

PUBLIC ACCOUNTS COMMITTEE
(1972-73)

(FIFTH LOK SABHA)

SIXTY-NINTH REPORT

**[Action taken by Government on the Recommendations
of the Public Accounts Committee contained in their
36th Report (Fifth Lok Sabha) relating to Ministry
of Shipping and Transport.]**



LOK SABHA SECRETARIAT
NEW DELHI

February, 1973/Magha, 1894 (Saka)

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PUBLIC ACCOUNTS COMMITTEE (1972-73) PRESENTED
TO THE LOK SABHA ON 23.1.1973.

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PUBLIC ACCOUNTS COMMITTEE
(1972-73)

CHAIRMAN

Shri Era Sezhiyan

MEMBERS

2. Shri Bhagwat Jha Azad
3. Shri R. V. Bade
4. Shrimati Mukul Banerji
5. Shri Jyotirmoy Bosu
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15. Shri Ram Chandra Vikal
16. Shri M. Anandam
17. Shri Golap Barbora
18. Shri Bipinpal Das
19. Shri P. S. Patil
20. Shri Kalyan Roy
21. Shri Swaisingh Sisodia
22. Shri Shyam Lal Yadav

SECRETARIAT

Shri B. B. Tewari—Deputy Secretary.

Shri T. R. Krishnamachari—Under Secretary.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Sixty-ninth Report on action taken by Government on the recommendations of the Committee contained in their Thirty-sixth Report (Fifth Lok Sabha) relating to the Ministry of Shipping and Transport

2. On the 6th June, 1972 an 'Action Taken' Sub-Committee was appointed to scrutinise the replies received 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 B. S. Murthy—*Convener*

2. Shri Ramsahai Pandey	}	<i>Members</i>
3. Shrimati Savitri Shyam		
4. Shri H. M. Patel		
5. Shri Shyam Lal Yadav		
6. Shri Bhagwat Jha Azad		
7. Shri M. Anandam		

3. The Action Taken Sub-Committee of the Public Accounts Committee (1972-73) considered and adopted this Report at their sitting held on the 25th January, 1973. The Report was finally adopted by the Public Accounts Committee on the 9th February, 1972.

4. For facility of reference the main conclusions|recommendations of the Committee have 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.

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; ..

ERA SEZHIYAN, .

February 12, 1973.

Chairman,

Magha 23, 1894 (S).

Public Accounts Committee.

CHAPTER I

REPORT

1.1. This Report of the Committee deals with action taken by Government on the recommendations contained in their 36th Report (Fifth Lok Sabha) on the Report of the Comptroller and Auditor General of India for the year 1969-70, Central Government (Civil) relating to the Ministry of Shipping and Transport.

1.2. Action Taken Notes have been received in respect of all the 31 recommendations contained in the Report.

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

- (i) *Recommendations/Observations that have been accepted by Government.*
S. Nos. 6—16, 19, 20, 22—27, 29—31.
- (ii) *Recommendations/Observations which the Committee do not desire to pursue in the light of the replies of Government.*
S. Nos. 3 and 4.
- (iii) *Recommendations/Observations replies to which have not been accepted by the Committee and which require reiteration.*
S. Nos. 1, 2, 5.
- (iv) *Recommendations/Observations in respect of which Government have furnished interim replies.*
S. Nos. 17, 18, 21, 28.

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

Certificate of fitness of the dredger "S. D. Kandla" by the consulting engineers—Paras 1.45-1.46—S. Nos. 1-2.

1.5. In paragraphs 1.45-1.46 of the Report, the Committee had made the following observations, regarding issue of certificate of fitness of the dredger by the consulting engineers:

"1.45. After examining the purchase of the dredger 'S.D. Kandla' costing Rs. 89.91 lakhs, the Committee could not but come to the conclusion that as a result of series of mistakes the Kandla Port Trust had to accept a defective dredger with attendant unnecessary complications. The Committee desire that responsibility of the officials concerned for the delay/failure in taking appropriate action as delt with below, should also be fixed and action taken against them."

"1.46. The Committee had occasion to examine the case earlier in September, 1966 and it was only after this that the failure of the consultants was examined by Government. The Consulting Engineers gave a certificate of fitness at the port of construction in May, 1962 despite the fact that the Major defects and the gravity thereof were known to them. The certificate, however, is stated to have been issued provisionally contrary to the provisions of the contract. It is not clear how these irregularities on the part of the Engineers were not noticed earlier and appropriate action taken. To this extent the purchase was not processed with care by the Port Trust authorities."

1.6. The Ministry of Shipping and Transport in their reply dated the 29th December, 1972, have stated the following:

"1.45. It would be observed from the factual position indicated against the succeeding recommendations/conclusions that the Chairman, Kandla Port Trust has gone into the question of lapses by officers of the Port Trust and has come to the conclusion that none of them is responsible for any lapses/failures, as appropriate action had been taken at every stage."

"1.46. On receipt of the first trial report under their letter No. Marine:As:HE:3607 dated 17th May, 1962, M/s. Rendel Palmer and Tritton were directed by the Port vide letter No. 6-E(21)|62-II|13470 dated 28th May, 1962 to get the defects rectified from the builders before issuing a certificate of satisfactory trials and then only to allow the dredger to sail for Kandla. Their special attention was drawn to the following defects:—

- (i) Considerable vibrations of the ship structure in the range of 230—280 R.P.M. required thorough investigation.

- (ii) The boilers did not retain sufficient water for safe operation.
- (iii) The salt contents of boiler water increased at the end of trials.
- (iv) Very heavy fuel consumption.

“On receipt of the subsequent trial reports from M/s. Rendel, Palmer & Tritton under their letter No. Marine:AS:HE:3607 dated 31st May, 1962 their attention was drawn *vide* letter No. 6-E(21)|62|15124 dated 14th June, 1962 to the vibrations and high fuel consumption requesting them to get these defects set right by the builders. ..

“In response to the above letter M/s. Rendel, Palmer & Tritton admitted *vide* their letter No. Marine: AS:MB:3607 dated 22nd June, 1962 that the vibrations were undesirable. However, they stated that the adjustments made by the builders in stiffening the bridge structure and rearranging the balance weights of the propelling engines, had effectively reduced the vibration trouble. As to the question of the boiler not retaining sufficient water and the salt content in the boiler water being high, M/s. Rendel, Palmer & Tritton clarified that this was due to leaky condenser which had since been rectified by the builders and that during the subsequent trials the rectifications were found satisfactory. Concerning the high fuel consumption, they clarified that it was because of bad combustion as a result of faulty operation due to lack of understanding of the equipment by the staff. They further explained that after the instructions for operating the boilers were followed by the staff, combustion became quite efficient, as witnessed at the furnace by absence of smoke from funnel.

“Regarding the issue of provisional certificate it may be pointed out that M/s. Rendel, Palmer, and Tritton were instructed *vide* Kandla Port Trust's letter of 28th May, 1962 to issue the certificate of satisfactory trials after the rectification of all the defects noticed during the trials and before the dredger sailed for Kandla. The consultants were satisfied with the rectification of defects noticed during the trials and then they allowed the dredger to sail for delivery voyage. Incidentally, it may be mentioned that the consultants clarified in their letter of 18th March, 1963 as follows:—

"Our certificates of acceptance after trials was issued in good faith on the results obtained. The high fuel consumption was attributed at that time to the loss of water through the main engine glands. As you are aware with metallic packing, there is invariably a leakage through the glands, which normally improves with running as the packing beds itself to the rod."

"Trouble had been experienced at the commencement of trials, due to the boilers 'Priming' and an investigation revealed that this was caused by leakage of condenser tubes. These leakages were remedied and the boilers appeared satisfactory. It now transpires that the combination of these circumstances masked the fact that the leakage of the glands was due to an inherent design defect resulting in condensation within the engine which occurs only over the higher speed range."

"Had the leakage through the glands been considered excessive during trials after the condenser trouble was cured, we would have suspected 'carry over' and insisted on remedial action being taken before the vessel left Holland on her delivery voyage. It was, however, confidently anticipated that the leakage would automatically be remedied early on the delivery voyage."

"Thus, the Port authorities had taken appropriate action in instructing the Consulting Engineers to get all the defects noticed during trials rectified before issuing the certificate and allowing the dredger to sail. But they issued the certificate in good faith because the defects of priming and leakage through the glands in their opinion at the time of the issue of certificate were due to condenser leakage which was rectified before the vessel sailed from Holland."

1.7 Dealing with the issue of certificate of fitness for the dredger by the Consulting Engineers, the Committee had pointed out that it had been issued provisionally contrary to the provisions of the contract and desired to know how the irregularity was not noticed earlier and appropriate action taken. It is unfortunate that in reply, the Ministry have merely reproduced a letter dated 18th March, 1963 of the Consulting Engineers which had already been considered by the Committee vide para 1.7 of the 36th Report (Fifth Lok Sabha). The Committee are therefore constrained to reiterate that responsibility should be fixed for the lack of care on the part of the port

Trust authorities in processing the purchase. The action taken in this regard may be reported to them.

Reassessment of the extended guarantee period for propulsion and pump engine of the dredger—Paragraph 1.49—S. No. 5.

1.8. In para 1.49 of the Report, the Committee had made the following observation regarding re-assessment of extended guarantee period for propulsion and pump engine of the dredger:

“According to the supplementary agreement entered into with the builders in August, 1963, the extended guarantee period in respect of propulsion and pump engine could be reassessed in case the defects found during the strip down trials were due to defective design or workmanship. The Committee were informed that in the absence of the consultants’ report as required in this behalf after the fourth and final stripdown, the matter could not be taken up with the builders. As the extended guarantee period expired only in December, 1967 and further payment to the consultants was stopped in September, 1966, the Committee would like to know why alternative “Consulting Engineers” were not appointed in time under the provisions of the contract to enable an assessment of the defects and further extension of guarantee period.”

1.9. In their letter dated 29th December, 1972, the Ministry of Shipping and Transport have stated as follows:—

“Even though the payment to M|s. Rendel, Palmer and Tritton was stopped in September, 1966, they continued to function as Engineers.

“In May, 1967 the Kandla Port Trust vide letter No.6-E(21)| 67/838 dated 30-5-1967, requested the Consulting Engineers as well as builders for extension of guarantee period of 2 years on all the machinery.

“In reply to the above letter, M|s. Rendel, Palmer and Tritton under their letter of 7th June, 1967 informed that they would discuss this question with the builders and would advise Kandla Port Trust of their reaction. M|s. I.H.C. also intimated under their letter of 20th June, 1967 that the question of extension of guarantee period would be considered by them in conjunction with their pending matters.

"It was subsequently intimated by M|s. Rendel, Palmer and Tritton vide their letter dated 24th July, 1967 that they had a meeting with M|s. I.H.C. Holland on 13th July 1967 where the question of extension of guarantee period was raised. M/s. I.H.C. were not prepared to consider anything of this nature until such time an agreement with them on the matter of liquidated damages had been reached.

"Again under letter of 29th August, 1967, M|s. Rendel, Palmer and Tritton intimated that they had advised M|s. I.H.C. that the question of extended guarantee should be treated as an entirely separate issue from the settlement of liquidated damages.

"M|s. Rendel, Palmer and Tritton continued to render advice on the programme of 4 yearly stripdown inspections and their representative was present during the inspection in October|November, 1967.

"It was only on 14th December, 1967 that M|s. Rendel, Palmer and Tritton under their letter No. JN/RMW addressed to the Ministry and copy endorsed to Kandla Port Trust intimated that they would do no further work with regard to dredger S.D. 'Kandla' until their outstanding bills were paid.

"Thus, the Kandla Port Trust were all along pressing M|s. Rendel, Palmer and Tritton to furnish the last strip-down report. The question of appointing alternative Engineers would have arisen only if M|s. Rendel, Palmer and Tritton had refused to work as Engineers before the last strip-down took place in October|November, 1967."

1.10. Noting that the consultants' report regarding reassessment if extended guarantee period for propulsion and pump engine after the fourth and final stripdown was not received, the Committee desired to know why alternative consulting engineers were not appointed in time under the provisions of the contract. The Ministry of Finance had also held that the Government had liberty to appoint any other engineer to give the strip-down report under the contract. The reply of the Ministry of Shipping and Transport is not satisfactory. The Committee would, therefore, like to recommend that suitable action should be taken for this lapse.

Need for utilisation of consultancy services available in the country and developing expertise—Paragraph 1.53—S. No. 9

1.11. The Committee had observed the following in paragraph 1.53 of the Report regarding utilisation of consultancy services available in the country and developing necessary expertise:

“The experience with the foreign consultants and experts in this case has been unfortunately quite disappointing. The Committee trust that as dredgers are now being manufactured indigenously, sufficient expertise in the matter of consultancy services should also be available within the country. They accordingly desire to suggest that Government should look to available expertise in the country thereby eliminating their dependence on foreign experts which besides reducing foreign exchange expenditure, would give a fillip to further development of indigenous talents. This suggestion would apply to other fields as well where indigenous technology has improved to the extent where foreign consultancy service is neither desirable nor necessary. It should, however, be the endeavour of Government to develop progressively sufficient expertise within the country wherever it is not available at present.”

1.12. The Ministry of Shipping and Transport, in their letter dated the 29th December, 1972, have stated as follows:

“Noted.”

1.13. The Committee had recommended that Government should look to available expertise in the country in the matter of consultancy services thereby eliminating their dependence on foreign experts which, besides reducing the foreign exchange expenditure, would give a fillip to further development of indigenous talents. This was a general recommendation applicable to all the fields where indigenous technology had improved to the extent where foreign consultancy service was neither desirable nor necessary. Further, according to the Committee, it should be the endeavour of Government to develop progressively sufficient expertise within the country wherever it was not available. The Committee are glad that those recommendations have been accepted by Government. They would however like to know the precise action taken.

Failure of the crust of the right approach road to Vasista Bridge on National Highway—Paragraph 1.99—S. No. 21.

1.14. In paragraph 1.99 of the Report, the Committee had made the following observation regarding the failure of the crust of the right approach road to Vasista Bridge on National Highway:—

“According to the evidence tendered by the Director of the Central Road Research Institute, the failure of the crust of the right approach road to Vasista Bridge on National Highway necessitating repairs at the expense of Rs. 2.27 lakhs was due to ‘non-implementation of the total design over and above the stabilised layer’ and leaving the road open to traffic prematurely especially in the rainy season. The Committee, however, note that a Sub-Committee of the Central Assessment Committee is investigating into the reasons for the failure. The Committee, therefore, like to await their findings and the action taken thereon. The Committee further note that total crust to be provided was increased subsequently from 25” to 27½” in consultation with the C.R.R.I. Therefore, it should also be investigated as to why the design which was done by C.R.R.I., did not originally provide for the required thickness.”

1.15. In their letter dated the 27th December, 1972, the Ministry of Shipping and Transport have stated as follows:—

“The Sub-Committee of the Central Assessment Committee has since rendered its report on the right approach road to Vasista Bridge. The Central Assessment Committee accepted the report of the Sub-Committee on 23rd December, 1971. The Committee came to the conclusion that the failure was not due to any inherent defect in the design specifications (sand blanket lime stabilisation of black cotton and moorum soils) of the approved techniques of the Central Assessment Committee.

“Since the conclusion of the Central Assessment Committee that the failure of the pavement was not due to any inherent defect in the design specifications of the approved techniques of the Central Assessment Committee leads to the feeling that the failure might have resulted due to faulty execution, the State Government of Andhra Pradesh have been requested to constitute a Committee to investigate into the matter.

"The designed thickness of 25½" specified by the C.R.R.I. was based on test results of the Strength of Soil forming the subgrade of the pavement. After the failure of this road, a meeting took place at site between the officers of the State P.W.D., and a representative of the C.R.R.I. to consider the behaviour of this right approach road. At this meeting which was presided over by the then Chief Engineer of State P.W.D., the following generalised observation, *inter alia*, was made:—

"For construction of road in black cotton soil areas, design should be based on a CBR of 2 of the sub-grade.

It is for such reasons that thickness of National Highways has been increased from 25½" to 27½".

"In view of the consensus evolved at the meeting and the circumstances then obtaining with the behaviour of this right approach road, it was decided by the State Chief Engineer to increase the crust thickness to 27½". It will thus be observed that the original thickness of 25½" which was based on test result was not inadequate but was decided to be increased in the light of generalised observation about thickness and in view of the failure of the right approach road."

1.16. It has been intimated that the failure of the crust of the right approach road to Vasista Bridge on National Highway was not due to any inherent defect in the design specifications and that it might have been due to faulty execution. The State Government of Andhra Pradesh have been requested to constitute a Committee to investigate into the matter. The Committee would like to know the outcome of this investigation.

*Accumulation of spares in the Border Roads Development Board—
Paragraph 1.12—S. No. 23.*

1.17. In paragraph 1.12 of the Report the Committee had made the following observation regarding accumulation of spares in respect of 86 equipments and vehicles in the Border Roads Development Board:—

"The Committee are concerned to note the lack of effective inventory control in the Border Roads Organisation as is evidenced by the excessive purchase of Rs. 5.08 lakhs worth of spares for Crawler Tractors TD-20-200 series, more than 80 per cent of which had to be disposed of at less than 25 per cent of the original price. It is dis-

turbing to note further that as against total cost of Rs. 1706 lakhs of spares purchased, unwanted spares valued approximately at Rs. 217 lakhs exist in respect of 86 equipments and vehicles. In respect of 13 out of these equipments the value of unwanted surplus (Rs. 117.66 lakhs) is over 20 per cent of the total value of their spares held and the major portion of them relate to four main items. That there should have been such a large accumulation of spares in a relatively new organisation such as the Border Roads shows how faulty the system of provisioning was. The Committee would like to know the results of the probe as to how this phenomenon arose. The utilisation/disposal of the surplus spares may also be reported to the Committee."

1.18. In their letter dated the 9th November, 1972, the Ministry of Shipping and Transport have stated as follows:

"The Committee have expressed concern on the lack of effective inventory control in the Border Roads Organisation as evidenced by the excessive purchase of spares for TD-20-200 series of Crawler Tractor. The circumstances of the purchase of these spares were explained in the oral evidence tendered before the Committee during the consideration of para 50 of Audit Report (Civil) 1970. The entire fleet of TD-20-200 series of Crawler Tractors was purchased in 1960 and 1961 at the time of inception of the Border Roads Organisation. The Border Roads Organisation and the Army, from which it had drawn Officers, had practically no experience of this type of tractors or of constructing roads in the Himalayas, except some bits on the foothills. In these circumstances DGBR got the recommendations of the suppliers on the requirements of spares and orders were placed on that basis for 2 years maintenance requirements and one overhaul. The orders for 4 out of the 5 items of spares, referred to in the Audit Para were included in the indent placed on this basis in November 1962. These items were not repeated in the indent placed subsequently for other spares of this equipment. As regards plow bolts, there was no indication by the manufacturers and the first order was placed in the expectation that the cutting edges, which are held by the plow bolts, would give trouble. A repeat order was placed in 1967 on an indigenous firm. In so far as these items of spares are concerned, we had perforce, as a nascent Or-

ganisation, to rely on manufacturers' recommendations, that resulted in surpluses.

"The Committee has also expressed concern on the quantum of purchase of unwanted spares valued approximately at Rs. 217 lakhs in respect of 86 equipment and vehicles as against total cost of Rs. 1,706 lakhs of spares purchased in all. When this position was intimated to the Committee in August, 1971, it was mentioned that the assessment of unwanted spares made by DGBR is subject to review to determine actual needs particularly in respect of old models still in use. The review is since being carried out and it is found that the value of unwanted spares has come down to Rs. 142.00 lakhs. The reduction can be ascribed to the following reasons:—

- (a) Transfer of spares to Field Workshops against their requirements from the surplus stocks. Surplus lists after compilation of census among others, were forwarded to all the Projects. On receipt of such lists, Field Workshops of Projects, who required the same, forwarded their demands which were met from the surplus stock.
- (b) Due to a drive launched to improve the availability of spares, vital spares of Komatsu and other equipments have materialised. This has resulted in repairs to certain equipment at Projects and GREF Base Workshops and utilisation of surplus spares to some extent.
- (c) Acceleration of the overhaul programme and drive on improvement of normal preventive maintenance has also resulted in the consumption of spares.

"As regards the probe into factors responsible for surpluses, DGBR has carried out a broad evaluation of surpluses where they exceed 15 per cent of the total spares purchased and a detailed study in respect of one equipment falling in the same category. His findings are:—

- (a) At the time of introduction of equipment in the Organisation reliance had to be placed on the manufac-

turers' recommendations for the requirements of spares. In many cases, these recommendations were unrealistic. For the same reason, i.e., due to lack of adequate knowledge of equipment and actual experience of its use, the initial assessment was not correct in certain cases. It took quite some time before the usage pattern of spares got established.

- (b) The Organisation did not have a proper provision review system and there was no effective means of correlating indents with stocks in hand, dues-in etc.
- (c) The materialisation of spares was slow in many cases and resulted in non-availability of spares at the time of need. Moreover, the spares were not available in balanced range and depth.
- (d) The difficult working conditions in the early stages of the Organisation made it difficult to adhere to the maintenance and repair schedules which contributed to a certain extent to the non-utilisation of spares.
- (e) The actual utilisation of equipment was less than that envisaged initially because of the difficult terrain and working conditions. Early wastage of equipment resulted in non-utilisation of spares. In other words, the assessment of spares was for a higher life of the equipment than that could be achieved on the ground.
- (f) The Organisation did not have a proper centralised system of holding and distribution of spares. Further, absence of a periodical study of consumption data made it difficult to divert stocks from one unit to another.
- (g) Other miscellaneous factors which contributed to a small extent to surpluses are frequent changes in the models of equipment, complexity and variety of equipment inducted into the Border Road's Organisation.
- (h) DGBR's finding in respect of the equipment, for which a detailed study has been carried out, is that the total quantum of local purchases for the maintenance of equipment during a period of 8 years worked out to 3.92 per cent of the total purchase of spares. The purchases made were small in range and depth and

did not make a significant contribution to the surpluses.

"A mention may be made here of the remedial measures taken by the Organisation for better inventory management. Firstly, a proper inventory control procedure has been drawn out and implemented. The procedure *inter alia* provides for (i) provision review taking into account past wastages of stocks and dues-in (ii) introduction of modern inventory management techniques such as ABC and VED analyses (iii) revision of Initial Stocking Guide based on up-to-date available consumption data before the initiation of provision review and (iv) backloading of spares becoming surplus within Project or Unit and merging it with Central Stock. Secondly, the stores Sections have been re-organised into full fledged Stores Divisions and have been assigned the role of a Central Depot. They have been also assigned the responsibility of preparation of indents for spares. Thirdly, instructions have been issued for technical assessment of the manufacturers' recommendations in the case of new equipment before projection of the indent. Lastly, a systematic and periodical review of old orders has been prescribed for cancellation of spares found not required as a result of provision review etc.

"The utilisation of spares within the Organisation has been indicated in para 2 above. Further, out of the value of unwanted spares assessed at Rs. 142 lakhs, spares worth Rs. 36 lakhs were transferred to E-in-C's Branch and spares worth Rs. 1.2 lakhs were disposed through D. G. S. & D. The remaining surplus amounts to Rs. 104.8 lakhs. The process of screening these surpluses is continuing and a close watch is being kept on their utilisation/disposal."

1.19. As a result of a review carried out subsequently, it has been found that the value of unwanted spares in respect of 86 equipments and vehicles in the Border Roads Development Board has come down to Rs. 142 lakhs from Rs. 217 lakhs. Of these spares worth Rs. 36 lakhs have been transferred to E-in-C's Branch and spares worth Rs. 1.2 lakhs have been disposed of through the D. G. S. & D. The Committee would like to know the utilisation/disposal of the remaining surplus spares valued of Rs. 104.8 lakhs in due course.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Committee note with concern the delay in recovering the liquidated damages and other dues from the builders amounting to about Rs. 20.45 lakhs as per the assessment of the Committee constituted by the Government in March, 1971 to go into the various issues connected with this case. The Kandla Port Trust is stated to have been asked to formulate basic points for discussions with the Builders. The Committee would urge the Government to settle the issue with the builders expeditiously and intimate the recoveries effected.

[Para 1.50 of the 36th Report of the PAC (Fifth Lok Sabha) (SI. No. 6 of Appx. II of the Report)].

Action Taken

Meetings were held on 26-1-1972 and 31-1-1972 and again on 23-2-1972 at New Delhi with the representatives of M/s. I. H. C. Holland when the representatives of Ministry of Shipping and Transport, Finance, Law and Kandla Port Trust were present. As a result of the discussions, M/s. I. H. C. Holland have paid a sum of D. Gld. 4,50,000 in full and final settlement of all claims and demands of both parties in respect of the dredger. This amount is in addition to a sum of D. Gld. 3,23,011.84 recovered from the 6th instalment paid to the builders.

[Ministry of Shipping and Transport O.M. No. 22|13|72-PDC, dated 29-12-72].

Recommendation

Incidentally, the Committee learn that the Port Trust preferred a claim for the liquidated damages (Rs. 8.52 lakhs) for the first time only in August, 1966 just before the Committee examined the case earlier. The Committee would like to be informed of the reasons for the delay in preferring the claim which was independent of other liabilities of the firm.

[Para 1.51 of the 36th Report of the PAC—(Fifth Lok Sabha) (SI. No. 7 of Appx. II of the Report)].

Action Taken

It was earlier felt that from the legal point of view, the contractors were not liable to pay liquidated damages for later delivery of the dredger under clause 20 of the agreement. The matter was further examined later and, on the basis of a fresh legal opinion, a claim for payment of liquidated damages amounting to D. Gld. 4,09,097 was preferred by the Kandla Port Trust.

[Ministry of Shipping and Transport O.M. No. 22|13|72-PDC, dated 29-12-72].

Recommendation

The Consulting Engineers were to be paid a sum not exceeding Rs. 1.00 lakh for the work required to be done by them in connection with the purchase of the dredger. However, payments aggregating Rs. 2.25 lakhs have been made to them and Rs. 1.29 lakhs withheld. The increased payment due to them were mainly on account of the necessity of continuing their services beyond the stipulated date of delivery of the dredger (July 1962). The Committee would like to know whether the builders have borne this extra liability. The Committee, however, note that it has been decided not to release to the Consultants the payment of Rs. 1.29 lakhs with-held, before the final settlement regarding recovery of liquidated damages etc., from the builders.

[Para 1.52 of the 36th Report of the PAC—Fifth Lok Sabha (SI. No. 8 of Appx. II of the Report)].

Action taken

1. While negotiating with M/s. Rendel, Palmer and Tritton for their consultancy service the Government of India requested them vide letter No. 18-PDII(69)/59 dated 6-2-1960 to quote for lumpsum payment for the proposed job to be carried out by them. M/s. Rendel Palmer and Tritton, however, intimated that they would charge on the following terms, which were approved by the Government of India vide their letter No. 18-PDII (69)/59 dated 21-3-1960:

- (a) Salaries of partners, consultants and staff at basic rates according to booked time records.
- (b) Miscellaneous expenses directly chargeable to the reference such as, reproduction of documents and drawings, travelling and hotel expenses cable and trunk telephone calls.
- (c) Inspector's salaries subsistence and travelling expenses.
- (d) (i) 75 per cent on (a) above.
- (ii) $\frac{1}{2}$ per cent of F.O.B. value of material inspected to cover overhead charges and fee.

2. The actual amount paid to them is as under:—

(a) February 1960 to June 1962 i. e. from the date of engagement to date of arrival of the dredger in India.	Rs. 1,25,964.68
(b) July 1962 to September 1963 from the date of arrival of the dredger in India to the date of acceptance.	Rs. 62,798.72
(c) October 1963 to September 1964 i. e. extended guarantee period.	Rs. 36,351.15
	<u>Rs. 2,25,114.55</u>

3. As already explained under para 1.50 above, the builders have paid a sum of D. Gld. 4,50,000 in full and final settlement of all the claims and demands of both the parties. The extra liability incurred by the Kandla Port Trust by way of continued consultancy service charges paid to M/s. Rendel, Palmer and Tritton is partly covered by the above settlement.

[Ministry of Shipping and Transport O.M. No. 22/13/72-PDC., dated 29-12-72].

Recommendation

The experience with the foreign consultants and experts in this case has been unfortunately quite disappointing. The Committee trust that as dredgers are now being manufactured indigenously, sufficient expertise in the matter of consultancy services should also be available within the country. They accordingly desire to suggest that Government should look to available expertise in the country thereby eliminating their dependence on foreign experts which besides reducing foreign exchange expenditure, would give a fillip to further development of indigenous talents. This suggestion would apply to other fields as well where indigenous technology has improved to the extent where foreign consultancy service is neither desirable nor necessary. It should however, be the endeavour of Government to develop progressively sufficient expertise within the country wherever it is not available at present.

[Para 1.53 of the 36th Report of the PAC—(Fifth Lok Sabha) (Sl. No. 9 of Appx. II of the Report)].

Action taken

Noted.

[Ministry of Shipping and Transport, O. M. No. 22/13/72—PDC, dated 29-12-72].

Recommendation

In the opinion of the Committee, the problem of dredging at Kandla has assumed serious proportions in as much as there was a back-log of dredging to the extent of 1.9 million cubic metres as at the end of March, 1971 as the Dredger S. D. Kandla could not cope with the siltation. Despite poor performance of the dredger no serious attempts appear to have been made to tackle the problem

except hiring two additional dredger for brief periods when the dredger S. D. Kandla was sent for dry docking and repairs. The Committee, however, note that it has been decided to procure a new dredger of 2500 cu. meters capacity. In view of the importance of restoring the original depth in the breach channel and to improve the depth so that the Port could be better utilised, the Committee trust that the new dredger would be procured early. The Committee need hardly stress that learning from their experience of dredger S. D. 'Kandla' Government should take adequate care to ensure that the dredger that they now order is of the requisite capacity and performance to suit the requirements of Kandla Port, that it is delivered in good condition in all respects, that it has fool proof guarantee about performance and that the cost of dredging would be economic and competitive.

[(Para 1.54 of the 36th Report of the PAC—Fifth Lok Sabha)
(Sl. No. 10 of Appx. II of the Report)].

Action taken

1. The observation of the Public Accounts Committee that no serious attempts appear to have been made to tackle the problem except hiring out two additional dredgers for brief periods when S. D. 'Kandla' was sent for dry docking and repairs, needs to be re-considered. The Kandla Port Trust has in fact made strenuous and consistent efforts to obtain the services of a suitable dredger from other Major Ports and from the Government of India Dredging Pool. The Kandla Port Trust had also contacted 3 foreign dredging firms operating in India for the purpose. Major Ports in India could not make available suitable dredgers on account of their own pressing needs and the foreign dredging Contractors communicated their inability to undertake the dredging work on account of their other contractual commitments. The Ministry of Shipping and Transport had been kept apprised of the position. Kandla Port Trust had also approached foreign embassies in India and the Indian Missions abroad in order to locate a suitable second-hand dredger which may be readily available. However, inspite of all those efforts, Kandla Port Trust could not obtain the services of a suitable dredger except for the two dredgers made available to Kandla as mentioned above.

2. Parallel action was also taken by Kandla Port Trust to acquire a new trailing suction dredger of 2500 m³ hopper capacity, the order for which has been placed on an indigenous shipyard.

3. Besides exploring all possible avenues to obtain additional dredging assistance, the working hours of S.D. Kandla have also been gradually increased. After carrying out certain modifications

to the engines and machinery, the dredger is being utilised intensively by working in 3 shifts.

4. The observations of the Committee regarding purchase of the new dredger are noted.

[Ministry of Shipping and Transport, O.M. No. 22/13/72-PDC,
dated 29-12-1972].

Recommendation

The Committee note that in respect of a dredger hired from the Shipping Corporation of India for a brief period in 1968-69 the quantities dredged and cost of dredging could not be assessed. The Committee are unable to agree with this, as the reasonableness of the hire charges cannot be determined without knowing performance. Further the Committee desire to know whether the remaining claim of the Shipping Corporation of India had been settled and the basis thereof.

[Para 1.55 of the 36th Report of the PAC—Fifth Lok Sabha)
Sl. No. 11 of Appx. II of the Report].

Action taken

1. It may be clarified that the MOT—I of the MOT Dredger Pool and managed by the Shipping Corporation of India on agency basis, is a dredger without hopper and as such could be employed in the breach channel only for agitation dredging i.e., the dredged material would be carried away by the tide and the exact quantities thus carried away cannot be correctly determined.

2. The hire charges of this dredger were fixed by the Government of India on the normal principles for fixing the hire charges of plant and machinery.

3. It is not possible to co-relate the hire charges with the actual quantity dredged because the MOT Dredger—I is not a hopper dredger.

4. As to the question of claim of hire charges, it may be mentioned that this issue was discussed by the Officials of Kandla Port Trust with the officials of Shipping Corporation of India on 24th January, 1972 and again on 7th February, 1972. As a result of these discussions, a final settlement of hire charges was made for Rs. 22,60,905 on the basis of 2 shifts on 8 hours each per working

day as against the total bill of the Shipping Corporation of India amounting to Rs. 43,77,490.

[Ministry of Shipping and Transport, O.M. No. 22/13/72-PDC, dated 29-12-1972].

Recommendation

In respect of a dredger hired from the Calcutta Port Commissioners for the period from January to March, 1971, the Committee observed that the cost of dredging worked out to Rs. 13.59 per ton as against Rs. 4.06 per ton of S.D. 'Kandla'. This shows that the output of the dredger was not commensurate with the hire charges paid. The Committee therefore desire that there should be rational and realistic basis for determining rate of hire charges at least as between two Port Trusts. Further there should be an effective cost control over the dredging operations to put the dredgers to optimum use.

[Para 1.56 of the 36th Report of the PAC—Fifth Lok Sabha— Sl. No. 12 of Appx. II of the Report].

Action Taken

1. With regard to the cost of dredging by S.D. 'Maitena' of Calcutta Port Commissioners which worked out to Rs. 13.59 per ton, it may be stated that when this dredger was taken on hire, the cost factor got loaded by certain additional costs such as additional allowances to be paid to staff, supervision charges, insurance charges, incidental expenses such as travelling for periodical repatriation of crew to their Home Port etc. etc. In this connection, it may be mentioned that the allowances payable to the officers and crew of Calcutta Port Commissioners are on a much higher scale than those applicable to the officers and crew of Kandla Port Trust and, in addition, these allowances had to be further stepped up by payment of additional 50 per cent of pay of officers and 60 per cent of pay to the crew members. These factors contributed towards the higher cost of dredging.

2. It is further stated that in working out the cost of dredging for a hired dredger, Kandla Port Trust had to accept the dredger on the terms and conditions as offered by the Calcutta Port Commissioners.

3. So far as the rational basis of determining the rate of hire charges is concerned, the I.P.C. has now formulated a uniform policy

regarding the terms and conditions for hiring of dredgers from one Major Port to the other.

[Ministry of Shipping and Transport, O.M. No. 22|13|72—PDC, dated 29-12-1972]

Recommendation:

The delays and deficiencies noticed in this case connected with the construction of a bridge on the Quilon-Alleppey National Highway are typical of the manner in which the Central Works are executed through the State Governments without effective co-ordination. The work which was scheduled to be completed by July, 1967 was actually completed in December, 1971. To what extent was this due to the delay in furnishing technical comments for the various items of work is not known. The Committee desire that the relative responsibility of the Roads Wing of the Ministry of Transport and Shipping and the State Government for the delay in clearing the designs should be determined.

[Para 1.83 of the 36th Report Fifth Lok Sabha—§. No. 13 of Appx. II of the Report]

Action Taken

1. In order to assess to what extent the delay in furnishing technical comments or clearing designs for the various items of work has contributed to the delay in the completion of the work and to determine the relative responsibility of Roads Wing and the State Government for this delay, the chronological sequence in finalising the design for various items of works, namely, foundations, substructure, bearings and superstructure was studied.

2. As per the usual practice, this being a major bridge work, while calling for lumpsum tenders based on the departmental design, the tenderers were given option to quote also on the basis of alternative designs of their own choice conforming to the basic design data set out in the N.I.T. Accordingly, on the basis of the quotations received, the lowest tender of M|s. V. Nagabushanam & Co., for their alternative design in prestressed concrete superstructure was accepted by the State Government in consultation with the Government of India in May, 1965. But, unfortunately, full site and sub-surface investigations had not been done before the work was awarded. This led to unnecessary delay in the progress of the work as the strata anticipated was not actually met with, necessitating in the testing of some foundations before proceeding with further

work. This was an important cause of delay in the completion of the whole work. The fault was not in the system of awarding lumpsum contract as such, but in calling for such contract without fully satisfying the pre-requisites, namely, detailed site and sub-soil investigations. If these pre-requisites are not observed, the same trouble could occur even if departmental design is adopted. The need for conducting adequate site and subsurface investigations has been stressed and suitable action has already been taken including sanction in advance, field cost investigations and design changes, and project preparation up to the tune of 2½ per cent of the cost of any project.

3. As per contract, the firm had to submit all designs and drawings for the approval of the Department in four phased lots within two months from the date of acceptance of tender, which was 24th May, 1965. The first lot was due within three weeks, but they took about nine weeks even to submit the first lot, that too, only for one well foundation, and in an incomplete shape. The remaining designs and drawings were received in 10 more instalments in a piece-meal fashion in gradual stages as the work was in progress. Although there was delay in submission of designs by the firm no action could be taken against them as there was no provision in the contract for penalising the contractor on account of this, and further, the Department itself could hand over the site to them only on 19th October, 1965, i.e., after about 4 months from the date of acceptance of tender. The need for taking suitable action for removing this deficiency in the contract document has been engaging the attention of the Ministry. Model N.I.T. and contract documents have been evolved by a Committee of Chief Engineers and efforts are being made to remove such deficiencies.

4. The first set of foundation designs and drawings was cleared on 22nd October, 1965. The work was started at site on 19th October, 1965. The designs for other well foundations (excepting for well under pier No. 1) were submitted by the firm on 24th December, 1965 and they were cleared on 11th February, 1966. The construction and sinking of wells for all the 16 piers was in progress thereafter.

5. The designs for other components such as well caps, well under pier No. 1, piers, pier caps and bearings received subsequently were also being attended to at various levels between the State PWD and the Road Wing, without any avoidable delay at any stage and without holding up the work on that account.

6. The preliminary designs for the superstructure were received from the firm (in an incomplete shape) in February, 1966 only for Government's information. The same were cancelled by the firm on their own and fresh proposals submitted on 20th July, 1966. Comments on those proposals were sent by the State PWD on 21st November, 1966. Reinforcement drawings were received from the firm in November, 1966 and the same were under scrutiny by the State PWD. At that stage, further clearance of designs pertaining to superstructure, bearings and pier caps were decided to be held in abeyance in view of the anticipated settlement of well foundations due to poorer soils met with during the course of execution, and pending the test-loading of wells, and the results thereof, in order to satisfy about the safety of the structure. This decision was communicated to the State PWD by Roads Wing on 31st December, 1966. This unexpected situation had caused a severe set-back in the clearance of designs and execution of some components of the bridge work till 6th September, 1967, when the final approval to proceed with further works was issued based on the results of tests.

There is no denying the fact that the delay of about 5 months (which included about 2-1/2 working months) could have been avoided by the Roads Wing by taking a firm decision regarding the adequacy of the foundations immediately after March, 1967 itself, on the basis of the test results of well P2, instead of asking for the test of well P8, and finally giving it up on 6th September, 1967 on the basis of some details furnished by the State Chief Engineer after a site inspection by the Chief Engineer (Bridges) of the Roads Wing. However, the test on P8 proposed was part of an abundant precaution taken in good faith to ensure the safety of the bridge.

The main superstructure designs were approved on 27th August, 1968. Thereafter, the designs for the remaining items of work were taken up and cleared in stages as expeditiously as possible, as the work proceeded, and without hampering the progress of work. To the extent the scrutiny of the superstructure design was kept in abeyance for the reasons mentioned above, it could be said that it contributed to the element of delay in completion of the work.

7. It would thus be seen that the primary causes that contributed to the delay in execution were—

(i) Problems met with during execution, such as soils poorer than anticipated, requiring elaborate tests;

(ii) Delay in procuring H.T. steel for the work.

[Ministry of Shipping and Transport, O.M. No. N.H. 111-33(5) 72,
dated 8-1-1973].

Recommendation

It is not clear to the Committee as to why the State Government thought it necessary to provide for the departmental supply of high tensile steel wires only, for the bridge work. In respect of other requisite materials to be procured by the Contractor himself the Government did not make themselves responsible for either delay in procurement or increase in cost thereof in any manner. As the entire bridge work was awarded on lumpsum basis, the Committee do not consider that the action of the State Government in agreeing to supply one of the items was justified. In view of the fact that this resulted in needless claims for compensation by the contractor on account of delay in supplies and other complications, the Committee feel that the matter requires investigation. Further they would like to know the practice in this regard in other bridge works on National Highways executed through various State Governments.

[Para 1.84 of 36th Report (Fifth Lok Sabha) (S. No. 14 of Appx. II of the Report)].

Action taken

The question as to why the Public Works Department of the State Government undertook to supply high tensile steel only for this bridge work to the contractor has been investigated as desired by the Committee and it is found that besides high tensile steel, the Department actually supplied the following materials as well:

1. Cement.
2. M. S. rounds and squares.
3. M. S. flats.
4. M.S. angles and light structurals.

This arrangement was in accordance with the provisions of the contract.

In regard to the supply of materials to the contractor, normally cement and steel are procured and supplied to the contractor by the Department at the rates specified in the contract. As regards high tensile steel, no uniform procedure has been prescribed mainly on account of the fact that there is no control over the price and manufacture of high tensile steel by the Government. There have, however, been instances in which the Government have also supplied High tensile steel to the contractor either from indigenous sources or through imports. The present practice is to allow

as far as possible the contractors themselves to procure high tensile steel.

[Ministry of Shipping and Transport, O.M. No. N.H. 111-33 (5) |72,
dated 8-1-1973].

Recommendation

The Committee regret to find that orders for supply of high tensile steel wires were placed on firm 'A' for the entire quantity of 90 tonnes despite the fact that the firm is stated to have apprised the Department of their lack of experience in manufacturing this product and of the need to develop it as a special case 'to assist the Department'. As there was another valid tender, the Committee feel that the authorities need not have sought the assistance of or shown any indulgence to a local firm. The correct course in such circumstances would have been to place an educational order to test the capacity of the firm.

[Para 1.85 of 36th Report (Fifth Lok Sabha), (S. No. 15 of Appx. II of the Report)]

Action taken

The observations of the Committee have been noted for future guidance and action.

[Ministry of Shipping and Transport, O.M. No. N.H. 111-33 (5) |72,
dated 8-1-1973].

Recommendation

Incidentally, the Committee note that there was no approved list of firms maintained by the Central Government for the supply of high tensile wires. In view of the experience in this case, the Committee consider it desirable to have approved lists of firms for supply of main items for the guidance of State Governments executing Central Works.

[Para 1.86 of 36th Report (Fifth Lok Sabha), (S. No. 16 of Appx. II of the Report)].

Action taken

The suggestion of the Committee to have approved lists of firms for the supply of high tensile wires and other main items is accepted.

[Ministry of Shipping and Transport, O.M. No. N.H. III-33 (5) |72,
dated 8-1-1973].

Recommendation

Arising out of the above case is the general question of satisfactory execution of the Central Works through the State Governments. The Committee have been pointing out from time to time the inadequacies in this regard which resulted in avoidable losses on the one hand and tardy execution of works on the other. They have also pointed out lack of control over spending through the works executing agencies resulting in considerable recurring excesses/savings under grants voted by Parliament. That there is thus need for effective control technical and financial need hardly any further emphasis. Various measures, such as, delegation of powers to the State Governments and earmarking staff for Central Sector road works by all the State Governments are stated to be under consideration. The Committee wish to observe that it is high time that the procedure for execution of road works on agency basis is streamlined in consultation with the Ministry of Finance. They would, however, like to caution Government that any scheme of delegation would work satisfactorily only if there is a system to assess effectively the proper discharge of delegated responsibilities.

[Para 1.89 of 36th Report (Fifth Lok Sabha)—S. No. 19 of App. II of the Report].

Action Taken

The Government of India in the Ministry of Shipping and Transport are very much alive to the need for streamlining the procedure for execution of road works on agency basis through the State Governments. To achieve this end, several steps have been taken including organisational strengthening. These have already been explained in detail in the Action Taken Note on para 1.140 of the 36th Report (*vide* copy enclosed Annexure I). All efforts are being made to review the matter continually and improve the situation.

In regard to the Committee's observation pointing out lack of control over spending through works executing agencies resulting in considerable recurring excesses/savings under grants voted by Parliament, it is stated that excesses have been occurring mainly in the grant for maintenance and repairs and the measures taken by the Government to have an improved control on the distribution of funds to the States and their utilisation by them have been spelt out in the action taken note on para 2.26 of the 29th Report of the 5th Lok Sabha (*vide* enclosures at Annexure II). The savings have been occurring mainly under the grant for original works. The shortfall in the utilization of funds allotted to the State Governments has been more prominent in the earlier years of the Fourth Five Year

Plan as it took some time for the schemes to pick up. The position has, however, since improved with the augmentation of the State P.W.Ds. The measures taken to prevent recurrence of such short-falls have also been detailed in the action taken note on para 1.140 of the 36th Report as has been referred to in the present reply above. It is hoped that with all these measures referred to above, the position will improve.

[Ministry of Shipping & Transport O.M. No. NH. III—33(5)|72,
dt. 8-1-73].

Recommendation

The adoption of the new 'soil stabilisation' method by the State Government as suggested by the C.R.R.I. did not have the specific approval of the Ministry of Transport & Shipping (Roads Wing). The Committee understand that the Central Assessment Committee has yet to come to a decision regarding the technical feasibility or otherwise of the method. The Committee may be apprised of the decision in this regard in due course.

[Para 1.100 of the 36th Report (Fifth Lok Sabha)—S. No. 22 of App.
II of the Report].

Action Taken

The Central Assessment Committee has, as has been stated with reference to para 1.99 above, already accepted the technical feasibility of the soil stabilisation method as suggested by the C.R.R.I.

[Ministry of Shipping & Transport O. M. No. NH—IV-31(128)|72,
dt. 27-12-72].

Recommendation

"The Committee are concerned to note the lack of effective inventory control in the Border Roads Organisation as is evidenced by the excessive purchase of Rs. 6.08 lakhs worth of spares for Crawler Tractors TD-20-200 series, more than 80 per cent of which had to be disposed of at less than 25 per cent of the original price. It is disturbing to note further that as against total cost of Rs. 1,706 lakhs of spares purchased, unwanted spares valued approximately at Rs. 217 lakhs exist in respect of 86 equipments and vehicles. In respect of 13 out of these equipments the value of unwanted surplus (Rs. 117.66 lakhs) is over 20 per cent of the total value of their spares held and the major portion of them relate to four main items. That there should have been such a large accumulation of spares in a relatively new organisation such as the Border Roads shows how faulty the system of provisioning was. The Committee would like

to know the results of the probe as to how this phenomenon arose. The utilisation/disposal of the surplus spares may also be reported to the Committee".

[Sl. No. 23 of Appendix II (Para 1.112) of 36th Report of the PAC (1971-72) (Fifth Lok Sabha)].

Action taken

The Committee have expressed concern on the lack of effective inventory control in the Border Roads Organisation as evidenced by the excessive purchase of spares for TD-20-200 series of Crawler Tractor. The circumstances of the purchase of these spares were explained in the oral evidence tendered before the Committee during the consideration of para 50 of Audit Report (Civil) 1970. The entire fleet of TD-20-200 series of Crawler Tractors was purchased in 1960 and 1961 at the time of inception of the Border Roads Organisation. The Border Roads Organisation and the Army, from which it had drawn Officers, had practically no experience of this type of tractors or of constructing roads in the Himalayas, except some bits on the foothills. In these circumstances DGBR got the recommendations of the suppliers on the requirements of spares and orders were placed on that basis for 2 years maintenance requirements and one overhaul. The orders for 4 out of the 5 items of spares, referred to in the Audit Para were included in the indent placed on this basis in November, 1962. These items were not repeated in the indent placed subsequently for other spares of this equipment. As regards plow bolts, there was no indication by the manufacturers and the first order was placed in the expectation that the cutting edges, which are held by the plow bolts, would give trouble. A repeat order was placed in 1967 on an indigenous firm. In so far as these items of spares are concerned, we had perforce, as a nascent Organisation, to rely on manufacturers' recommendations, that resulted in surpluses.

2. The Committee has also expressed concern on the quantum of purchase of unwanted spares valued approximately at Rs. 217 lakhs in respect of 86 equipment and vehicles as against total cost of Rs. 1,706 lakhs of spares purchased in all. When this position was intimated to the Committee in August, 1971 it was mentioned that the assessment of unwanted spares made by DGBR is subject to review to determine actual needs particularly in respect of old models still in use. The review is since being carried out and it is found that the value of unwanted spares has come down to Rs. 142.00 lakhs. The reduction can be ascribed to the following reasons:—

- (a) Transfer of spares to Field Workshops against their requirements from the surplus stocks. Surplus lists after

compilation of census among others, were forwarded to all the Projects. On receipt of such lists, Field Workshops of Projects, who required the same, forwarded their demands which were met from the surplus stock.

- (b) Due to a drive launched to improve the availability of spares, vital spares of Komatsu and other equipments have materialised. This has resulted in repairs to certain equipment at Projects and GRBF Base Workshops and utilisation of surplus spares to some extent.
- (c) Acceleration of the overhaul programme and drive on improvement of normal preventive maintenance has also resulted in the consumption of spares.

3. As regards the probe into factors responsible for surpluses, DGBR has carried out a broad evaluation of surpluses where they exceeded 15 per cent of the total spares purchased and a detailed study in respect of one equipment falling in the same category. His findings are:—

- (a) At the time of introduction of equipment in the Organisation reliance had to be placed on the manufacturers' recommendations for the requirement of spares. In many cases, these recommendations were unrealistic. For the same reasons, i.e., due to lack of adequate knowledge of equipment and actual experience of its use, the initial assessment was not correct in certain cases. It took quite some time before the usage pattern of spares got established.
- (b) The Organisation did not have a proper provision review system and there was no effective means of correlating indents with stocks in hand, dues-in etc.
- (c) The materialisation of spares was slow in many cases and resulted in non-availability of spares at the time of need. Moreover, the spares were not available in balanced range and depth.
- (d) The difficult working conditions in the early stages of the Organisation made it difficult to adhere to the maintenance and repair schedules which contributed to a certain extent to the non-utilisation of spares
- (e) The actual utilisation of equipment was less than that envisaged initially because of the difficult terrain and working conditions. Early wastage of equipment resulted

in non-utilisation of spares. In other words, the assessment of spares was for a higher life of the equipment than that could be achieved on the ground.

- (f) The Organisation did not have a proper centralised system of holding and distribution of spares. Further, absence of a periodical study of consumption data made it difficult to divert stocks from one unit to another.
- (g) Other miscellaneous factors which contributed to a small extent to surpluses are frequent changes in the modes of equipment, complexity and variety of equipment inducted into the Border Roads Organisation.
- (h) DGBR's finding in respect of the equipment, for which a detailed study has been carried out, is that the total quantum of local purchases for the maintenance of equipment during a period of 8 years worked out to 3.92 per cent of the total purchase of spares. The purchases made were small in range and depth and did not make a significant contribution to the surpluses.

4. A mention may be made here of the remedial measures taken by the Organisation for better inventory management. Firstly, a proper inventory control procedure has been drawn out and implemented. The procedure *inter alia* provides for (i) provision review taking into account past wastages of stocks and dues-in (ii) introduction of modern inventory management techniques such as ABC and VED analyses (iii) revision of Initial Stocking Guide based on up-to-date available consumption data before the initiation of provision review and (iv) backloading of spares becoming surplus within Project or Unit and merging it with Central Stock. Secondly, the Stores Sections have been re-organised into full fledged Stores Divisions and have been assigned the role of a Central Depot. They have been also assigned the responsibility of preparation of indents for spares. Thirdly, instructions have been issued for technical assessment of the manufacturers' recommendations in the case of new equipment before projection of the indent. Lastly, a systematic and periodical review of old orders has been prescribed for cancellation of spares found not required as a result of provision review etc.

5. The utilisation of spares within the Organisation has been indicated in para 2 above. Further, out of the value of unwanted spares assessed at Rs. 142 lakhs, spares worth Rs. 36 lakhs were transferred to E-in-C's Branch and spares worth Rs. 1.2 lakhs were disposed through DGS&D. The remaining surplus amounts to Rs. 104.8 lakhs. The process of screening these surpluses is continuing and a close watch is being kept on their utilisation/disposal.

6. Ministry of Finance (Def|BR) and Director of Audit, Defence Services have seen.

[Ministry of Shipping and Transport (Border Roads Development Board) U.O. No. 1 (10) BRDB|70-71|PAC dt. 2-12-72].

Recommendation

"The Committee wish to stress that there should be an effective annual provisioning review in future as recommended by the Committee on Machinery and Equipment which should take into account the existing inventory of spares. Further the Organisation should attempt to standardise the vehicles and equipments as far as possible so that the problem of multiplicity of spares is not met with in future."

[SI. No. 24 of Appendix II (Para 1.113) of 36th Report of the P.A.C. (1971-72) (Fifth Lok Sabha)].

Action taken

In the light of the recommendations of the Committee on Machinery and Equipment, a revised system of provisioning of spare parts for equipment/vehicles has already been introduced in Border Roads Organisation. Director General Border Roads has also issued "Revised Inventory Control Procedure" in February, 1971 for implementation of the revised system. The Inventory Control Procedure issued by the Director General Border Roads contains detailed and comprehensive instructions on introduction of annual provision review; compilation of past wastage data to regulate future provisioning; revision of scales based on experience and wastage data; establish commonalty and inter-changeability of spares between different equipment; adoption of modern inventory management techniques like ABC, VED and FNS analysis; rationalisation of spares holdings with the Field Workshops; and to establish regular backloading of spares not required by a particular project for merging stocks and issue to others who may have a requirement therefor. The requirements which are now being projected for procurement are based on annual provision review. Further, while projecting procurement, stocks already held as also 'dues-in' against orders already placed are also being taken into account by the Director General Border Roads. A review of the staff strength employed on this task is being carried out with a view to strengthen it for better implementation.

2. In regard to the question of standardisation of equipment|vehicles, Govt. are already seized of the matter. Items like crawler

tractors and jeeps, 1-ton vehicles have been standardised. Standardisation on 3-ton vehicles is subject to indigenous production availability which varies from time to time. Standardisation in respect of certain imported equipment has been deferred for the time being in view of their progressive replacement by indigenous makes. In respect of certain other major items of equipment the matter is being examined in consultation with the Director General Border Roads.

[Ministry of Shipping & Transport (Border Roads Development Board) U.O. No. 1 (10)|BRDB|70-71|PAC dt 25-10-72]

Recommendation

The Committee regret that a lacuna in the agreement entered into with the Japanese consultancy firm for conducting basic surveys and preparing preliminary designs and project report for the Second Shipyard Project, Cochin resulted in a gratuitous payment of Rs. 0.78 lakhs. The Committee trust that such legal documents will be drafted with care in future to reflect the understanding reached between the contracting parties.

[S. No. 25, Para 1.119 of Appendix II to the Thirty-sixth Report (5th Lok Sabha)].

Action taken

The recommendation is noted by Government.

[Ministry of Shipping & Transport O.M. No. SY1—12(29)|72 dt. 31-10-72].

Recommendation

The Committee note that the firm has been requested only in September, 1971 (after the representatives of the Ministry appeared before the Committee) to refund the extra payment made to them and that their reaction is awaited. The Committee do not appreciate the delay in taking this action. They, however, wish that the firm should be persuaded to refund the amount and the result intimated to them.

[S. No. 26 (Para 1.120) of Appendix 1 to 36th Report (5th Lok Sabha)]

Action Taken

The firm has since refunded the amount of US \$ 18,063.66 (Rs. 1,37,417.29) and the same credited to Government on 25th September 1972.

(Ministry of Shipping & Transport O.M. No. S. 1-12(29)72, dt 31-12-72].

Recommendation

An examination of the execution of the work of black-topping waterbound macadam road in Miles 50 to 95 of National Highway No. 7 sanctioned in 1966 reveals regrettable lack of coordination between the Roads Wing of the Ministry of Transport & Shipping and the executive agency, viz., Government of Andhra Pradesh. The Committee learn that 63 furlongs of initial waterbound macadam work was completed by the State Government even before the Ministry had sanctioned the work. There was a delay of over 2 years in finalising tenders for black topping and seal coat. Further, the question of providing additional layer of metal work in certain reaches before taking up black topping was not raised with the Ministry till the failure of the road was reported in July 1968, although this was stated to have been considered necessary by the State P.W.D. The Committee also note discrepancies in the reports made by the State Government to the Ministry of Transport and Shipping from time to time in regard to the reasons as to why the black topping work could not be taken up in time and how the deterioration of the waterbound macadam surface took place. In view of the foregoing, the Committee feel that the liaison that is required to be established through the Regional Officers was far from satisfactory. They would, therefore, emphasize that Government should examine as to what further improvements should be made in the system of reporting by the Regional Officers so as to have an effective control over the progress of work executed through the State Governments.

[Para 1.131 of the 36th Report (Fifth Lok Sabha)].

Action Taken

The question of proper and adequate liaison between the State Government which is the executive agency for National Highway works, and the Government of India through Liaison Officers has been engaging the attention of the Government of India for quite some time. The constitution of a liaison and inspectorate organisation in the Roads Wing was mooted by the Government of India in early 1940 when they had before them the question of including

certain roads in the National Highway system, pursuant to the recommendations made in the Nagpur Plan. It was, however, in 1946 that pursuant to a short term scheme for posting the first place officers of the rank of Asst. Executive Engineer|Executive Engineers in the States was implemented. There was one Engineer Liaison Officer in Andhra Pradesh till 1960 when he was withdrawn to Headquarters. In 1962, in connection with the first I.D.A. Highway Loan Programme works, Regional officers of the Roads Wing, headed by officers of the rank of Superintending Engineers, were set up in the four States of Bihar, Orissa, Maharashtra and West Bengal. Some more Regional Officers were set up in the States of West Bengal, Assam, Bihar, U.P., Gujarat and Rajasthan in connection with Emergent road works, Lateral Road Project and the Strategic Road Programme.

The Staff Inspection Unit of the Ministry of Finance recommended in 1967 reduction of certain posts as also the abolition of the Regional offices created for I.D.A. works after the works were completed. Since there was shortage of staff in the field organisations it was decided to transfer personnel from Head Quarters to the field. Thus an E.L.O. was posted to Andhra Pradesh in 1967. No. E.L.O. could be posted to Andhra Pradesh between 1960 and 1967 for want of staff. The work was executed during that period.

However, the proper implementation of road|bridge projects through the agency arrangement with the State Governments is sought to be achieved to a large extent through regional field formations who have to pursue the execution of works in the light of the local conditions obtaining by exercising necessary overseeing so that execution by the States is in accordance with the specifications and designs drawn up by the Roads Wing. There are now 21 States including Manipur and Tripura besides some Union Territories. With the vastly increased magnitude and nature of development works programmes in the Central Sector, for the achievement of the foregoing objective, considerable augmentation of the field organisations of the Roads Wing has been necessitated. Proposals for strengthening adequately the field organisations are under consideration of Government. The requirements of officers and staff have been worked out and the proposals have been referred to the Ministry of Finance for their consideration. A final view in the matter is expected to be taken shortly.

[Ministry of Shipping & Transport O.M. No. NH-W 31 (128) (72, dt. 27-12-72)].

Recommendation

“Although savings should be looked upon primarily as indicative of defect in budgeting no less than excesses, the Committee are concerned at the reduction in the planned programme of work, slow progress of work taken up and delay in materialisation of supplies through the DGS & D and adjustment of debits which were mainly responsible for a saving of Rs. 9.77 crores under the head “A.1(2)—Construction of Border Roads”. The reduction in the works plan is attributed to reduction in availability of machinery and equipment compared to anticipation and the output of majority of machines and vehicles which are old, not being reliable. In this connection the Committee find from the reply of the Ministry to a recommendation contained in the Eighteenth Report (Fourth Lok Sabha) that measures to ensure maximum optimum utilisation of plant, machinery and equipment etc. in the Border Roads Organisation was under consideration of Government. The Committee hope that measures including streamlining of procedures for improving the efficiency of the Organisation would be taken expeditiously.”

[Sl. No. 29 of Appendix II (Para 1.139) of 36th Report (1971-72) of the PAC (Fifth Lok Sabha)].

Action Taken

As indicated in the action taken note on para 1.97 of PAC's Eighteenth Report (Fourth Lok Sabha) furnished under this Ministry's U.O. Note No. F.1(10)/BRDB/67-68/PAC dated 10th September, 1968, various measures have been and are being taken to improve the state of the machinery resources of the Organisation and to achieve maximum/optimum utilisation thereof. As the Committee are already aware the Committee on Machinery and Equipment was set up in 1969 and their recommendations covering the entire ambit of machinery resources of the Organisation have mostly been implemented. Most of their recommendations are identical to the ones contained in the Report of the Director of Scientific Evaluation who also conducted a works study on the efficiency and output of machinery in the Organisation. Our U.O. Note No. F.1(10)/BRDB/68-69/PAC dated 4th December, 1970 on the 86th Report of P.A.C. (Fourth Lok Sabha) also refers in this connection. As a result of the implementation of these recommendations, DGBR has reported that improvement in this regard has already been noticed as mentioned below:—

(a) The output in GREF Base Workshop has registered an improvement and this tempo has been kept up. The improvement in

the output of GREF Base Workshops can be seen from the following figures:—

<u>Year</u>	<u>Output</u>
1968-69	896 Nos.
1969-70	937 Nos.
1970-71	1079 Nos.
1971-72	2430 Nos.

To keep up the tempo, a three year repair programme has been framed by DGBR to liquidate backlog of repairables particularly in the case of those equipment and vehicles where spares position is better as in the case of vehicles where there is considerable improvement in availability of spare parts.

(b) There is progressive decline in the backlog of repairables as would be evident from the comparative position shown below:—

<u>Period</u>	<u>No. of repairables</u>
As in September, 1969	3,750
As in September, 1970	3,696
As in December, 1971	2,077
As in March, 1972	1,877

The backlog of vehicles which forms the major portion is expected to be cleared by the end of 1973.

(c) The commitment allotted to Army Base Workshops is also progressing. The undermentioned items have been overhauled by them during the last two years:—

Vehicles	78
Tractors	31
Road Rollers	34
Compressors	39
Engines	133

(d) Due to drive on overhaul of engines and other major assemblies and their issue to projects, about 450 vehicles which were off road for want of these assemblies have been put on road. As in June, 1972 no vehicle is off road awaiting issue of engines.

(e) A large number of directives and technical instructions have been issued by DGBR for increasing utilisation by improving stand-

ard of maintenance, repair and inspection of equipment. Improvement in utilisation as under has been reported by DGBR.

UTILISATION

	Prior to 1971	1971
Vehicles	80,000 KMs	99,877 KMs
Tractors	4,300 Hours	5,300 Hours
Road Rollers	4,000 Hours	4,800 Hours
Compressors	3,200 Hours	5,400 Hours

(f) Backloading of repairables from Projects to Base Workshops has been undertaken by DGBR on priority.

(g) Procedure has been evolved for placing of orders in advance for equipment to ensure adequate and timely availability for works.

[Ministry of Shipping and Transport (Border Roads Development Board) U.O. No. F1(10)/BRD/70-71/PAC, dated 22-9-1972].

Recommendation

The Committee note that there was also a saving of Rs. 5.47 crores amounting to about one-third of the budget provision of Rs. 17.17 crores under the head "A.1(1)-Construction of National Highways", which was mainly due to delay in implementation of the annual plan. The delay is attributed to the organisational inadequacies of the State public works departments executing the work. Part of the saving was also due to non-adjustment of expenditure, non-clearance of liabilities, non/late finalisation of tenders etc. The Committee have earlier in this report stressed the need to streamline the procedure for execution of works through State Governments ensuring adequate organisation machinery therefor and the necessity for effective control over the progress of work. These assume urgency in view of such serious delays in implementation of plan schemes as is disclosed by the huge savings under the grant.

[Para 1.140 of 36th Report (Fifth Lok Sabha) S. No. 30 of Appendix II of the Report].

Action Taken

The question of streamlining the procedure for the execution of works through State Governments has been under the active consi-

deration of the Government of India for quite some time past and, as stated in the Action taken note submitted to the Public Accounts Committee in reply to its recommendation made in para 2.34 of 123rd Report (Fourth Lok Sabha), a number of concrete steps had already been taken for a closer control on the distribution of the funds to the States and their utilisation by them for the construction, development and maintenance and repairs of National Highways. The existing arrangements in regard to the execution of works on National Highways have been reviewed again and a number of further measures in regard to the removal of organisational inadequacies in the States, streamlining of procedures etc. taken with a view to step up the pace of work and to facilitate the fuller utilisation of available funds.

2. As indicated earlier, the shortfalls in the utilisation of funds allotted to State Governments for construction of National Highway works have been occurring broadly due to:

- (a) Organisational inadequacy of the State Public Works Departments executing the works on behalf of the Central Government; and
- (b) Procedural delays at different levels at their end.

The following are the latest developments in regard to the measures taken to remove these bottlenecks:

Organisational strengthening:

- (i) As a result of constant and vigorous pursuit by the Government of India with the State Governments, exclusive organisations for National Highway works headed by a Chief Engineer/Additional Chief Engineer have been set up in a number of States viz., Kerala, Tamil Nadu, Andhra Pradesh, Maharashtra, Mysore, Bihar and Orissa, Madhya Pradesh and Uttar Pradesh are the other two States which are in the process of setting up such organisations. In some States, where, the State Governments have not been able to set up fullfledged exclusive organisations so far, additional staff with separate Chief/Additional Chief/Deputy Chief Engineers, has been added. The matter is being pursued further with the remaining States and they are also likely to follow suit shortly. The setting up of separate organisations for National Highways and adequately strengthening them to cope up with the increased tempo of work will, it is anticipated go a long way in ex-

pediting the pace of work on National Highway projects and the fuller utilisation of the available funds.

- (ii) The States have been informed that, so far as Central Sector Road Schemes included in the Fourth Plan are concerned, finances are no problem for meeting demands for higher allocations provided such demands are fully justified by actual progress on the ground. The assurance of funds will help States to plan on a long term basis in regard to organisational strengthening and thus facilitate greater speed in execution.
- (iii) In order to enable the States to have separate organisations for investigation, design and project preparation work to be able to produce estimates with complete details necessary for avoiding delay in sanctions, the Government of India have agreed to give to the States a sum equal to $1\frac{1}{2}$ per cent of the project cost for regular staff and 1 per cent of the project cost for field costs, the amount for regular staff ($1\frac{1}{2}$ per cent) being treated as an initial payment out of the approved agency charges and adjusted against those agency charges as and when a project is technically approved and financially sanctioned. Funds for this purpose are being provided for the Fourth Plan projects *as also for advance action in connection with the Fifth Plan projects*. This will help the States in ensuring complete and adequate investigations and surveys for the projects being conducted in order to facilitate the preparation of proper estimates and help in quicker sanctions, thereby contributing to speed in the execution of works and fuller utilisation of available funds.

Measures taken to remove procedural delays

- (1) Lists of works likely to be included in the Annual plan for the next financial year were circulated very much in advance of the commencement of that year to the States so as to give them adequate time for completing investigations and other engineering details and keep the projects ready for sanction soon after the commencement of the Annual Plan concerned;
- (2) Advance technical notes on National Highways as well as for other Central Sector Road Projects, where necessary

are being sent to the States to enable them to invite tenders and complete other formalities so as to keep them in a state of readiness to accept the same as soon as financial sanctions to the projects are communicated;

- (3) In order to step up the pace of expenditure, a bank of sanctions has been built up for every State to facilitate the continuous utilisation of available funds on works in hand. Further, States are being regularly urged at all forums to make up the leeway in clearing the backlog of estimates still with them and expedite their submission. In fact a monthly review is made by the Ministry of the estimates sanctioned and those pending so that action could be taken to expedite sanctions of the pending estimates.
- (4) The State Accountants General have been authorised to admit excess expenditure over the sanctioned estimates upto 10 per cent of the sanctioned costs or Rs. 2.50 lakhs whichever is less in the case of National Highways without the requirement of submitting revised estimates and getting the approval of the Government of India as against the previous limit of 10 per cent or Rs. 25,000 whichever is less. The question of liberalising it further so as to delete the monetary limit of Rs. 2.50 lakhs is also being examined.
- (5) To help the State Governments in the procurement of essential materials like bitumen, steel, cement, wagons and other facilities for transporting materials, etc., this Ministry has promised all possible help at the highest level.
- (6) In order to remove the delays occurring at present between sanctioning of estimates and the commencement of the work at the State P.W.D. level, a number of steps have been suggested for adoption by States. These include removal of time lag in calling for tenders and their settlement by adopting centralised preparation of tender notice, invitation, their processing and award of work by a tender Cell at the State Chief Engineers' headquarters. In regard to the time for settling tenders, it was agreed at the meeting of the Chief Engineers and later at the meeting of the Standing Committee on Roads of the Transport Development Council that this period would be four months in all cases except for large bridges where the period could be six months. Further, contracts have been suggested

to be made strictly time-bound so that the requirements of time being the essence of the contract is fully observed and enforced. The procedure for approval of designs for bridge works is streamlined to ensure that the detailed designs, particularly the alternative designs being submitted by the contracting firms, are approved with expedition, so as to ensure that the progress of construction on these works does not suffer and lag behind on that account. Setting up of Centralised Progress Evaluation and Reporting Cell at the State Chief Engineers' Headquarters as also another for proper advance planning, procurement management of men, material and resources, laying down of monthly targets for each item and ensuring adherence to the targets so determined etc. have also been commended and stressed.

- (7) The State P.W.Ds. have also been requested to analyse reasons for delays and make all-out efforts to remove bottlenecks, if any. Effort is being made to keep a strict watch on all problems by the Central Government through periodic reviews, frequent inspections of works and personal discussions between the officers of this Ministry and the State Government ensuring that all technical problems arising during the course of construction are settled without undue delay by the State P.W.D. and if necessary by joint inspection of the Central Roads Wing and State P.W.D. officers, wherever required. A constant vigil is also being kept on the pace of expenditure on the basis of periodic reports and other discussions.

3. It is hoped that as a result of streamlining of the procedure for execution of work by States as executing agencies for Central Government and other measures taken by the Ministry, the position will improve and there will be no delays in implementation of plan schemes or savings in the available funds and effective control over the progress of works will be ensured.

4. This note has been vetted by the Audit.

[Ministry of Shipping and Transport O.M. No. B-29(6)/72, dated 4-9-1972].

Recommendations

The Committee are unable to appreciate the recurring savings under the head "A.2(1)-Investment in Government and Industrial

Undertakings—Hindustan Shipyard Limited". The savings against the budget provisions were of the order of over 73 per cent in recent years. The delay in receipt of machinery from indigenous sources were stated to be mainly reasonable for the savings during the years 1968-69 and 1969-70 besides delay in getting clearance from D.G.T.D., foreign exchange allocation etc., for import of certain items and delay in according administrative approval to the Integrated Development Programme of the Shipyard. As these delays have admittedly affected the performance and efficiency of the Shipyard, the Committee would urge Government to investigate the procedural bottlenecks and take appropriate remedial measures so that the work may progress according to schedule and the available resources are put to optimum use.

[Sl. No. 31 (Para 1.145) of Apper.dix II to 36th Report (5th Lok Sabha)].

Action Taken

The question of streamlining the procedures for removing the bottlenecks in getting clearance from D.G.T.D. the release of foreign exchange and issue of import licences to Public Sector Undertakings were considered at an official level meeting held in the Ministry of Finance on the 18th July, 1972. The following conclusions were reached at the meeting and action for their implementation will be taken by all concerned after these are approved by the Government.

(1) D.G.T.D. Clearance

The D.G.T.D. indicated that if six copies of the import application are furnished to them by the Public Sector Projects, they would ensure that their application was considered by the concerned Directorates expeditiously within the time limit of 21 days. It was also agreed that a booklet indicating the functions of the various Directorates in the D.G.T.D. and Coordinating Officer responsible for each such Directorate should be brought out. This booklet should be circulated to all public sector projects so that they could contact the concerned Coordinating Officer in respect of their specific requirements.

It was decided that there was a need to lay down in clear terms the procedure for obtaining clearance from the D.G.T.D. and to define his responsibility in this regard. It was also agreed that the responsibility of the D.G.T.D. while withholding indigenous clearance, would relate both to the availability of the equipment/stores in India and also in time. Ministries desiring reconsideration of

D.G.T.D.'s. decision will raise the matter for discussion within a week.

- (2) Clearance from the Department of Economic Affairs, regarding foreign exchange release.

It was agreed that even before the investment decision is taken, the project authorities and the controlling Ministries should, where possible held discussions with the Department of Economic Affairs for ascertaining possible foreign exchange sources with reference to the phasing of their foreign exchange requirements.

On a suggestion made by the Hindustan Shipyard Limited, that a sum, in free foreign exchange, equal to 1 per cent of the sale price of each ship on order might be placed at the disposal of the Shipyard, which can be utilised by the Shipyard for the import of ancillary items, it was agreed that 1 per cent of the total foreign exchange content of each ship on order could be placed at the disposal of the Hindustan Shipyard in free foreign exchange.

- (3) Clearance of applications for Import Licences by the Chief Controller of Imports and Exports.

It was agreed that there should be a system of reporting in respect of applications which are not disposed of within one month and C.C.I. & E. should consider introducing a system whereunder preliminary scrutiny of applications within two weeks of their receipt is carried out. It was suggested in this connection that C.C.I. & E. would nominate a Coordinating Officer or officers who could do the initial scrutiny for Public Sector Undertakings and advise them suitably. It was also agreed that initially the C.C.I. & E. would issue capital goods licences with a validity period of one year. The C.C.I. & E. would extend the validity period of the licence upto the delivery period of the equipment or upto the terminal date of loan, whichever is earlier as soon as orders are placed on the foreign suppliers.

The Committee will be apprised of further developments in due course.

[Ministry of Shipping and Transport O.M. No. Sy 1—5(13)/72, dated 6-12-1972].

CHAPTER III

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

Recommendation

The dredger was accepted after trials at Kandla on 11th September, 1963. The Committee were informed that as the defects observed during the trials were not considered harmful as per the opinion of the experts, there was no reason at that time for Government rejecting the dredger. The Committee would in particular like to know whether trials to demonstrate the output of the dredger in more than one shift were specifically carried out as the output of the dredger during 1969-70 long after acceptance was only 159.7 cu.m/hour when it worked for two shifts as against the minimum output of 250 cu.m/hour taking into account the overflow losses according to the Ministry.

[(Para 1.47 of the 36th Report of the PAC—Fifth Lok Sabha) (Sl. No. 3 of Appendix II of the Report)].

Action Taken

The contract agreement does not provide for continuous dredging trials for one/two/three shifts. Accordingly, as per normal practice the trials to demonstrate the output of the dredger were taken for short durations to the satisfaction of the representative of the purchaser and these trials indicated that the dredge pump was discharging quantities in accordance with the capacities specified in clause A-5 of the specifications.

2. With regard to the output as seen from the table given below para 1.19 of the P.A.C's. report, the output of the dredger has been worked out by dividing the total output during 1969-70 by the total number of hours ($8 \times 2 = 16$ hrs.) in each working day for 164 working days. Actually, it is not possible to do the pumping work for all the 13 hours in two shifts, it takes considerable time in going from the harbour to the dredging ground, to the dumping ground, dumping the spoils, returning to the dredging ground etc. These factors have not been taken into account in working out the average output per hour. During 1969-70 the dredger did the actual pumping work for 911 hours, and 18 minutes in 164 working days of the two shifts.

Thus the average output per hour including 50 per cent overflow losses works out to approximately 461 m³ per hour and not 159.7 m³ as indicated in the table quoted above.

5. As regards the minimum output of 250 cu.m/p.hr. it may be clarified that the quantity of 250 cu.m/hr. is based on the quantities of spoils retained in the hopper. It does not take into account the overflow losses.

[Ministry of Shipping and Transport O.M. No. 22/13/72-PAC, dated 29-12-1972].

Recommendation

The Committee find that the dredger was accepted with an extended guarantee period of four years for only the propulsion and pump engines cost of which was 10 per cent of the contract price of the dredger. The guarantee period in respect of auxiliary machinery would normally expire after satisfactory performance for a period of 12 months. The Committee would like to point out that the auxiliary machinery had not given satisfactory performance for continuous period of 12 months at any stage from the date of acceptance. The Builders had attempted to rectify the defects but could not succeed in their efforts. The Committee would like to know, in the light of the foregoing, why the guarantee period for the auxiliary machinery could not be reassessed and got suitably extended.

[(Para 1.48 of the 36th Report of the PAC—Fifth Lok Sabha) (Sl. No. 4 of Appendix II of the Report)].

Action Taken

1. Before accepting the dredger on 11th September, 1963, the auxiliary machinery did not show any defects/shortcomings warranting their inclusion in the supplemental agreement for extended guarantee.

2. During the guarantee period of 12 months from 11th September, 1963, however, the auxiliary machinery showed some defects which were intimated to M/s. Rendel, Palmer & Tritton as well as to the builders *vide* Kandla Port Trust's letter No. 6-E(21)/64/340 dated 9th July, 1964, No. 6-E(21)/64, dated 29th August, 1964 and cable of 7th September, 1964 for rectification. It may be mentioned here that there is no provision in the contract agreement for the reassessment of the guarantee period after the acceptance of the dredger except for the machinery covered by supplemental agreement. The builders, however, carried out certain modifications dur-

ing the guarantee period and continued to rectify the defects even after the guarantee period of 12 months.

3. In response to our letters quoted above, M/s. Rendel, Palmer & Tritton intimated that the defects would be dealt with in accordance with the terms of guarantee. So far as the question of faulty design, workmanship and material was concerned, they intimated that they would give their opinion after their inspector had inspected the machinery during 12 monthly strip down inspection. This strip down inspection was carried out during September/October, 1964. As a result of inspection, M/s. Rendel, Palmer & Tritton under their report of November, 1964 recommended the extension of guarantee period by 12 months. The builders continued to rectify the defects after the initial guarantee period of 12 months without formally extending the guarantee period as recommended by the engineers. After the third strip-down inspection in 1965, M/s. Rendel, Palmer & Tritton again recommended for the extension of the guarantee period of 12 months. This time also M/s. I.H.C. Holland did not formally extend the guarantee period but kept on rectifying the defects and replacing the defective parts of auxiliary machinery though not covered by the supplemental agreement. Later on, as M/s. Rendel, Palmer & Tritton did not furnish the last and final strip down inspection report on the ground of non-payment of their dues, the matter could not be progressed further.

Ministry of Shipping and Transport O.M. No. 22/13/72-PAC, dated
29-12-1972].

CHAPTER IV

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

Recommendation

After examining the purchase of the dredger 'S.D. Kandla' costing Rs. 89.91 lakhs, the Committee could not but come to the conclusion that as a result of series of mistakes the Kandla Port Trust had to accept a defective dredger with attendant unnecessary complications. The Committee desire that responsibility of the officials concerned for the delay/failure in taking appropriate action as dealt with below, should also be fixed and action taken against them.

[Para 1.45 of the 36th Report of the PAC—Fifth Lok Sabha) (Sl. No. 1 of Appx. II of the Report)].

Action Taken

It would be observed from the factual position indicated against the succeeding recommendations/conclusions that the Chairman, Kandla Port Trust has gone into the question of lapses by officers of the Port Trust and has come to the conclusion that none of them is responsible for any lapses/failures, as appropriate action had been taken at every stage.

[Ministry of Shipping & Transport, O.M. No. 22|13|72—PAC, dated 29-12-1972].

Recommendation

The Committee had occasion to examine the case earlier in September, 1966 and it was only after this that the failure of the consultants was examined by Government. The Consulting Engineers gave a certificate of fitness at the port of construction in May, 1962 despite the fact that the Major defects and the gravity thereof were known to them. The certificate, however, is stated to have been issued provisionally contrary to the provision of the contract. It is not clear how these irregularities on the part of the Engineers were not noticed earlier and appropriate action taken. To this extent the purchase was not processed with care by the Port Trust authorities.

[Para 1.46 of the 36th Report of the PAC—Fifth Lok Sabha) (Sl. No. 2 of App. II of the Report)].

Action taken

1. On receipt of the first trial report under their letter No. Marine AS:HE:3607 dated 17th May, 1962 M/s Rendel, Palmer & Tritton were directed by the Port *vide* letter No. 6-E(21)/62-II/13470 dated 28th May, 1962 to get the defects rectified from the builders before issuing a certificate of satisfactory trials and then only to allow the dredger to sail for Kandla. Their special attention was drawn to the following defects:—

- (i) Considerable vibrations of the ship structure in the range of 230—280 R.P.M. required thorough investigation.
- (ii) The boilers did not retain sufficient water for safe operation.
- (iii) The salt contents of boiler water increased at the end of trials.
- (iv) Very heavy fuel consumption.

2. On receipt of the subsequent trial reports from M/s. Rendel, Palmer & Tritton under their letter No. Marine:AS:HE:3607 dated 31-5-1962, their attention was drawn *vide* letter No. 6-E(21)/62/15124 dated 14-6-62 to the vibrations and high fuel consumption requesting them to get these defects set right by the builders.

3. In response to the above letter M/s. Rendel, Palmer & Tritton admitted *vide* their letter No. Marine: AS:MB:3607 dated 22nd June, 1962 that the vibrations were undesirable. However, they stated that the adjustments made by the builders in stiffening the bridge structure and re-arranging the balance weights of the propelling engines, had effectively reduced the vibration trouble. As to the question of the boiler not retaining sufficient water and the salt content in the boiler water being high, M/s. Rendel, Palmer & Tritton clarified that this was due to leaky condenser which had since been rectified by the builders and that during the subsequent trials the rectifications were found satisfactory. Concerning the high fuel consumption, they clarified that it was because of bad combustion as a result of faulty operation due to lack of understanding of the equipment by the staff. They further explained that after the instructions for operating the boilers were followed by the staff, combustion became quite efficient, as witnessed at the furnace by absence of smoke from funnel.

4. Regarding the issue of provisional certificate it may be pointed out that M/s. Rendel, Palmer and Tritton were instructed *vide* Kandla Port Trust's letter of 28-5-62 to issue the certificate of satis-

factory trials after the rectification of all the defects noticed during the trials and before the dredger sailed for Kandla. The consultants were satisfied with the rectification of defects noticed during the trials and then they allowed the dredger to sail for delivery voyage. Incidentally, it may be mentioned that the consultants clarified in their letter of 18th March, 1963 as follows:—

“Our certificates of acceptance after trials was issued in good faith on the results obtained. The high fuel consumption was attributed at that time to the loss of water through the main engine glands. As you are aware with metallic packing, there is invariably a leakage through the glands, which normally improves with running as the packing beds itself to the rod.

“Trouble had been experienced at the commencement of trials, due to the boilers ‘Priming’ and an investigation revealed that this was caused by leakage of condenser tubes. These leakages were remedied and the boilers appeared satisfactory. It now transpires that the combination of these circumstances masked the fact that the leakage of the glands was due to an inherent design defect resulting in condensation within the engine which occurs only over the higher speed range.

“Had the leakage through the glands been considered excessive during trials after the condenser trouble was cured, we would have suspected ‘carry over’ and insisted on remedial action being taken before the vessel left Holland on her delivery voyage. It was, however, confidently anticipated that the leakage would automatically be remedied early on the delivery voyage”.

5. Thus, the Port authorities had taken appropriate action in instructing the Consulting Engineers to get all the defects noticed during trials rectified before issuing the certificate and allowing the dredger to sail. But they issued the certificate in good faith because the defects of priming and leakage through the glands in their opinion at the time of the issue of certificate were due to condenser leakage which was rectified before the vessel sailed from Holland.

[Ministry of Shipping & Transport, O.M. No. 22|13|72—PAC, dated 29-12-1972].

Recommendation

According to the supplementary agreement entered into with the Builders in August, 1963, the extended guarantee period in respect of

propulsion and pump engine could be reassessed in case the defects found during the strip down trials were due to defective design or workmanship. The Committee were informed that in the absence of the consultants' report as required in this behalf after the fourth and final stripdown, the matter could not be taken with the builders. As the extended guarantee period expired only in December, 1967 and further payment to the consultants was stopped in September, 1966, the Committee would like to know why alternative "Consulting Engineers" were not appointed in time under the provisions of the contract to enable an assessment of the defects and further extension of guarantee period.

[Para 1.49 of the 36th Report of the PAC—(Fifth Lok Sabha) (Sl. No. 5 of Appx. II of the Report)].

Action taken

1. Even though the payment to M/s. Rendel, Palmer and Tritton was stopped in September, 1966, they continued to function as Engineers.

2. In May 1967 the Kandla Port Trust vide letter No. 6-E(21)/67/838 dated 30th May, 1967, requested the Consulting Engineers as well as builders for extension of guarantee period of 2 years on all the machinery.

3. In reply to the above letter, M/s. Rendel, Palmer & Tritton under their letter of 7th June, 1967 informed that they would discuss this question with the builders and would advise Kandla Port Trust of their reaction. M/s. I.H.C. also intimated under their letter of 20th June, 1967 that the question of extension of guarantee period would be considered by them in conjunction with other pending matters.

4. It was subsequently intimated by M/s. Rendel, Palmer & Tritton vide their letter dated 24th July, 1967 that they had a meeting with M/s. I.H.C. Holland on 13th July 1967 where the question of extension of guarantee period was raised. M/s. I.H.C. were not prepared to consider anything of this nature until such time an agreement with them on the matter of liquidated damages had been reached.

5. Again under letter of 29th August, 1967, M/s. Rendel, Palmer and Tritton intimated that they had advised M/s. I.H.C. that the

question of extended guarantee should be treated as an entirely separate issue from the settlement of liquidated damages.

6. M/s. Rendel, Palmer & Tritton continued to render advice on the programme of 4 yearly strip-down inspections and their representative was present during the inspection in October/November, 1967.

7. It was only on 14th December, 1967, that M/s. Rendel, Palmer & Tritton under their letter No. JN| RMW addressed to the Ministry and copy endorsed to Kandla Port Trust intimated that they would do no further work with regard to dredger S.D. 'Kandla' until their outstanding bills were paid.

8. Thus, the Kandla Port Trust were all along pressing M/s. Rendel, Palmer & Tritton to furnish the last strip-down report. The question of appointing alternative Engineers would have arisen only if M/s. Rendel, Palmer & Tritton had refused to work as Engineers before the last strip-down took place in October/November, 1967.

[Ministry of Shipping & Transport, O.M. No. 22|13|72—PAC, dated 29-12-1972].

CHAPTER V

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

Recommendation

A lapse in regard to repurchase of high tensile steel wires on failure of firm 'A' noticed by the Committee is that the State Government took recourse to it without inviting tenders and without taking any legal opinions. Firm 'A' have repudiated the claims of Rs. 76,138 in this behalf and have pointed out *inter-alia* absence of firm commitment on their part to any specific delivery schedule from the beginning and delay in arranging test and communicating the results by the Department. In the opinion of the Committee, the various commissions and omissions in this case require investigation with a view to fixing responsibility.

[Para 1.87 of 36th Report (Fifth Lok Sabha)—S. No. 17 of Appx. II of the Report].

Action taken

The contract stipulated a delivery schedule for supply of high tensile steel as fourteen weeks from the date of order, *viz.* 19th May, 1969. The State Government have been asked to carry out an investigation with a view to fixing responsibility for the various commissions and omissions in this case.

[Ministry of Shipping & Transport O.M. No. NH-111-33(5)/72, dated 8-1-1973].

Recommendation

The Committee note that the arbitrator has awarded a sum of Rs. 29,205 in favour of the contractor executing the bridge work against his claim of compensation for the delay in supply of the steel wires. The Committee would like to know what further steps are proposed to be taken to recover from firm 'A' this amount and the extra expenditure on repurchase amounting to Rs. 76,138 and the results thereof.

[Para 1.88 of 36th Report (Fifth Lok Sabha)—S. No. 18 of Appx. II of the Report].

Action taken

The Chief Engineer (Irrigation) Kerala has already addressed the District Collector, Quilon to recover Rs. 99,422.40 (amount awarded by the Arbitrator to the contractor executing the bridge work (Rs. 29,205) and the extra expenditure incurred in repurchase (Rs. 70,217.40 of 90 tonnes of H.T. steel wire from M/s. Alind Kundara.

[Ministry of Shipping & Transport O.M. No. NH-111-33(5)/72, dated 8-1-1973].

Recommendation

According to the evidence tendered by the Director of the Central Road Research Institute, the failure of the crust of the right approach road to Vasista Bridge on National Highway necessitating repairs at the expense of Rs. 2.27 lakhs was due to 'non-implementation of the total design over and above the stabilised layer' and leaving the road open to traffic prematurely especially in the rainy season. The Committee, however, notes that a Sub-Committee of the Central Assessment Committee is investigating into the reasons for the failure. The Committee therefore, like to await their findings and the action taken thereon. The Committee further note that total crust to be provided was increased subsequently from 25" to 27" in consultation with the C.R.R.I. Therefore, it should also be investigated as to why the design which was done by C.R.R.I. did not originally provide for the required thickness.

[Para 1.99 of the 36th Report (Fifth Lok Sabha)—S. No. 21 of App. II of the Report].

Action taken

The Sub-Committee of the Central Assessment Committee has since rendered its report on the right approach road to Vasista Bridge. The Central Assessment Committee accepted the report of the Sub-Committee on 23rd December, 1971. The Committee came to the conclusion that the failure was not due to any inherent defect in the design specifications (sand blanket lime stabilisation of black cotton and morum soils) of the approved techniques of the Central Assessment Committee.

Since the conclusion of the Central Assessment Committee that the failure of the pavement was not due to any inherent defect in the design specifications of the approved techniques of the Central Assessment Committee leads to the feeling that the failure might

have resulted due to faulty execution, the State Government of Andhra Pradesh have been requested to constitute a committee to investigate into the matter.

The designed thickness of 25½" specified by the C.R.R.I. was based on test results of the Strength of Soil forming the sub grade of the pavement. After the failure of this road, a meeting took place at site between the officers of the State P.W.D. and a representative of the C.R.R.I. to consider the behaviour of this right approach road. At this meeting which was presided over by the then Chief Engineer of State P.W.D., the following generalised observation, *inter alia*, was made—

"For construction of road in black cotton soil areas, design should be based on a CBR of 2 of the sub-grade. It is for such reasons that thickness of National Highways has been increase from 25½" to 27½"."

In view of the consensus evolved at the meeting and the circumstances then obtaining with the behaviour of this right approach road, it was decided by the State Chief Engineer to increase the crust thickness to 27½". It will thus be observed that the original thickness of 25½" which was based on test results was not inadequate but was decided to be increased in the light of generalised observation about thickness and in view of the failure of the right approach road.

[Ministry of Shipping & Transport O.M. No. NH-IV-31(128)/72, dated 27-12-1972].

Recommendation

The Committee note that most of the additional layers of water-bound macadam had to be laid in reaches where originally water-bound macadam was completed by March 1967 and that the Ministry are of the opinion that there is a need for detailed investigation. The Committee accordingly desire that an investigation should be carried out into the causes of the failure of the road surface leading to considerable avoidable expenditure and the results intimated to them.

[Para 1.132 of the 36th Report (Fifth Lok Sabha)—S. No. 28 of App-II of the Report].

Action taken

The Government of Andhra Pradesh have been asked to appoint a committee to investigate in detail the causes for the failure of the road surface leading to avoidable expenditure. It was suggested

that the Committee constituted for investigating into the causes of the failure of the crust of the right approach road to Vasista Bridge (*vide* para 1.99 above) could also investigate into the causes of the failure of this road surface.

[Ministry of Shipping and Transport O.M. No. NH-IV-31(128)72
dated 27.12.72].

NEW DELHI;
February 12, 1973.
Magha 23, 1894 (S).

ERA SEZHIYAN,
Chairman,
Public Accounts Committee.

APPENDIX

Summary of main conclusions/recommendations

Sl. No.	Para No.	Ministry/Deptt concerned	Recommendation/Conclusion
1	2	3	4
1.	1.14	Shipping and Transport	<p>The Committee hope that the final replies in respect of these recommendations to which only interim replies have so far been furnished will be submitted to them expeditiously after getting them vetted by Audit.</p>
2.	1.17	-Do-	<p>Dealing with the issue of certificate of fitness for the dredger by the Consulting Engineers, the Committee had pointed out that it had been issued provisionally contrary to the provisions of the contract and desired to know how the irregularity was not noticed earlier and appropriate action taken. It is unfortunate that in reply, the Ministry have merely reproduced a letter dated 18th March, 1963 of the Consulting Engineers which had already been considered by the Committee <i>vide</i> para 1.7 of the 36th Report (Fifth Lok Sabha). The Committee are therefore constrained to reiterate that responsibility should be fixed for the lack of care on the part of the Port Trust authorities in processing the purchase. The action taken in this regard may be reported to them.</p>

3 I. 10

Shipping and
Transport

Noting that the consultants' report regarding reassessment of extended guarantee period for propulsion and pump engine after the fourth and final stripdown was not received, the Committee desired to know why alternative consulting engineers were not appointed in time under the provisions of the contract. The Ministry of Finance had also held that the Government had liberty to appoint any other engineer to give the stripdown report under the contract. The reply of the Ministry of Shipping and Transport is not satisfactory. The Committee would, therefore, like to recommend that suitable action should be taken for this lapse.

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I. 13

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The Committee had recommended that Government should look to available expertise in the country in the matter of consultancy services thereby eliminating their dependence on foreign experts which, besides reducing the foreign exchange expenditure, would give a fillip to further development of indigenous talents. This was a general recommendation applicable to all the fields where indigenous technology had improved to the extent where foreign consultancy service was neither desirable nor necessary. Further, according to the Committee, it should be the endeavour of Government to develop progressively sufficient expertise within the country wherever it was not available. The Committee are glad that these recommendations have been accepted by Government. They would however like to know the precise action taken.

It has been intimated that the failure of the crust of the right approach road to Vasista Bridge on National Highway was not due to any inherent defect in the design specifications and that it might have been due to faulty execution. The State Government of Andhra Pradesh have been requested to constitute a Committee to investigate into the matter. The Committee would like to know the outcome of this investigation.

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As a result of a review carried out subsequently, it has been found that the value of unwanted spares in respect of 86 equipments and vehicles in the Border Roads Development Board has come down to Rs. 142 lakhs from Rs. 217 lakhs. Of these spares worth Rs. 36 lakhs have been transferred to E-in-C's Branch and spares worth Rs. 1.2 lakhs have been disposed of through the DGS&D. The Committee would like to know the utilisation, disposal of the remaining surplus spares valued at Rs. 104.8 lakhs in due course.

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