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**BLOCKING UP OF CAPITAL DUE TO
NON-COMMISSIONING OF
AIR-CONDITIONING PLANT**

**MINISTRY OF COMMUNICATIONS
(DEPARTMENT OF TELECOMMUNICATIONS)**

**PUBLIC ACCOUNTS
COMMITTEE
1990-91**

FIFTH REPORT

NINTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

CORRIGENDA TO 5TH REPORT OF THE
PUBLIC ACCOUNTS COMMITTEE (9TH LOK SABHA)

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FIFTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(1990-91)

(NINTH LOK SABHA)

BLOCKING UP OF CAPITAL DUE TO
NON-COMMISSIONING OF
AIR-CONDITIONING PLANT

MINISTRY OF COMMUNICATIONS
(DEPARTMENT OF TELECOMMUNICATIONS)

[Action taken on 61st Report of Public
Accounts Committee (8th Lok Sabha)]



*Presented in Lok Sabha on 6 September, 1990
Laid in Rajya Sabha on 6 September, 1990*

LOK SABHA SECRETARIAT
NEW DELHI

August, 1990/Bhadra, 1912 (Saka)

P.A.C. NO. 1294

(NINTH LOK SABHA)

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AIR-CONDITIONING PLANT

MINISTRY OF COMMUNICATIONS
(DEPARTMENT OF TELECOMMUNICATIONS)

Price: Rs. 10.00

[Action taken on 61st Report of Public
Accounts Committee (Sixth Lok Sabha)]



Printed in Lok Sabha on 6 September, 1990
and in Rajya Sabha on 6 September, 1990

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PUBLIC ACCOUNTS COMMITTEE
(1990-91)

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2. Shri G.S. Bhasin —*Deputy Secretary*

INTRODUCTION

1. I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Fifth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 61st Report (Ninth Lok Sabha) on blocking up of capital due to non-commissioning of air-conditioning plant.

2. In their 61st Report the Committee had recommended for a detailed investigation into the various lapses detected in the case of awarding of and subsequent follow-up of the contract for installation of an air-conditioning plant in the ladies dormitory of the Kidwai Bhavan Trunk Exchange with a view to fixing responsibility. In pursuance of their recommendations an Inter-departmental Committee was constituted to investigate these lapses. On pursuing the report of the Inter-departmental Committee, the committee have reached at the conclusion that the Inter-departmental Committee has not followed the spirit behind their recommendation and has not done justice to the role assigned to them. The Committee have, therefore, reiterated their earlier recommendations that a proper investigation into the question of fixing the responsibility for the lapses should be conducted without delay, and appropriate action be taken thereon and a report furnished to them within a period of 3 months.

3. The Report was considered and adopted by the Public Accounts Committee at their sitting held on 23 August, 1990. Minutes of the sitting form Part II of the Report.

4. For facility of reference and convenience, the recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix III of the Report.

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

NEW DELHI;
August 23, 1990

Bhadra 1, 1912(S)

SONTOSH MOHAN DEV,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

1.1 This Report of the Committee deals with the action taken by Government on the Committee's recommendations/observations contained in their report* on Blocking up of capital due to non-commissioning of air-conditioning plant.

1.2 The Committee's report contained 11 recommendations/observations. Action taken notes on all these recommendations/observations have been received from the Ministry of Communications (Department of Telecommunications). The Action taken notes have been broadly divided into four categories as indicated in Appendix I.

1.3 The Committee hope that final reply to the recommendation in respect of which only interim reply has so far been furnished will be expeditiously submitted after getting it duly vetted by Audit.

1.4 In the succeeding paragraphs the Committee deal with action taken on some of their recommendations/observations.

*** Fixation of responsibility for the lapses*

1.5 In their earlier Report, the Committee had brought out a number of lapses on the part of P&T Department in the case of awarding of and subsequent follow-up of the contract for installation of an air-conditioning plant in the ladies dormitory of the Kidwai Bhavan Trunk Exchange at a cost of Rs. 2.86 lakhs by M/s Bombay Ammonia Pvt. Ltd. In the opinion of the Committee, the whole deal was shady. The Committee had recommended for a detailed investigation into the following lapses with a view to fixing responsibility:

- (i) The circumstances that led to the selection of this firm, viz. M/s Bombay Ammonia Pvt. Ltd. for the award of this contract when it was well known that the past performance of the firm had not been satisfactory.
- (ii) The reasons why the information regarding removal of the firm from the DGS&D list of approved suppliers was not passed on to the suppliers immediately and was delayed for over one year and why the records pertaining to this firm were destroyed even before the contract terms of the firm were completed, and whether there is need to revise the procedure in this regard.

* Sixty-first Report (8th Lok Sabha) on Paragraph 20 of the Report of the Comptroller and Auditor General of India for the year 1983-84, Union Government (P&T), which was presented to the Lok Sabha on 1.12.1986.

** Sl. Nos. 1,4 and 7-Paragraphs 31-32, 35 and 39 of 61st Report.

- (iii) Awarding of the Contract when it was known that the floor strength of the dormitory was not adequate.
- (iv) Gross negligence and excessive indulgence shown to the firm by granting them extensions for 12 years for a job which should have been completed within 6 to 12 months.
- (v) Excessive delay in making a reference to the Ministry of Law for arbitration in February, 1986 when the arbitration had been sought by the firm in June, 1984.

1.6 The Committee had also impressed upon the P&T Department to review the relevant rules and procedures to fore-stall such eventualities in future.

1.7 In the action taken note furnished by the Ministry of Communications (Department of Telecommunications) on Paragraph 39, it has been stated that in pursuance of the recommendations of the Public Accounts Committee, an Inter-departmental Committee was constituted to investigate the aforesaid lapses. The findings of the Inter-departmental Committee are as under:

- (i) In view of the Circumstances prevailing at that time, the contract was awarded after following complete procedure.
- (ii) The procedure for passing on information regarding removal of the firm was largely followed.
- (iii) Sufficient precautions should have been taken before awarding the contract.
- (iv) The Committee have found that DGS&D, Delhi Telephones and P&T Civil Wing have not played their roles properly. However, the committee have not been able to pin point any individual responsible for these lapses.
- (v) No initial delay in referring the case to Ministry of Law has been noted by the Committee.

1.8 The Department of Telecommunications have also issued suitable instructions (Appendix II) to all Heads of Telecommunication Circles, Chief Engineers, Civil/Electrical Engineers to fore-stall such eventualities in future. The Directorate of Supply and Disposal have also been requested to review the existing procedure for destruction of files pertaining to registration of firms.

1.9 According to the Report of the Inter-Departmental Committee, sufficient precautions were not taken at the time of awarding the contract to M/s. Bombay Ammonia Pvt. Ltd. for installing an air-conditioning plant in the ladies dormitory of the Kidwai Bhavan Trunk Exchange and there was failure on the part of the concerned authorities in not taking timely action for terminating the contract at the risk and cost of the contractor in accordance with the terms of agreement. These findings, it is noticed, are none other than those that were pointed out by the Public Accounts Committee in their 61st Report and the Committee had desired the Inter-

Departmental Committee to examine the case in detail and pin-point responsibility for the lapses. The Committee are, however, amazed to note that the Committee has recommended nothing beyond reiterating the findings of PAC. The Committee are concerned to note in this connection from the Report of the Inter-Departmental Committee that it had not gone through any document beyond the ones which were available to the PAC as the list of documents attached to the Report would indicate and the Report itself fails to give any indication on an analysis of various stages of delays and failures, the clarification given by the concerned officials (whether in writing or orally before the Inter-Departmental Committee), the findings of the Committee thereon, etc. etc. In the circumstances, the Committee cannot but reach at the conclusion that the Inter-Departmental Committee has not followed the spirit behind the recommendation of the Public Accounts Committee and has not done justice to the role assigned to them. In the circumstances, the PAC reiterate their earlier recommendations that a proper investigation into the question of fixing the responsibility for the lapses should be conducted without delay, appropriate action taken thereon and a report furnished to the PAC within a period of 3 months.

1.10 The Committee also find that the Department of Telecommunications have in pursuance of their earlier recommendation issued instructions to all concerned to fore-stall such eventualities in future. The Committee hope that these instructions will be effectively followed both in letter and spirit so as to obviate the chances of commission of such lapses in future. The Committee recommend that deterrent action should be taken against persons found not following these instructions in future so as to obviate the chances of recurrence of such lapses in future.

**Recovery of liquidated damages from the defaulting firm*

1.11 A sum of Rs. 2,44,199.85 representing 90 per cent of the cost of main equipment and 95 per cent of the cost of spares and tools had been paid to M/s. Bombay Ammonia Pvt. Ltd. against seven bills between 8 September, 1975 and 3 November, 1977. In March, 1975 the Director of the firm promised at a co-ordinating meeting that he would start the work of installation in March, 1975 itself and would complete the work within 2 months. However, installation of the plants and inspection of the working of the plant for summer, monsoon and winter tests were put off time and again on frivolous and extraneous grounds. The contractor successfully evaded the issue of completion of the job by bringing in small points until the contract was rescinded on 9 January 1981 and it was decided to get the balance work completed at the expense of the firm. There was penalty clause in the agreement for levy of liquidated damages for delay in supplies. Pending final claim, a tentative claim for Rs. 1,85,662.00 prepared on the basis of extra expenditure likely to be incurred on account of failure of the firm as intimated by the indenter was served on the firm.

* S.No. 8, Paragraph 40 of the 61st Report.

The Ministry of Law advised the DGS&D on 27 February, 1986 to obtain the details regarding actual loss suffered in completion of the balance work and refer the case to arbitrator within two months for recovery. In their earlier report, the Committee had desired that there should not be any further delay in framing the final claim and recovering money from the firm.

1.12 In their action taken note on paragraph 40 the Department of Telecommunications have stated that a sum of Rs. 52,297 spend on repairs have since been intimated to DGS&D in addition to the payment of Rs. 2,44,199.85 being 90% of the cost of main equipment and 95% of the cost of spares and tools.

1.13 The Committee find that apart from the inordinate delay in the commissioning of the air-conditioning plant, an additional sum of Rs. 52,297 had also to be incurred on repairs to the plant. What is really surprising is that although it became clear in 1975 that the contractor was not serious about completing the work, it was only in 1981 i.e. after about 6 years that the contract was rescinded. This resulted not only in delay but also avoidable expenditure of Rs. 52,297. The action taken note does not indicate as to when the plant was actually commissioned. The Committee would like to know as to when the plant was commissioned and also the nature of service rendered by the plant together with further expenditure incurred on repairs, if any. The Committee would also like to know the position about the recovery of liquidated damages from the firm.

CHAPTER II

RECOMMENDATIONS AND OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Committee find that P&T Department awarded the contract for installation of an air-conditioning plant on the floor of the dormitory of Kidwai Bhawan knowing fully well that load bearing capacity of the floor was only 200 lbs. per sq. ft. whereas the indented A/C Plant required load bearing capacity of 300 lbs. per sq. ft. Surprisingly no attempt was made to have this vital factor examined. This initial lapse on the part of the P&T Deptt. necessitated change in the design of the equipment and supply scheduled. Initially the contract was for supply of one air-handling unit. Subsequently it was required to supply two air-handling units. Revised drawing for installation of air-handling units; submitted by the firm could not be cleared by the Department till Nov. '74 which forced the department to extend the delivery period upto 15th Feb.'75. The Committee fail to appreciate the haste for supply of one air-handling unit when the Department were aware as early as in Nov.'71 that the floor strength was not adequate to take the load of the unit. All this resulted in revision of the contract, design of the plant and its commissioning period. Surprisingly no effort was made to enter into a contract by floating fresh tenders in the changed circumstanced.

[Sl. No. 3 (Para 34) of Appendix I to 61st Report of PAC (8th Lok Sabha)]

Action Taken

An Inter-departmental Committee was constituted to investigate into the lapses as per recommendations of the Public Accounts Committee in their Sixty First Report (1986-87) (8th Lok Sabha).

The Inter-departmental Committee have found that sufficient precautions should have been taken in this aspect. A copy of the report is attached (Appendix III) suitable instructions have now been issued to all concerned to take sufficient precautioning measures to avoid such eventuality in future vide No. 760-7/85-TPS (G)/BG dated 23-9-87 (Appendix II).

This has been vetted by Director of Audit, P&T Delhi Vide Their U.O. No. RRI/2(d)/2406/Vol.II/2146/TR/377 dt. 29-2-87.

[Min. of Communications (Telecom Board) U.O. No. 27-13/86-B, dated 25-4-1988]

Recommendation

Installation of the plant remained incomplete due to unsatisfactory performance of the firm (August, 1986). The committee are astonished to observe that M/s. Bombay Ammonia Pvt. Ltd. were given opportunities and extensions for the last 12 years for a job which was required to be completed within a period of 6 months to one year for reasons which are not justified.

[Sl.No. 5 (Para 36) of Appendix I to 61st Report of PAC (8th Lok Sabha)]

Action Taken

An Inter-departmental Committee was constituted to investigate into the lapses as per recommendations of the Public Accounts Committee in their sixty first Report (1986-87) (8th Lok Sabha).

The Inter-departmental Committee agrees with the lapses committed in this aspect, but have not found any malafide intention of any individual. A copy of the report is attached. (Appendix III)

This has been vetted by Director of Audit, P&T, Delhi vide their U.O. No. RRI/2(d)/2406/Vol.II/2146/TR 377 dated 2-12-87.

[Min. of Communications (Telecom Board) U.O. No. 27-13/86-B, dated 25-4-1988]

Recommendation

The Committee also observe that levy of liquidity damage amounting the expenditure to be incurred in getting the work completed will not work as deterrent punishment to the ill-reputed contractors indulging in unethical contracting of the jobs as the amount of damage so levied will be much less than the interest of the amount already received by the supplier firm (90% of the A/T or even 80% as per the revised DGS&D, schedule) just on completion of the supply of the equipment. They would like Govt. to work out a formula to suitably enhance the damage in relation to the period of delay and also devise other concomitant checks throughout the course of the execution of the contracts to fore-stall any scope for manipulations or mischief on the part of the contractor.

[Sl. No. 9 (Para 41) of Appendix I to 61st Report of the PAC (8th Lok Sabha)]

Action Taken

Provisions of Contract Act/Sales of Goods Act do not support a provision for escalating liquidated damages clause. The Department is separately examining the issue of bringing a separate law for public buying. Observations of the PAC will be kept in view.

[Dte. General of Supplies & Disposals D.O. No. CD No. 5/7(12)/85(P&T)/Vol. III, dated 27-10-1988]

The Committee observed that after the stipulation was sought for in the form in June 1984 the case referred to the Ministry of Law by the DGS&D as per its letter dated 19th June 1984 and further action of the Government of India in this regard. The Committee observed that the stipulation to be a part of the contract has been included in the contract and the same is being followed.

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[Dte. General of Supplies & Disposals D.O. No. CD No. 5/7(12)/85(P&T)/Vol. III, dated 27-10-1988]

Action Taken

An inter-departmental Committee was constituted to investigate into the matter and its recommendations were accepted by the Government of India. The Committee observed that the stipulation to be a part of the contract has been included in the contract and the same is being followed.

The Committee observed that after the stipulation was sought for in the form in June 1984 the case referred to the Ministry of Law by the DGS&D as per its letter dated 19th June 1984 and further action of the Government of India in this regard. The Committee observed that the stipulation to be a part of the contract has been included in the contract and the same is being followed.

Recommendation

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CHAPTER III

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

Recommendation

Payment for Rs. 2.56 lakhs being 90 per cent of the cost of the Plant was made to the firm as early as Sept., 1975 on receipt of the consignment (of the plant) contents of which could not be proved genuine even after 12 years. It has further been observed that in November, 1979 when the Ministry of Law advised the DGS&D that the consignee could terminate the contract, the P&T Department tried to persuade the firm to complete the job within the extended period and also with reduced capacity.

The Committee observe that after the arbitration was sought for by the firm in June, 1984 the case referred to the Ministry of Law by the DGS&D as late in February, 1986 and further action on the settlement of the case is still pending. The Committee regret to observe that approach to the whole issue has been lacka-caisical even after it has been proved to be a bad deal.

[Sl. No. 6 (Paras 37-38) of Appendix I to 61st Report of PAC (8th Lok Sabha)]

Action Taken

An Inter-departmental Committee was constituted to investigate into the lapses as per recommendations of the Public Accounts Committee in their Sixty First Report (1986-87) (8th Lok Sabha). The Committee find that there was no initial delay in making reference to Ministry of Law. A copy of the report is enclosed. (Appendix III)

This has been vetted by Director of Audit, P&T, Delhi vide their U.O. No. RR I/2(d)/2406/Vol.II/2146/TR 377 dt. 2-12-87.

[Min. of Communications (Telecom Board) U.O. No 27-13/86-B, dated 25-4-1988]

Recommendation

The Committee are informed that inaccordance with the procedure followed by the DGS&D, 80% of the contract price is paid on initial inspection and proof of despatch, followed by further payments in stages of 10%, 5%. The committee observe that under the contract of present nature after supply of the plant very little incentive is left for commissioning the same as major portion of the payments are already made to the

supplier and therefore he can afford to lose his interest in the deal unless the contracting firm is a firm of repute and any default on their part may adversely affect their reputation. The committee have also come across a number of cases where after initial on account payment the plant and equipment contracted have not been found to be in good condition. The committee, therefore, recommend that the system of payment and inspection should be reviewed inspection procedure radically changed so as to compel the firm to complete the job on time.

[(Sl. No. 10 (Para 42) of Appendix I to 61st Report of the PAC (8th Lok Sabha)].

Action Taken

As far as Central Air Conditioning Plants are concerned, the purchase, inspection and payment is the responsibility of indenting departments since April, 1986.

The issue of revision of payment term for Plant & Machinery contracts was considered by a working group. Taking an overall view, the working group do not recommend any change in the existing terms.

[Dte. General of Supplies & Disposals D.O. No. CDN-5/7 (12)/85(P&T)/Vol. III dated 27.10.1988]

Recommendation

The Committee would also like to know whether M/s. Bombay Ammonia Pvt. Ltd. have been awarded any contract after their name was deleted from DGS&D list of approved suppliers.

[S.No. 11 (Para 43) of Appendix I to 61st Report of the PAC (8th Lok Sabha)].

Action Taken

No contract for supply and installation of Central Air Conditioning Plant was placed on M/s. Bombay Ammonia Pvt Ltd. New Delhi after June, 1975

However, the following contracts for Cold Storage and Refrigeration Equipments etc. had been placed on this firm from 1975 onwards.

S. No. _____ A/T No. & Date

- (i) ME-4/108/04/408/II/659 dt. 3.3.75 for Refrigeration Plant for Director of Military Farms, Delhi.
- (ii) ME-4/224/04/137/III/684 dt. 3.3.76 for Refrigeration Plant for CSD Canteen, Bombay.
- (iii) ME-4/224/04/049/III/690 dt. 8.6.76 for Cold Storage Plant at Military Farm, Namkum.

(iv) ME-4/201/011/044/dt. 30.11.77 for Cold Storage Plant at Lady Harding Medical Hospital and College, New Delhi.

(v) ME-4/107/485/04/III/056 dt. 1.4.78 for Chilled Water Plant for High Explosives Factory, Kirkee.

[Dte: General of Supply & Disposals D.O No.CDN-5/7(12)/85 (P&T)/ Vol. III dated 27-10-1988]

[2. No. 10 (Para 43) of Appendix I to the Report of the PAC (8th Sptm)]

Action Taken

As far as Central Air Conditioning Plants are concerned, the purchase, inspection and payment & the responsibility of industry department shall be taken up.

The issue of retention of payment term for Plant & Machinery contracts was considered by a working group. Taking an overall view, the working group do not recommend any change in the existing terms.

[Dte: General of Supply & Disposals D.O. No. CDN-5/7 (12)/85 (P&T)/Vol. III dated 27.10.1988]

Recommendation

The Committee would also like to know whether Mrs. Bhandari, Ammonia Pvt. Ltd. have been awarded any contract after their name was deleted from D.O.S.D list of approved suppliers.

[2. No. 11 (Para 43) of Appendix I to the Report of the PAC (8th Sptm)]

Action Taken

No contract for supply and installation of Central Air Conditioning Plant was placed on Mrs. Bombay Ammonia Pvt. Ltd. New Delhi after June 1977.

However, the following contracts for Cold Storage and Refrigeration Equipment etc. had been placed on this firm from 1975 onwards.

2. No. _____, dt. _____, Vol. No. & Date

- (i) ME-4/107/485/04/III/056 dt. 1.4.78 for Refrigeration Plant for Director of Military Farms, Delhi.
- (ii) ME-4/107/485/04/III/056 dt. 1.4.78 for Refrigeration Plant for CSD Cantonment, Bombay.
- (iii) ME-4/107/485/04/III/056 dt. 1.4.78 for Cold Storage Plant in Military Farm, Nainital.

CHAPTER IV

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

Recommendation

Kidwai Bhawan has a major manual Trunk Exchange where a large number of Telephone Operators work. Operators, released from duty at odd hours in the night are provided lodging accommodation in the dormitories provided for the purpose. As a measure of economy the dormitories were not air conditioned. However, with the increase in number of operators caused by expansion of the trunk exchange in Delhi two tier beds were introduced in the ladies dormitory for more accommodation more beds. With the introduction of two tier systems, it was found that air circulation was not adequate. At this stage in early 1970s it was decided to air-condition the ladies dormitory. The subject requirement was advertised by the DGS&D and only three tenders were received (Nov. 71). After scrutiny, offer of two firms were rejected one on the basis of adverse report given by the Director of Inspections, Northern India Circle and the second on the basis of technical evaluation and subsequent discussion by P&T Department leaving only M/s. Bombay Ammonia Pvt. Ltd. in the field. The work of supply and installation of air conditioning plant was awarded by DGS&D to this firm in consultation with the P&T Department in January 1973 at an estimated cost of Rs. 2.69 lakhs for completion of supply of the plant and its erection by March, 1973 and June, 1973 respectively. Load bearing capacity of the dormitory floor was not considered at the time of placing orders for the Plant despite the fact that the Civil Engineering Wing, had already intimated the same in November, 1971. Finding that the floor of the dormitory was not strong enough to take the load of the equipment, in Sept. '73, the type of equipment to be installed was changed and original tender was revised and the new cost fixed was Rs. 2.86 lakhs with a schedule for delivery and installation as 20th March and 20th June 1974 respectively. Even though the schedule of delivery and installation was changed a number of times on the request of the firm, M/s Bombay Ammonia Pvt. Ltd. they failed to execute the job and the contract was ultimately rescinded in January 1981.

The Department of Supply has furnished to the Committee a list of 13 cases of Non satisfactory working of installations of Central Air-conditioning Plants in Central Government Departments between 1964 and 1975. The Committee note that seven of these plant were supplied by M/s.

Bombay Ammonia Pvt. Ltd. of these seven cases, five related to installation of air-conditioning plants in P&T Exchange building. Out of these five contracts, two were awarded during the period prior to the present contract. As such performance of this firm in at least two cases relating to 1964 and 1965 was known to the department and accordingly the Committee see no reason for the department not exercising due caution in awarding further contract to this firm. Further the delay in delivery of the equipment, subsequent erection of the plant through a sub-contractor, delay in trial runs and dismal performance of the plant have convinced the Committee that selection of M/s. Bombay Ammonia Pvt. Ltd. for air conditioning of ladies dormitory in Kidwai Bhavan was not a prudent decision. Being fully aware of the reputation of the firm and keeping in view the past experience of the Department of Supply (DGS&D) and the P&T Department in regard to the capabilities of this firm, the Department should have entrusted the job to a better firm, if necessary, by inviting fresh tenders. The Committee are also inclined to conclude that the DGS&D a technical organisation under Department of Supply have also failed to offer suitable guidance to P&T in their selection.

[Sl. No. 1 (Paras 31-32) of Appendix-I to 61st Report of PAC (8th Lok Sabha)]

Action taken

An Inter-departmental Committee was constituted to investigate into the lapses as per recommendations of the Public Accounts Committee in their Sixty First Report (1986-87) (8th Lok Sabha).

In view of the circumstances prevailing at that time, the inter-departmental Committee has found, that the contract was awarded after observing all formalities.

A copy of the report of the Inter-departmental Committee is attached (Appendix I, II)

This has been vetted by Director of Audit, P&T, Delhi vide their U.O. No. RR/1/2(a) 2406/Vol. II/2146/TR 377 dt. 2.12.87.

[Min. of Communications (Telecom Board) U.O. No. 27-13/86-B dated 25-4-1988]

Recommendation

As per the revised schedule the company supplied the consignment after getting it inspected by DGS&D at the site in February 1975 and installations was to be completed within 2/3 months from then. However, installation of the plants and inspection of the working of the plant for summer, monsoon and winter tests were put off time and again on

frivolous and extraneous grounds. The contractor successfully evaded the issue of completion of the job by bringing in small points until the contract was rescinded on 9 January 1981 and it was decided to get the balance work completed at the expense of the firm. The committee are astonished to find that though the contract was rescinded in January, 1981 decision to take possession of the plant was taken 14 months later in May, 1982, and the possession of the equipment was taken after further delay of six months in November, 1982. This course of events indicates gross negligence in dealing with this firm and excessive indulgence shown to this firm.

[Sl. No. 4 (Para 35) of Appendix I to Sixty-First Report of PAC (8th Lok Sabha)].

Action Taken

An Inter-departmental Committee was constituted to investigate into the lapses as per recommendations of the Public Accounts Committee in their Sixty-first Report (1986-87) (8th Lok Sabha). A copy of the Report is attached. (Appendix III)

In this connection Para 4.4 sub-para (n), (o) & (p) of the report may be reused, which explain the position. The Committee find that no negligence or excessive indulgence was shown to the firm as the delay was mainly procedural.

This has been vetted by Director of Audit, P&T, Delhi vide their U.O. No. RR I/2 (d) 2406/Vol. II/2146/TR 377 dated 2.12.87.

[Min. of Communications (Telecom Board) U.O. No. 27-13/86-B dated 25-4-1988].

Recommendation

In the foregoing paragraphs the Committee have brought out a number of lapses on the part of P&T Department in the case of awarding of and subsequent followup of the contract for installation of an air-conditioning plant in the ladies dormitory of the Kidwai Bhawan Trunk Exchange. In the opinion of the Committee the whole deal was shady and calls for a detailed investigation into all these lapses spelt out below:—

(i) The circumstances that led to the selection of this firm, viz. M/s. Bombay Ammonia Pvt. Ltd. for the award of this contract when it was well known that the past performance of the firm had not been satisfactory.

(ii) The reasons why the information regarding removal of the firm from the DGS&D list of approval suppliers was not passed on to the suppliers immediately and was delayed for even one year and why the records pertaining to this firm were destroyed even before the contract terms of the firm were completed, and whether there is need to revise the procedure in this regard.

(iii) Awarding of the contract when it was known that the floor strength of the dormitory was not adequate.

(iv) Cross negligence and excessive indulgence shown to the firm by granting these extensions for 12 years for a job which should have been completed within 6 to 12 months.

(v) Excessive delay in making a reference to the Ministry of Law for arbitration in February, 1986 when the arbitration had been sought by the firm in June, 1984.

While the Committee would like these lapses to be investigated and responsibility fixed therefore, they would at the same time like P&T Department to review the relevant rules and procedures to forestall such eventualities in future.

[Sl. No. 7 (Para 39) of Appendix I to 61st Report of PAC (8th Lok Sabha.)]

Action Taken

An Inter-departmental Committee was constituted to investigate into the lapses as per recommendations of the Public Accounts Committee in their Sixty-first Report (1986-87) (8th Lok Sabha). A copy of the Report is attached. Findings of the committee, in brief, are as under:—

- (i) In view of the circumstances prevailing at that time, the contract was awarded after following complete procedure.
- (ii) The procedure for passing on information regarding removal of the firm was largely followed.
- (iii) Sufficient precautions should have been taken before awarding the contract.
- (iv) The Committee have found that DGS&D, Delhi Telephones and P&T Civil Wing have not played their rules properly. However, the Committee have not been able to pin point any individual responsible for these lapses.
- (v) No initial delay in referring the case of Ministry of Law has been noted by the Committee.

Suitable instructions have been issued by the Deptt. of Telecom. vide No. 760-7/85-TPS(G)/BG pt. dt. 23/22-9-87 to all Heads of Telecom. Circles, Chief Engineers, Civil/Electrical to forestall such eventualities in future.

The Directorate of Supply and Disposal has also been requested to review the existing procedure for destruction of files pertaining to registration of firms vide U.O. No. 760-7/85. TPS (G)/BG dated 23.9.1987, Copies already enclosed.

This has been vetted by Director of Audit, P&T, Delhi vide their U.O. No. RR I/2(d) 2406/Vol. II/2146/XR 377 dated 2/12/87

[Min. of Communications (Telecom Board) U.O. No. 27-13/86-B dated 25-4-1988]

Recommendation

The Committee note that a sum of Rs. 2,44,199.85 representing 90 per cent of the cost of main equipment and 95 per cent of the cost of spares and tools has been paid to M/s Bombay Ammonia Pvt. Ltd. against seven bills between 8 September, 1975 and 3 Nov. 1977. It has also been observed that in March, 1975 the Director of the firm promised at a co-ordinating meeting that he would start the work of installation in March, 1975 itself and would complete the work within 2 months. It appears that after receipt of 90 per cent of cost of the main plant after delivery in February 1975, the firm awarded the work of erection to a sub-contractor with whom they later involved themselves in some litigation for which the work remained suspended and Government many got blocked without any return. In this connection the Department of supply have stated that there was penalty clause in the agreement which is governed by DGS&D-68 (Revised) and contains provisions for lavy of liquidated damages for delay in supply. Pending final claim, a tentative claim for Rs. 1,85,662.00 prepared on the basis of extra expenditure likely to be incurred on account of failure of the firm as intimated by the indenter is stated to have been served on the firm. The Ministry of Law advised the DGS&D on 27 February, 1986 to obtain the details regarding actual loss suffered in completion of the balance work and refer the case to arbitrator within two months for recovery. The Committee desire that there should not be any further delay in framing the final claim and recovering money from the firm.

[Sl. No. 8 (Para 40), of Appendix-I to 61st Report of PAC (8th Lok Sabha)]

Action Taken

A sum of Rs. 52,297/- spent on repairs has since been intimated to DGS&D on 24.6.87 in addition to the payment of Rs. 2,44,199.85 being 90% of the cost of main equipment and 95% of the cost of spares and tools.

A copy of the investigation report is also attached (Appendix III)

This has been vetted by Director of Audit, P&T, Delhi vide their U.O. No. RRI/2(d)/2406/2146/TR377 dt. 2.12..87

[Min. of Communications (Telecom Board)U.O. No. 27-13/86-B dated 25-4-1988]

CHAPTER V

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

Recommendation

The Committee were informed that the registration of M/s Bombay Ammonia Pvt. Ltd. in the approved list of suppliers was valid with the DGS&D upto 10.6.75. However, information regarding removal of their name from DGS&D list of approved suppliers was communicated to the firm only on 3.8.76 i.e. after one year and 3 months. Further, the relevant registration records pertaining to this firm were destroyed by DGS&D in February 1982. The Committee thus observe that registration records of M/s Bombay Ammonia Pvt. Ltd. were destroyed by DGS&D even before their contract terms were completed. This appears to the Committee highly objectionable-A complete record of performance of approved suppliers are necessary to ascertain the background of the firm before awarding them any such contract.

[Sl.No. 2(Para 33) of Appendix-I to 61st Report of P.A.C. (8th Lok Sabha)]

Action Taken

An Inter-departmental Committee was constituted to investigate into the lapses as per recommendations of the Public Accounts Committee in their sixty first Report (1986-87) (8th Lok Sabha). The Inter-departmental Committee has found that the procedure for passing on the information was largely followed.

A copy of the Inter-departmental Committee Report is attached (Appendix-III)

DGS&D has been requested to review the existing procedure for destruction of files pertaining to registration of firms vide U.O. No. 760-7/85-TPS(G)/BG dated 23.9.87 (Not enclosed)

This has been vetted by Director of Audit, P&T, Delhi vide their U.O. No. RR I/2(d) 2406/Vol.II/2146/TR 377 dt. 2/12/87.

[Min. of Communications (Telecom. Board) U.O. No. 27-13/86-B dated 25-4-1988]

NEW DELHI;

August 23, 1990

Bhadra 1, 1912(S)

SONTOSH MOHAN DEV,
Chairman,
Public Accounts Committee.

APPENDIX I
(Vide Para 1.2)

Statement showing classification of action taken notes received from Government.

- (i) Recommendations and observations which have been accepted by Government:

Sl. Nos. 3,5, and 9

- (ii) Recommendations and observations which the Committee do not desire to pursue in the light of the replies received from Government:

Sl. Nos. 6,10, and 11

- (iii) Recommendations and observations replies to which have not been accepted by the committee and which require reiteration:

Sl. Nos. 1,4,7, and 8

- (iv) Recommendation and observation in respect of which Government have furnished interim replies:

Sl. No.2

APPENDIX II

No. 760-7/85 IPS(G)/BG/Part
Government of India
Ministry of Communications
Department of Telecommunications

Sanchar Bhavan,
New Delhi.

Dated : 5.9.1987

To

All Heads of Telecom. Circles/Telephone Distts.,
Chief Engineer (Electrical), Deptt. of Telecom., New Delhi.
Chief Engineer (Civil), Deptt. of Telecom. New Delhi/Calcutta.

Subject: *Award of Contracts for A.C. Plants.*

A case has come to the notice of Directorate wherein certain contract awarded for supply and installation of Air-Conditioning Plant was allowed to linger on for an unusually long period beyond the contractual date of completion of the work on grounds of floor strength not adequate, non-availability of chilled water at the required temperature etc. to the disadvantage of the department, resulting in blocking of capital.

Previously, the contracts for A.C. Plant were being awarded through D.G.S&D. The procedure for awarding such contracts has since been decentralised *i.e.* the contracts are being awarded now through the Electrical Arm of the Department of Telecommunications.

The tender specifications may be drawn in close liaison with the Civil Wing (Telecom) and indentor to avoid the recurrence of such instances.

The Electrical Arm may also check up the existing procedure and review the same periodically to ensure that undue extensions are not granted to the contractor.

The onus for checking up all preliminaries before awarding A.C. Work, however, lies with the Electrical Arm.

These instructions may be brought to the notice of all concerned.

The receipt of this letter may be acknowledged.

Sd/-

(S.N. ROY)

DEPUTY DIRECTOR GENERAL (BW)

APPENDIX III

REPORT OF THE INTER-DEPARTMENTAL COMMITTEE

MINISTRY OF COMMUNICATIONS DEPARTMENT OF TELECOMMUNICATIONS

In pursuance of the recommendations contained in Paragraph 39 of Sixty First Report of the Public Accounts Committee (8th Lok Sabha) on "Blocking up of capital due to non-commissioning of Air-conditioning Plant", the Ministry of Communications (Telecom Board) set up on 9.3.87 as inter-Departmental Investigation Committee comprising of the following officers:

1. Sh. S. N Roy DDG (BW) Telecom. Board.
2. Sh. T. Mohan Rao S.E. (E) Deptt. of Telecom.,
New Delhi.
3. Sh. I. J. Sahdev DGM (ETF) M.T.N. LTD., New Delhi.
4. Sh. D. N. Bhatia S.E (C) Deptt. of Telecom.,
Lucknow.
5. Sh. G. Sivraman Director DGS &D., Northern India
Inspection Circle, New Delhi.
6. Smt. Nalini Sanjeev Rao ADG (FA-III) Deptt. of Telecom.

2. Public Accounts Committee recommendations for investigating the lapses are contained in para 39 of the report which is reproduced below:

"In the foregoing paragraphs the Committee have brought out a number of lapses on the part of P&T Department in the case of awarding of and subsequent follow up of the contract for installation of an air-conditioning Plant in the ladies dormitory of the Kidwai Bhawan Trunk Exchange. In

the opinion of the Committee the whole deal was shady and calls for a detailed investigation into all these lapses spelt out below:

(i) The circumstances that led to the selection of this firm viz. M/s. Bombay Ammonia Pvt. Ltd., for the award to this contract when it was well known that the past performance of the firm had not been satisfactory.

(ii) The reasons why the information regarding removal of the firm from the DGS&D list of approved suppliers was not passed on to the suppliers immediately and was delayed for over an year and why the records pertaining to this firm were destroyed even before the contract terms of the firm were completed, and whether there is need to revise the procedures in this regard.

(iii) Awarding of the contract when it was known that the floor strength of the dormitory was not adequate.

(iv) Gross negligence and excessive indulgence shown to the firm by granting them extensions for 12 years for a job which should have been completed within 6 to 12 months.

Excessive delay in making a reference to the Ministry of law for arbitration in February 1986 when the arbitration had been sought by the firm in June, 1984.

While the Committee would like these lapses to be investigated and responsibility fixed therefore, they would at the same time like P&T Department to review the relevant rules and procedures to forestall such eventualities in future."

3. The investigating report and finding of the Committee with reference to (i) to (v) spelt out under para 2 above are hereasunder:

(i) The circumstance that led to the selection of this firm viz M/s. Bombay Ammonia Pvt. Ltd., for the award of this contract when it was well know that the past performance of the firm had not been satisfactory.

4.1 The public Accounts Committee cited two specific cases of unsatisfactory performance of air-conditioning plants supplied by M/s. Bombay Ammonia Pvt. Ltd., for installation at Mangalore Telephone Exchange and Subli Telephone Exchange during 1964 and 1965 respectively i.e. before the award of contract to the firm. The Committee has observed that out of the three officers, the offer of M/s. AIRFRIGE Industries., Delhi was not considered on account of adverse capacity report received from

Director of Inspection. Northern India Circle New Delhi (DGS&D)(A-1). The offer of M/s. York India Ltd., also could not be considered for acceptance as decided in the joint meeting held between officers of Delhi Telephones and DGS&D on 17.6.1972 (A-2 & A-3). Therefore the contract was awarded to the firm M/s. Bombay Ammonia Pvt., Ltd.,. The Committee observed that there was no proper system of performance evaluation of such contractors in these days as a result of which this firm could not be rejected due to their past performance.

(ii) The reasons why the information regarding removal of the firm from the DGS&D list of approved suppliers was not passed on to the suppliers immediately and was delayed for over a year and why the records pertaining to this firm were destroyed even before the contract terms of the firm were completed, and whether there is need to revise the procedures in this regard.

4.2 Guidelines for registration as approved contractors with DGS&D are given in DGS&D No. 177 para 12 and 13 of the same read as under (A-5).

12 Validity of Registration: Registration will be granted to eligible firms initially for a period of three years revisionally: Depending on the performance of the firm during the registration period, the registration may be extended/confirmed for further period of three years or cancelled.

Renewal of Registrations:—All firms validity of whose Registration has expired will be treated as unregistered. It will, therefore, be your responsibility to apply for renewal of registration at least four months before the expiry of registration—

After expiry of the validity of registration period, the firm is treated as un-registered firm until they are granted registration again. It is the responsibility of the firm to apply for renewal of registration well in advance of the date of expiry of registration. Clause 13 of DGS&D 177 and item 3 of terms and conditions of Registration on the Registration letter (A-6) refers in this context. The DGS&D also remind the firm (Form DGS&D 220-A-7) to apply for renewal of registration though such reference from the DGS&D is not mandatory. This reference was made on 21.12.1974 as per copy of the relevant page of registration branch regarding destruction of registration file of M/s. Bombay Ammonia Pvt. Ltd., (A-8). Though the intimation to the firm regarding removal of their name was a mere formality since the firm's registration had already expired, yet the reference could have been made earlier.

Registration records are required to be maintained with reference to the validity of registration and the retention of registration records is not liked with the actual execution of the contracts placed by the purchase Directorate. The concerned purchase Directorate are in a position to assess the performance of the firm with the records maintained by the purchase Directorate (DGS&D).

(iii) Awarding of the contract when it was known that the floor strength of the dormitory was not adequate.

4.3 The Department of Telecom. was aware that load bearing capacity of 8th floor of Kidwai Bhawan was not sufficient to take a higher load of 300 lbs/sq. ft. for the installation of the air handling unit.

In August 1971 Indent (Annexure A. 9) for supply and installation the Civil Wing of the department was asked to strengthen the floor to 300 lbs/sq. ft. by the D.E. (BLDG)., Delhi Telephones, (Annex.-10) In November, 1971 the SE, D&T Civil Circle-I informed (Annexure-A-11) that load bearing capacity of the slab for the space for the weather maker room had been designed for live load of 200 lbs/sq. ft. SE (C) further stated that floor loading of 300 lbs/sq. ft. could not be done as that foundation and column had not been designed for the purpose. Thereafter some calculation was done based on various weather maker room installed in Kidwai Bhawan (Annexure-12) from which it was calculated that the total weight of the equipment would not exceed 200 lbs/sq. ft. As such it was considered that load bearing capacity of the weather maker (airhandling unit) could be sufficient to bear the load of the equipment.

After the award of contract in January, 1973, a joint inspection was carried out on 31.1.73 wherein the Executive Engineer (Civil) raised some doubts about the strength of the flooring of the space reserved for the weather maker room. Consequently the Civil Wing was requested again to intimate the actual strength of the floor. Upon this S.E. P&T Civil Circle No. I, New Delhi intimated in February 1973 (Annexure A-13) that the 8th floor slab was designed to take live load of 80 lbs/sq. ft. (400 Kg. sq.m) and it was not possible to allow for heavier loads like weather maker room.

Attempts were made with the firm for cancellation of the contract without financial repercussion which the firm did not agree (Annexure-14). Meanwhile the technical probability of strengthening the floor was continued to be explored. On 26.3.73, the S.E. (Civil) intimated (Annex. A-15) that it was not possible of locating the weather maker room at other sites compatible with financial implication was examined in consultation with the firm and P&T, Civil Wing Officers and Delhi Telephones officers. Considering various aspects, it was decided to go in for two Air handling Units instead of one as per the original contract. DGS&D was therefore requested by Delhi Telephones in September, 1973 to make necessary amendments (Annexure-16).

(iv) Gross negligence and excessive indulgency shown to the firm by granting them extension for 12 years for a job which should have been completed within 6 to 12 months.

The tender of M/s. Bombay Ammonia Pvt. Ltd. was accepted and formal acceptance of tender was issued by the DGS&D on 31.1.73. As per

terms of contract, the delivery of the equipment was to be completed by 31.3.73 and installation by 30.6.1973. However, due to change in the requirement from one Air Handling Unit to two Air Handling Units, the original contract had to be amended on 18.12.1973 with revised date of delivery by 20.3.1974 and installation by 20.6.1974 (Annexure-17).

Based on further reference from the firm, the DGS&D in consultation with the indentor issued amendment dated 14.3.74 (Annexure-18) on technical aspects and price break-up with reference to the earlier amendment dated 18.12.1973. The firm vide their letter dated 26/28.3.1974 (Annexure-19) requested the DGS&D for extension of delivery period due to the time taken in issuing various amendments. The request was acceded to and the delivery period was extended to 31.5.1974 vide DGS&D letter dated 20.4.1974 (Annexure-20). Likewise the firm continued to apply for extension of delivery periods on one pretext or the other from time to time which was considered by the DGS&D in consultation with Delhi Telephones and extensions were granted. The factors contributing to prolonging the contract are broadly summed up as under:—

- (a) Time involved in issue of amendments to the A/T from time to time which necessitated consultation with the indentor, based on piece-meal requests from the firm.
- (b) preparation and approval of revised drawings to house the weather maker room at an alternative site (Annexure-21 & 22).
- (c) Time factor in inspection of stores by DGS&D keeping in view the completeness of the stores forming one unit as per the contract.
- (d) Change in consignee in A/T (Annexure-23).
- (e) Dispute in respect of scope of supply as per A/T between the firm and the indentor regarding certain items like humidifier, pump and water spray eliminator, thermostats etc, (Annexure-24).
- (f) Delay in completion of civil work.
- (g) Disruption of work at site for over a year on account of dispute between the firm and their sub-contractor as intimated by the firm vide their letter dated 9.7.1976 to Delhi Telephones. (Annexure-25). The DGS&D was requested by Delhi Telephones vide letter dated 25.4.1977 (Annexure-26) to issue 15 Day's notice to the firm to complete the work. The DGS&D reviewed the position of the case in a meeting with the firm on 5.5.1977 (Annexure-27) and took up with the firm vide letter dated 23.5.1977 (Annexure-28) to complete the job within the extended delivery period of 30.6.1977 failing

which the P&T will be authorised to carry out the same departmentally at the risk and cost of the firm.

- (h) The firm was also putting up excuses for arranging electric connection to put the W/M in working order when it was observed that the same was already available but the contactor was not able to complete the work (Annexure-29). Similarly, the firm asked for issue of cement for plastering the chilled water pipe line, get water removed from cable trenches etc.
- (i) 22.8.77 was fixed for conducting monsoon test, but it could not be conducted because the installation was not complete and no firm representative reached at site (Annexure-30).
- (j) The winter test was fixed for 31.12.1977 by DGS&D (Annexure-31) and the firm was warned to complete the job by the above date failing which the consignee will be authorised to carry out the balance work at the firm's cost and risk. However it was observed that insulation of chilled water pipe, provision of fresh water for humidifier was not completed even on 20.12.78 (Annexure-32) by the firm and so the plant was not offered for winter test.
- (k) The date for conducting summer test was fixed for 12.6.78. The firm did not offer the plant for summer test. However, it is noted that the installation of the plant was not completed in all respects. The firm complained about the non-receipt of decision for provision of fresh water supply to the humidifier pump though the same was conveyed by Delhi Telephones to the firm in the letter dated 28.12.1977 (Annexure-33) and also to the DGS&D vide letter dated 20.2.78 (Annexure-34). Thus it is clear from here that the firm was adopting dilatory tactics as in the past to delay the completion of the job and make over the plant in working condition.

The winter test was conducted on February 7 & 8, 1979 and during which a number of defects/discrepancies were observed and the firm was required to attend them at an early date (Annexure-34). Meanwhile the summer tests became due and the dates were fixed for 1st and 2nd June, 1979 but no representative of the firm came to offer the plant.

- (l) Subsequently the DGS&D obtained legal opinion from the Ministry of Law for terminating the contract with the firm. The Ministry of Law opined that "since the contract has been kept alive, no action can be taken at firm's risk and cost without giving them another opportunity to complete the work (Annexure-31). Accordingly the Delhi Telephones requested the firm to complete the work by 20.1.80. However, when the remaining

work was not completed even by the end of February, 1980, the Dy. G.M. requested the DGS&D vide his D.O. letter dated 25.2.1980 (Annexure-36) to terminate the contract if deemed fit and to take further necessary action in this regard. In reply the DGS&D vide D.O. dated 4.3.1980 from Director of Supplies (ME) (Annexure-37) asked for reconsideration for a final change to be given to firm till 31.3.1980, failing which the consignee be authorised to complete the balance work at the risk and cost of the firm to which the Deputy General Manager agreed vide his D.O. letter dated 10.3.1980.

- (m) There was another meeting between the Representatives of Delhi Telephones, DGS&D and the firm on 18.3.1980 (Annexure-38) when in it was decided that the firm should complete the work by 15.4.1980.
- (n) On 1st May, 1980, the General Manager, Delhi Telephones wrote to the the DGS&D (Annexure-39) to invoke the penalty clause since the contractor had failed to complete the work by 15.4.1980. The DGS&D referred the case to Ministry of Law on 14.5.1980 (Annexure-40) and based on subsequent discussions with Ministry of Law associating Representative of the indenter on 3.10.1980 informed Delhi Telephones vide their letter dated 5.11.1980 (Annexure-41) that the case had been referred to Ministry of Law for declaring the contract to an end. The Ministry of Law had advised that no action could be taken straight away as the contract had been kept alive by the consignee by correspondence after last extended Delivery period which had expired on 15.4.1980 and so another performance notice was served on the firm to complete the job upto 15.11.1980 (Annexure-41). Since the firm failed to rectify the faults even in December, 1980 the contract was rescinded and intimated to hits effect was sent by the DGS&D to the firm viz. M/s. Bombay Ammonia Pvt. Ltd., New Delhi on 30.1.1981 (Annexure-42) The balance work was to be completed by the department through another contractor at the risk and cost of the firm viz. M/s. Bombay Ammonia Pvt. Ltd. it was found that the air-conditioning plant was locked by the firm. For opening the lock, DGS&D was requested by the Delhi Telephones to take up the matter with the firm in March, 1981 (Annexure-43)
- (o) Thereafter there was protracted correspondence between Delhi Telephones, DGS&D and the firm for opening of the plant Room locked by the firm.
- (p) For handing over the plant after inspection was fixed for 11.4.1982 at 10.30 hrs. (Annexure-44) which was confirmed

by the firm. The joint inspection was conducted as scheduled from 12.4.82 to 14.4.82. However, the joint inspection report was not signed by the representative of the firm. Later on, the firm did not agree with the inspection report and refused to hand over the plant to the department. A notice was also served by the Delhi Telephones to hand over the plant on the 3.5.1982. Since the lock was not opened by the firm, legal opinion was sought by DGS&D who advised to break open the lock (Annexure-45). Further correspondence for associating the DGS&D in opening the lock was carried on between Delhi Telephones and DGS&D from 26.6.82 to October, 1982. Meanwhile the firm came up with the proposal for amicable settlement. However the firm was informed on 23.11.82 (Annexure-46) that the lock of A/C plant room was opened on 17.11.82.

- (q) After that the remaining work was got completed by the Telecom. Electrical Division, Department of Telecommunications, New Delhi on 15.12.1986 (Annexure-47).
- (r) Excessive delay in making a reference to the Ministry of Law for arbitration in February 1986 when the arbitration had been sought by the firm in June, 1984.

4.5. Initial reference to the Ministry of Law was made as early as 3.7.1984 (Photostat copies of internal notings in DGS&D File No. ME 4/II/517 at pages 192/N and 193/N attached as (Annexure-48) wherein the Law Ministry raised certain queries before it could give its opinion. The case, therefore remained under consultation with the Ministry of Law. As per the legal opinion, details of actual loss suffered in completion to the balance work—had to be made available before the appointment of the arbitrator. The plant has since been repaired and being run for beneficial use as per letter dated 24.6.1987 of AGM (Building), Delhi to DGS&D (Annexure-49).

The case is being processed further by the DGS&D in consultation with Ministry of Law for recovery of extra expenditure/appointment of arbitrator.

5. Realising the difficulties involved in procuring and installing of Air Conditioning plants through the agency of DGS&D, the then P&T Department took up with the Govt. a case for delinking the involvement of DGS&D and bringing the whole process of procurement under its direct control on 8.11.74. Govt. decided to decentralise the procurement of A.C. plants (without routing through DGS&D).

5.1. The P&T Department started taking direct procurement action from the year 1976 and following strategies/procedures have been formulated and adopted in regard to procurement of A.C. plant., so as to overcome the deficiencies and difficulties encountered in the past:

- (a) A special cell viz. Air Conditioning cell was created in the Civil Wing of the P&T Department in April, 1977 to develop technical expertise for the A.C. systems of Telecom. Bldgs. This cell has been responsible to evolve a suitable system design together with the detailed specifications for A.C. System. The comprehensive design and detailed specifications are forming part of the tender documents. This measure helped the Department to counteract the tendencies of unscrupulous firms offering Sub-standard design in their tender bids.
- (b) A two stage concept in the tendering system was introduced by the Department for A.C. jobs in February, 1980, In the first stage only technical bids are received along with the clarifications (removing the inconsistencies or deficiencies of the stage offer). This method has simplified the valuation of tenders and rendered the decision making process easier for the Department.
- (c) Form PWD-8 (adopted for Public works execution for item rate) tenders was introduced in January, 1976 to form part of tender documents for A.C. jobs. This form with its comprehensive range of contractual clauses enable the departmental officers to take timely corrective action against the erring contractors during the course of execution.
- (d) Stringent payment terms were introduced by the department which ensured payments only against work done on a progressive basis thereby preventing the possibilities of overpayments to the A.C. firms.
- (e) A high level committee was set up on 28.8.81 to review the performance of various A.C. firms on the basis of feed back information received for field units in respect of on-going jobs. This committee in the past had given categorical recommendations against entrusting further jobs to certain firms on account of their bad performance. Thus the process of weeding out unscrupulous and incompetent firms has become possible at the time of decision making on tenders.
- (f) Departmental officers who are responsible for design and installation of A.C. plants are being trained from time to time through refresher courses/Seminars/Workshops — organised departmentally. This measure is intended for the exercising of better supervision assurance of quality control in the A.C. jobs.
- (g) All A.C. jobs after being installed are subjected to thorough acceptance Testing so as to access their suitability for the application. Any defects/substandard work are detected during the testing and remedial actions are caused accordingly.

By adopting the above measures marked improvement has been experienced and overall performance of the A/C Plants has been generally satisfactory. Some test studies were conducted in a few selected A.C. Plants. Study Reports are at Annexures* 50 to 54.

In view of satisfactory working of the A/C Plants consequent upon adoption of above measures the Committee do not feel it necessary to introduce further modification at this stage.

Conclusions

Based on the above facts, the Committee's findings are summed up as below:

- (i) It is a fact that the past performance of the firm viz. M/s. Bombay Ammonia Pvt. Ltd. was not satisfactory. However, in view of the circumstances prevailing at that time, it is considered that the contract was awarded after following complete procedures.
- (ii) The procedure for passing on information regarding removal of the firm from the DGS&D's list of approved suppliers was largely followed. The file pertaining to the registration of the firm as approved supplier by DGS&D was destroyed as per the procedure.
- (iii) It is a fact that the contract was awarded when it was known that the floor strength of the dormitory was not adequate. But at the same time, the Department was exploring various possibilities of installing the plant. However, sufficient precautions should have been taken in this technical aspect.
- (iv) It is a fact that the contract lasted a number of years for a job which should have been completed within a year. The Committee note that there were a few occasions when the contract could have been put to an end. In this case, the Committee would like to mention some occasions:—
 - (a) According to the amended A/T, the date of Delivery Period was fixed as 20.3.1974 which was extended to 31.5.1974.
 - (b) Again when the firm dithered from the extended date of Delivery Period on account of internal disputes with its sub-contractor and the work was stopped.
 - (c) When the firm failed to offer the plant for monsoon tests as decided on 22.8.1977.

Considering the above facts the Committee is constrained to point out that both DGS&D as Technical Adviser in the matter of contracts and P&T Civil wing have not played their roles properly at appropriate stages.

**Annexures 1-54 not appended.

however, the Committee during its investigation of the case has not observed any malafide intentions or motivations with any individual at any stage. The Committee also observe that marathon triangular correspondence between consignee, DGS&D and the firm has contributed substantially to the delay in execution of the work and taking remedial action at appropriate stages. Therefore the Committee feels it is not possible to pinpoint any individual official for fixing of responsibility.

- (v) The Committee find that there was no initial delay in referring the case to the Ministry of Law for arbitration.

Sd/-

1. S.N. ROY
2. G. SIVARAMAN
3. I.J. SAHDEV
4. D.N. BHATIA
5. T. MOHAN RAO
6. (Smt.) NALINI SANJEEV RAO

APPENDIX IV

CONCLUSIONS AND RECOMMENDATIONS

| Sl. No. | Para No. | Ministry/ Department Concerned | Conclusion/Recommendation |
|---------|----------|---|---|
| 1 | 2 | 3 | 4 |
| 1 | 1.3 | Communications (Deptt. of Tele- communications) | The Committee hope that final reply to the recommendation in respect of which only interim reply has so far been furnished will be expeditiously submitted after getting it duly vetted by Audit. |
| 2. | 1.9 | Communications (Deptt. of Tele- communications) | According to the Report of the Inter-Departmental Committee, sufficient precautions were not taken at the time of awarding the contract to M/s. Bombay Ammonia Pvt. Ltd. for installing an air-conditioning plant in the ladies dormitory of the Kidwai Bhawan Trunk Exchange and there was failure on the part of the concerned authorities in not taking timely action for terminating the contract at the risk and cost of the contractor in accordance with the terms of agreement. These findings, it is noticed; are none other than those that were pointed out by the Public Accounts Committee in their 61st Report and the Committee had desired the Inter-Departmental Committee to examine the case in detail and pin-point responsibility for the lapses. The Committee are, however, amazed to note that the Committee has recommended nothing beyond reiterating the find- |

| 1 | 2 | 3 | 4 |
|----|------|--|--|
| 3. | 1.10 | Communications (Deptt. of Tele- Communications) | <p>ings of PAC. The Committee are concerned to note in this connection from the Report of the Inter-Departmental Committee that it had not gone through any document beyond the ones which were available to the PAC as the list of documents attached to the Report would indicate and the Report itself fails to give any indication on an analysis of various stages of delays and failures, the clarification given by the concerned officials (whether in writing or orally before the Inter Departmental Committee), the findings of the Committee thereon, etc. etc. In the circumstances, the Committee cannot but reach at the conclusion that the Inter-Departmental Committee has not followed the spirit behind the recommendation of the Public Accounts Committee and has not done justice to the role assigned to them. In the circumstances, the PAC reiterate their earlier recommendations that a proper investigation into the question of fixing the responsibility for the lapses should be conducted without delay, appropriate action taken thereon and a report furnished to the PAC within a period of 3 months.</p> <p>The Committee also find that the Department of Telecommunications have in pursuance of their earlier recommendation issued instructions to all concerned to forestall such eventualities in future. The Committee hope that these instructions will be effectively followed both in letter and spirit so as</p> |

1

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4. 1.13 **Communications
(Deptt. of Tele-
Communications)**

The Committee find that apart from the inordinate delay in the commissioning of the air-conditioning plant, an additional sum of Rs. 52,297 had also to be incurred on repairs to the plant. What is really surprising is that although it became clear in 1975 that the contractor was not serious about completing the work, it was only in 1981 i.e. after about 6 years that the contract was rescinded. This resulted not only in delay but also avoidable expenditure of Rs. 52,297. The action taken note does not indicate as to when the plant was actually commissioned. The Committee would like to know as to when the plant was commissioned and also the nature of service rendered by the plant together with further expenditure incurred on repairs, if any. The Committee would also like to know the position about the recovery of liquidated damages from the firm.

PART II

MINUTES OF THE SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON 23RD AUGUST, 1990 IN COMMITTEE ROOM NO. 50, PARLIAMENT HOUSE

The Committee sat from 1500 hrs. to 1730 hrs.

PRESENT

Shri Sontosh Mohan Dev —Chairman

MEMBERS

2. Shri Ramesh Bais
3. Shri Nirmal Kanti Chatterjee
4. Shri Manjay Lal
5. Shri M.S. Pal
6. Shri Shantilal Purushottamdas Patel
7. Shri H. Hanumanthappa
8. Shri Kamal Morarka
9. Shri Vishvjit P. Singh
10. Shri Rameshwar Thakur

SECRETARIAT

1. Shri G. L. Batra —Joint Secretary
2. Shri G. S. Bhasin —Deputy Secretary

REPRESENTATIVES OF AUDIT

1. Shri R. Parameswar —Dy. C&AG
2. Shri S. B. Krishnan —Principal Director (Reports)
3. Shri K. Jayaraman —Dy. Director (Railways)
4. Shri V. A. Mahajan —Director General of Audit (P&T)
5. Mrs. Ajanta Dayalan —Director of Audit (P&T)
6. Shri Dharam Vir —Pr. Director of Audit ICR N. Delhi
7. Shri A. K. Menon —Director General of Audit (DS)
8. Shri R. P. Singh —Director of Audit (Defence Ser.)

2. The Committee considered the following draft reports and adopted the same subject to certain modifications and amendments as indicated in* Annexures I—III

(i) **Draft report on action taken on the 61st Report of PAC (8th LS) re. Blocking up of capital due to non-commissioning of air-conditioning plant.

| | | | | | |
|-------|----|----|----|----|----|
| (ii) | xx | xx | xx | xx | |
| (iii) | xx | xx | xx | | |
| (iv) | xx | xx | xx | xx | |
| (v) | xx | xx | xx | xx | |
| (vi) | xx | xx | xx | xx | xx |

3. The Committee authorised the Chairman to finalise these draft Reports in the light of verbal changes and minor modifications/amendments arising out of factual verification by the audit and present the reports to the House.

The Committee then adjourned.

*Annexures not appended.
 **Adopted without any modification.

LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA SECRETARIAT PUBLICATIONS

| Sl. No. | Name of Agent | Sl. No. | Name of Agent |
|-----------------------|--|----------------------|---|
| ANDHRA PRADESH | | UTTAR PRADESH | |
| 1. | M / s. Vijay Book Agency, 11-1-477, Mylargadda, Secunderabad-500361. | 12. | Law Publishers, Sardar Patel Marg, P.B. No. 77, Allahabad, U.P. |
| BIHAR | | WEST BENGAL | |
| 2. | M / s. Crown Book Depot, Upper Bazar, Ranchi (Bihar). | 13. | M / s. Manimala, Buys & Sells, 123, Bow Bazar Street, Calcutta-1 |
| GUJARAT | | DELHI | |
| 3. | The New Order Book Company, Ellis Bridge, Ahmedabad-380006. (T. No. 79065). | 14. | M / s. Jain Book Agency, C-9, Connaught Place, New Delhi. (T. No. 351663 & 350806) |
| MADHYA PRADESH | | 15. | M / s. J. M. Jaina & Brothers, P. Box 1020, Mori Gate, Delhi-110006. (T. No. 2915064 & 230936). |
| 4. | Modern Book House, Shiv Vilas Palace, Indore City. (T. No. 35289). | 16. | M / s. Oxford Book & Stationery Co., Scindia House, Connaught Place, New Delhi-110001. (T. No. 3315308 & 45896) |
| MAHARASHTRA | | 17. | M / s. Bookwell, 2 / 72, Sant Nirankari Colony, Kingsway Camp, Delhi-110009. (T.No. 7112309). |
| 5. | M / s. Sunderdas Gian Chand, 601, Girgaum Road, Near Princes Street, Bombay-400002. | 18. | M / s. Rajendra Book Agency IV-DR59, Lajpat Nagar, Old, Double Storey, New Delhi-110024. (T. No. 6412362 & 6412131). |
| 6. | The International Book Service, Deccen Gymkhana, Poona-4. | 19. | M / s. Ashok Book Agency, BH-82, Poorvi Shalimar Bagh, Delhi-110033. |
| 7. | The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-400001. | 20. | M / s. Venus Enterprises, B-2 / 85, Phase-II, Ashok Vihar, Delhi. |
| 8. | M / s. Usha Book Depot, 'Law Book Seller and Publishers' Agents Govt. Publications 585, Chira Bazar Khan House, Bombay-400002. | 21. | M / s. Central News Agency Pvt. Ltd., 23 / 90, Connaught Circus, New Delhi- 110001. (T. No. 344448, 322705, 344478 & 344508). |
| 9. | M&J Services, Publisher, Representative Accounts & Law Book Sellers, Mohan Kunj, Ground Floor 68, Jyotiba Fuele Road, Nalgaum-Dadar, Bombay-400014. | 22. | M / s. Amrit Book Co., N-21, Connaught Circus, New Delhi. |
| 10. | Subscribers Subscription Services India, 21, Raghunath Dadaji Street, 2nd floor, Bombay-400001. | 23. | M / s. Books India Corporation Publishers, Importers & Exporters, L-27, Shastri Nagar, Delhi-110052. (T. No. 269631 & 714465). |
| TAMIL NADU | | 24. | M / s. Sangam Book Depot 4378 / 4B, Murari Lal Street, Ansari Road, Darya Ganj, New Delhi—110002. |
| 11. | M / s. M. M. Subscription Agencies, 14th Murali Street (1st floor) Mahalingapuram, Nungambakkam, Madras-600034. (T.No. 476558). | | |