnance Factories and the second|third phase for establishment of new facilities in the filling of small arms ammunition, artillery shells, cartridge cases, fuzes and primers, mortar bombs and explosives. It was this Committee's view that first priority would be given to the manufacture of small arms, artillery shells and their ammunition. The Chinese invasion in October, 1962 further highlighted the need for self-sufficiency in arms|ammunition. The Cabinet Committee on Defence Production, had decided on 23rd February 1963 to go ahead with the establishment of a group of 6 factories to produce specified quantities of gun ammunition, mortar bombs and aircraft bombs, small arms ammunition and small arms. It was in this context that these factories at Ambajhari, Tiruchi, Chanda, Varangaon, Panvel and Burla were first planned, but eventually, only the first four were established.

6. As to lack of synchronisation in the execution of these factories, it may be stated that excepting for the ordnance factories at Ambajhari and Chanda, which were to some extent complementary to each other, the other factories at Varangaon and Tiruchi were more or less independent units. In the construction of factories at Ambajhari and Chanda, the work had been planned and had gone ahead fairly. As stated earlier, the non-utilisation in the filling factory at Chanda was only partially due to the inadequate utilisation of the Ambajhari unit which again was due to want of orders. The main reason for idle capacity in Chanda was due to lack of orders for items quite unconnected with the Ambajhari factory.

7. There is another aspect of the matter which has to be explained. At the time it was decided to establish new production units, it was desired that these factories should be as far distant as possible from our land frontiers. Consequently, two establishment of those factories in Punjab, UP, Bengal, Bihar, Assam, Rajasthan and parts of Madhya Pradesh were excluded. It would, therefore, seem that the idea in establishing these units was not only to serve as new production units or arms and ammunition but also to serve as standby units to those which were already producing arms and ammunition in the more vulnerable areas of UP, Bengal etc. and thus also serve as war insurance units. Further,

following the Indo-Pak conflict of 1971, demands for certain types of arms and ammunition were correspondingly reduced, directly affecting the productivity in Ambajhari Factory. The difficult financial situation has also contributed to the reduction in the orders on this unit.

8. It would thus appear that the circumstances obtaining at the time when these factories were planned and established were not normal. The continued utility of the factory at its rated capacity may only be expected in times of an emergency. As indicated earlier, the Government are already aware of the need for exploring other lines of production with the help of the plant and machinery installed in this factory. We would, therefore, plead with the Committee to appreciate the special circumstances in which these factories were established and appreciate that the utilisation of the installed capacities have to be related to actual demands that may arise for these capacities.

CHAPTER IV

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

—NIL—

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Recommendation

The Committee are deeply concerned to note serious delay/lapses in the sale of 21.95 tonnes of copper scrap by an Ordnance Factory which resulted in a loss of Rs. 1.50 lakhs. The scrap was disposed of at Rs. 9200 per tonne|as against the highest offer at Rs. 16133.65 per tonnes initially obtained. The following narration of facts would indicate strongly the possibility of collusion with intent to defraud Government.

(i) The tenders were initially invited in Nov.|Dec., 1969 and were opened on 29th Dec., 1969. The factory took as long as 25 days to scrutinise the tenders and forwarding its recommendation to the DGOF. The Secretary, Defence Production admitted during evidence that he had his own doubts whether the entire period of 25 days should have been spend on this effort.

(ii) The highest offer of Rs. 16133.65 per tonne was valid upto 27th March, 1970. The factory did not remind the DGOF at all to bring to his notice the date of expiry of the offer. No satisfactory explanation is forthcoming for this lapse.

(iii) The DGOF advised the factory by an Express Delivery letter on 13th March., 1970 to accept the offer. But Factory received the letter only on 27th March, 1970 after a lapse of 14 days. No specific explanation for this unusual delay in transit could be obtained. It is equally strange that a copy of the DGOF's letter endorsed to the Factory's Financial Officers never reached them at all.

(iv) The acceptance of the offer was not communicated to the tenderer on 27th March, 1970 itself and it was done only on 10th April, 1970 and the tenderer backed out.

(v) The tenderer's offer was close to the market rate of copper scrap reported in the Eastern Market Review. There was fall in market rate by Rs. 1400 per tonne between the period 15th Dec., 1969 and 23rd March, 1970, which meant a reduction of Rs. 30730 in

the value of 21.95 tonnes of copper scrap to be purchased by him. Therefore, the lapses and delays which led to the tenderer's backing out assume significance. The Secretary Defence Production had to admit during evidence possibility of foul play.

(vi) The scrap was re-tendered in June|July 1970 and the tenders were opened on 11th September, 1970. It is surprising that tenders were kept open after the closing date.

(vii) The highest offer on this occasion was Rs. 14661 per tonne as against the Market rate ranging from Rs. 14500 to Rs. 14700 during August, 1970 and the beginning of September, 1970. The offer was valid upto 9th December, 1970. There was inordinate delay in recommending the acceptance of the offer.

(viii) The DGOF advised the Factory telegraphically on 28th November, 1970 to accept the offer. Strangely again the telegram reached the concerned section of the factory 5.00 P.M. on 8th December, 1970, just a day prior to the expiry of the tender.

(ix) The Factory communicated the acceptance on the 9th December, 1970 and the tenderer revoked the offer on the ground that the validity period had expired. In this connection it would be noted that there was a fall of Rs. 1300 per tonne in the market rate of copper scrap between the end of July, 1969 and the beginning of December, 1970.

(x) There was again delay in getting the opinion of Ministry of Law regarding the contention of the tenderer. The opinion could be obtained only in October, 1971. Curiously the factory is reported to have misplaced the files called for by the Ministry of Law. Four reminders had to be sent by the DGOF to the factory but in vain.

(xi) According to the Ministry of Law a contract had legally come into existence between the parties on 9th Dec., 1970. Unfortunately earnest money of Rs. 25000 only could be forfeited and the loss sustained by Government could not be recovered owing to delay in arranging resale.

Whatever enquiry was made earlier was clearly of a slipshod nature. The Committee, however, learn that after they took evidence, the case has been handed over to the CBI for investigation, a step which ought to have been taken much earlier. The Committee expect the CBI to go, *inter-alia* into lapses|irregularities mentioned above expeditiously. The Committee desire that exemp-

lary action (including penal recovery) should be taken against the officers and staff found to have indulged in corrupt practices. The Committee would await a detailed report in this regard.

[S. No. 1 (Para 1.26) of Appendix V to 121st Report of PAC (5th Lok Sabha)].

Action taken

The case is still under investigation by the CBI. A copy of the recommendations made by the PAC has also been forwarded to them, requesting them to expedite submission of the final report. Further action will be taken on receipt of the report of CBI.

[Ministry of Defence OM. No. 26(4) |74|D(PA), dt. 24-12-74].

Recommendation

Another aspect of the case which causes distress to the Committee is the fixation of the reserve price for auction without due regard to the market rate. The scrap in question was auctioned in February, 1972. The reserve price fixed was only Rs. 10,000 per tonne when the market price was Rs. 13,000 per tonne. The price obtained was Rs. 9,2000 per tonne, which was slightly higher than the book value of Rs. 9,060 per tonne. The Committee have obtained the details of the auction of copper scrap by this Ordnance Factory during the past, 5 years and found that in all the cases the reserve price was very low when compared to the prevailing market rate and the price but obtained in some cases was even less than the reserve price but was slightly higher than the book value. This gives an impression that the bidders somehow come to know of the reserve price as well as the book value and bid low. This impression is strengthened by the fact that whenever a tender is invited the quotations received closely followed the market rate. The Committee, would therefore call for a thorough investigation of the auctions conducted to see whether there was any collusion.

[S. No. 2 (Para 1.27) of the Appendix to 121st Report of P.A.C. (5th Lok Sabha)].

Action taken

The case has been handed over to the C.B.I. Further action will be taken on receipt of the report of CBI. As regards the fixation of reserve price, the recommendations of Study Group constituted by this Ministry to review the existing disposal procedure are under examination.

[Ministry of Defence O.M. No. 26(4) |74|D(PA), dt. 23-10-74].

Recommendation

Incidentally the Committee would also like Government to consider setting up a sort of Metal Bank or Clearing House so that it can be ensured that the metal especially non-ferrous rendered surplus or unfit for a particular use in one organisation can be profitably utilized elsewhere without being disposed of at a loss. The Committee consider this step necessary because non-ferrous metal is becoming costlier and scarcer in the market and it is essential to make the best use of what is already available with the Government.

[S. No. 4—(Para 1.29) of Appendix V to 121st Report of P.A.C.—5th Lok Sabha].

Action taken

The recommendation made by the P.A.C. regarding setting up a sort of Metal Bank or Clearance House is being studied by the Study Group. Its final report is awaited.

[Ministry of Defence O.M. No. 26(4)/74/D(PA), dt. 23-10-74].

Recommendation

The Committee are distressed to find that Government sustained a loss of Rs. 2.20 lakhs as a result of allowing an attractive offer for the purchase of 72.32 tonnes copper scrap from an Ordnance Factory to lapse. They have noticed the following deficiencies and lapses in this connection:

- (i) Although the Ordnance Factory was clear that the scrap was not liable to excise duty, it was not mentioned in the tender notice for reasons better known to them. The tenderers were, therefore, left in doubt about the position. The sale offer was made less attractive to the tenderers.
- (ii) The highest offer was inclusive of excise duty, if leviable. As the Factory was clear about its non-leviability it should have been brought to the notice of the DGOF while recommending the offer for his acceptance. Unfortunately again this was not done.
- (iii) A lot of time was lost in unnecessary correspondence between the Ordnance Factory and the DGOF and in the meantime the period of validity of the offer expired on 27th July, 1970.

- (iv) Significantly enough the telegram sent to the DGOF on 18th July, 1970 by the Factory mentioned that the excise duty was leviable while post copy of the mentioned that no excise duty was leviable which is reported to have caused confusion necessitating further correspondence.

The Committee desire that the above lapses should be thoroughly investigated having regard to the fact that there was fall of Rs. 600 per tonne in the market value of the scrap during the period from the date of invitation of tenders to the date of expiry of the highest offer. As there was a reduction of about Rs. 43,000 in value of 72.32 tonnes of copper scrap to be purchased by him the tenderer would seem to have manipulated with the help of dishonest officials to see somehow that his tender was not accepted within the period of validity. The Committee therefore, urge that severe action (including penal recovery) should be taken against the officials found to have indulged in malpractices. They are further of the view that this is also a fit case for a probe by the CBI.

[S. No. 5 (Para 1.43) of Appendix V to 121st Report of P.A.C. (5th Lok Sabha)]

Action taken

The case has been handed over to the C.B.I. for investigation. A copy of the recommendation of the Public Accounts Committee has also been forwarded to the C.B.I. Further action will be taken on receipt of their report.

[Ministry of Defence O.M. No. 26(4)/74/D(PA), dated 23-10-74]

Recommendation

The Committee note that after they took evidence, Govt. have constituted a Study Group to review the existing procedure in regard to disposal of scrap in the Ordnance Factories the steps taken to utilise the scrap as much as possible and to dispose of the balance in the best interests of Government, arising out of the study may be reported to the Committee.

[S. No. 7 (Para 1.45) of Appendix V to 121st Report of PAC (5th Lok Sabha)].

Action taken

A part of the report of the Study Group has been received and is under examination. Their final report is awaited. Decision of the Government on the recommendations of this Group will be reported to the P.A.C.

[Ministry of Defence O.M. No. 26(4)/74/D(PA), dt. 23-10-74].

Recommendation

The utilisation of the installed capacity is as low as 2 per cent for certain items. Although the Secretary, Defence Production, has pleaded that the installed capacity should be viewed as a sort of insurance against war-time requirements, the Committee are concerned about the idling of the costly machines as also of the skilled personnel. They were informed that the Ministry of Heavy Industry have been asked to find out work for this factory to meet civil requirements for various engineering products. As the Committee find that the machines, barring 10 per cent to 15 per cent of them, are general purpose ones which could do converted to diversify production to meet civil needs, they desire that the question should be considered on a priority basis to gainfully employ the men and machinery. In fact, this question should have engaged the attention of Government from the very beginning.

[S. No. 14 (Para 1.89) of Appendix V to 121st Report of P.A.C.
(5th Lok Sabha)]

Action taken

The question of diversification of the production of this factory with a view to ensuring fuller utilisation of the plant and machinery already installed is still under examination. The final report of the Ministry of Heavy Industry is awaited. Government are alive to the need to utilise the available spare capacity.

[Ministry of Defence O.M. No. 26(4)|74|D(PA), dt. 24-10-74].

Recommendation

The Committee regret to find that there was loss of production of a component of an item due to supply of three defective furnaces by an Indian firm and inordinate delay in commissioning them. The firm is still carrying out rectification/modification to the fur-

naces. The Committee would like to know the amount of damages recovered from the firm.

[S No. 16 (Para 1.91) of Appendix V to 121st Report of P.A.C. (5th Lok Sabha)].

Action taken

One of the three furnaces has since been satisfactorily demonstrated by the firm and the remaining two are awaiting trials. DGOF has informed that 90 per cent payment have already been made as per supply order. DGOF has, however, observed that delays in the commissioning of furnaces have to be expected due to the inadequacy of the technical know-how and this has to be put up with in the interest of the growth of indigenous furnace industry. However, Government would examine the question of recovery of damages from the firm when all the three furnaces are commissioned.

[Ministry of Defence O.M. No. 26(4)/74/D (PA), dated 24-12-1974]

Recommendation

A sum of Rs. 5.77 lakhs was paid between December, 1970 and October 1971, to a firm against supply of conveyors which were later on rejected and the amount has not been recovered from the firm so far. The Committee would like to know how the defective supply was passed on inspection and whether any responsibility was fixed for the negligence. This and the progress in the recovery of the amount should also be reported to the Committee.

[S. No. 17 (Para 1.92) of Appendix V to 121st Report of P.A.C. (5th Lok Sabha)].

Action taken

DGOF has informed that the initial inspection of the cool-out conveyors was carried out by the Inspection Wing of DGS&D before their despatch. The defect was noticed only after building up and bricking and commissioning the equipment at site. The responsibility for erection and commissioning was also of the firm. Final inspection note has not yet been issued. The question of recovery of Rs. 5.77 lakhs already paid to the firm has been examined with DGS&D, who has regretted his inability to recover the amount. Presently the DGOF is examining the question of

recovery of this amount from the dues to the firm from the Ordnance Factories. The Legal Adviser has suggested to go for arbitration before any legal action is taken against the firm.

[Ministry of Defence O.M. No. 26(4)|74|D(PA), dated 24-12-1974]

Recommendation

The Committee further note that out of the six Air Receivers to be supplied by a firm in May, 1970, only one Air Receiver was received in January, 1973. The Committee desire that the question of recovering liquidated damages in this case should be considered.

[S. No. 18 (Para 1.93) of Appendix V to 121st Report of P.A.C. (5th Lok Sabha)].

Action taken

The matter is under DGOF's examination.

[Ministry of Defence O.M. No. 26(4)|74|D(PA), dated 24-12-1974]

Recommendation

The Committee note with concern that 110 buildings of the Filling Factory constructed by the Public Works Department of the Government of Maharashtra revealed serious structural defects. According to investigations made by the Central Building Research Institute, Roorkee, the defects were due to inadequate soil testing, use of sub-standard and improperly cured bricks; and poor quality of workmanship. The Ministry stated that the matter of carrying out repairs of these defective buildings estimated to Cost Rs. 9.20 lakhs has been taken up with the Government of Maharashtra. The progress made in the matter may be reported to the Committee.

[S. No. 20 (Para 1.99) of Appendix V to 121st Report of PAC (5th Lok Sabha)].

Action taken

The Chief Minister, Maharashtra Government has been requested to institute inquiries and to fix responsibility for the negligence on the part of these responsible for the execution of this project. That Government has also been requested to accept liability for such additional expenditure as Government may have to incur on the repair and reconstruction of the buildings which have been

recommended for demolition as well as for the additional expenditure which Government may have to incur on their special maintenance for the duration of their residual life. The Chief Minister has been reminded.

[Ministry of Defence O.M. No. 26(4)/74/D(PA), dated 24-12-1974]

Recommendation

They have been informed that over the next 10 years about 40 per cent of the capacity of the extrusion press would be sufficient to meet Defence purposes. The possibility of utilising the remaining 60 per cent of the capacity is being explored. Here again the Committee feel that the question of spare capacity should have engaged the attention of Government when they decided to go in for large size press in December, 1965, so that it could be adequately utilised from the date of commissioning of the press. However, the Committee would await the result of this belated attempt.

[S. No. 24 (Para 1.114 of Appendix V to 121st Report of PAC (5th Lok Sabha)].

Action taken

In 1967, various Ministries were asked to consider utilising the 60 per cent surplus capacity of the 9,000 tonnes Extrusion Press. In November 1971, a circular was sent to the Cabinet Secretariat and other technical Departments and Ministries requesting them to intimate if any industrial units, including the Public Sector Undertakings under their control could utilise the spare capacity of this Press. These efforts have not yielded any result. Possibilities are now being explored to supply aluminium extrusions to the various units of the Hindustan Aeronautics Limited. A suggestion to appoint some reputed firm in this line to undertake the commercial utilisation of the surplus capacity on agency basis, is also under examination. Any arrangement with a firm would be temporary and shall ultimately be taken over by Bharat Aluminium Company (a Government of India Undertaking). Possibilities of exporting aluminium extrusions to U.S.S.R., France, Bulgaria are also under examination.

[Ministry of Defence O.M. No. 26(4)/74/D(PA), dt. 24-12-74]

NEW DELHI;
March 24, 1975

JYOTIRMOY BOSU,
Chairman.

Chitra 3, 1897 (S).

APPENDIX

Summary of main conclusions recommendations

S. No.	Para No. of Report	Ministry concerned	Conclusion/Recommendation
1	2	3	4
1	1.4	Defence (Deptt. of Defence Production)	The Committee hope that final replies in regard to those recommendations to which only interim replies have so far been furnished will be submitted to them expeditiously after getting them vetted by Audit.
2	1.8	-do-	In paragraphs 1.26, 1.27 and 1.43 of their 121st Report (Fifth Lok Sabha), the Committee had expressed their grave concern over serious delays and lapses in the acceptance of offers for copper scrap and their sale/resale by Ordnance Factories. Since an examination of these cases had revealed the possibility of collusion with intent to defraud Government, the Committee had desired detailed investigation by the CBI for fixing responsibility for the lapses. The Committee are astonished to note that the cases are still under investigation by the CBI. The Committee deplore the inordinate delay that is taking place in competing the investigations. Moreover, there may take place the retirement from service in the meantime of some of those involved. The Committee would emphasise the need

for ensuring that these investigations are completed expeditiously and responsibility fixed under advice to the Committee. Delays of any significant magnitude detract from the effectiveness of whatever disciplinary action that is subsequently taken.

3 I.11

Defence(Dept. of
Defence Production) The Committee note that in pursuance of their suggestion for the establishment of a Metal Bank or a Clearing House for the profitable utilisation of metals, especially non-ferrous metals, rendered surplus or unfit for a particular use, the Government have appointed a Study Group. The Committee need hardly stress the importance of taking a very early decision on this matter. They would invite attention to the fact that even in the current Audit Report for the year 1972-73 on Defence Services, instances of accumulation/disposal of non-ferrous metals have been highlighted. The Committee would therefore, insist on the Government to process this recommendation with the utmost promptitude in consultation with departments/organisations in which scrap arise, and prescribe a time-bound schedule for its implementation. The Committee would await a further report in this regard.

4 I.14

-do-

The Committee were informed earlier that a Study Group had been constituted by Government on 1st December, 1973 to review the existing procedure for the disposal of surplus ferrous/non-ferrous scrap/waste items in the Ordnance Factories. The Study Group was required to submit its report within three months of its constitution.

The Committee are surprised to learn that the final report of the Study Group is still awaited. In view of the fluctuating nature of the scrap market, the Committee are very anxious that the existing procedures should be streamlined and tightened as early as possible. The Committee would, therefore, desire that the Government should ensure that the Study Group should be directed to submit their Report without any further delay. The Committee would also like to be apprised of the recommendations of the Study Group in this regard and the action taken or proposed to be taken thereon.

The Committee regret that no decision has yet been taken in respect of the recovery of a sum of Rs. 5.77 lakhs paid to a firm against the supply of defective conveyors. As these payments relate to 1970-71, it is very much desirable that whatever action is decided upon to be taken should be taken without any further loss of time and the Committee informed.

As the defective conveyors had been passed by inspection, the Committee had desired to know how the supply had been passed and whether any responsibility had been fixed for the negligence. The reply of the Department is, however, silent on this point. The Committee would like to know the action taken in this regard.

The Committee are distressed to find that the question of carrying out repairs to the defective buildings of the Filling Factory and fixing responsibility for the negligence has not yet been settled with the Government of Maharashtra even though these buildings had

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been taken over as early as 1967-68. The Committee cannot view with equanimity such delays and deprecate this casual approach. As there is a likelihood of further deterioration in the condition of the defective buildings in the absence of adequate repairs and larger expenditure on repairs, maintenance etc., the Committee desire that the matter should be pursued more vigorously.

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The Committee note that the attempts of the Department of Defence Production to utilise the spare capacity of the extrusion press, procured at a cost of Rs. 655.97 lakhs in foreign exchange, have not so far been successful. The unutilised capacity is as much as 60 per cent. The Department of Defence Production has been endeavouring to utilise the capacity since 1967 without any success. The Committee would like to know, how much more time the Ministry would require for taking action which would make possible the economic use of the surplus capacity of the press.

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