

**HUNDRED AND NINETIETH
REPORT
PUBLIC ACCOUNTS COMMITTEE
(1983-84)**

(SEVENTH LOK SABHA)

**ESTABLISHMENT OF PRODUCTION
FACILITIES FOR AN AMMUNITION**

MINISTRY OF DEFENCE

[Action Taken on 156th Report (7th Lok Sabha)]

Presented to Lok Sabha on-----

Laid in Rajya Sabha on-----

**LOK SABHA SECRETARIAT
NEW DELHI**

March, 1984/Chaitra, 1905 (Saka)

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CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE	(iii)
INTRODUCTION	(v)
CHAPTER I : Report	1
CHAPTER II : Recommendations and observations that have been accepted by Government.	9
CHAPTER III : Recommendations and observations which the Committee do not desire to pursue in the light of the replies received from Government.	16
CHAPTER IV : Recommendations and observations replies to which have not been accepted by the Committee and which require reiteration.	18
CHAPTER V : Recommendations and observations in respect of which Government have furnished interim replies.	
APPENDIX : Conclusions and Recommendations	33
PART II	
Minutes of the sitting of the Public Accounts Committee held on 20.3.1984.	35

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(1983-84)

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INTRODUCTION

1. I, the Chairman of Public Accounts Committee as authorised by the Committee, do present on their behalf this 190th Report on action taken by Government on the recommendations contained in their 156th Report (7th Lok Sabha) regarding Establishment of production facilities for an ammunition.

2. In their 156th Report, the Committee had expressed dismay over unconscionable delay in the establishment of facilities for indigenous production of ammunition for an imported gun which was introduced in service in 1966 and was expected to be in service for the next 20 years. Although the project was targeted for commissioning by October, 1977, the date was revised to August, 1978 and the project was expected to be completed by June, 1984. In the meantime, the estimated cost of the project had increased from Rs. 16.47 crores to Rs. 23 crores. Apart from escalation in the cost of the project to the tune of Rs. 6.53 crores, huge additional expenditure had to be incurred in foreign exchange in import of the ammunition to the tune of Rs. 21.50 crores and import of components worth Rs. 699.87 lakhs, which the Committee felt could have been avoided had the project progressed as per schedule. The Committee had emphasised that the fact that Parliament was so generous in granting funds for Defence Forces cast an additional responsibility on the Ministry to ensure that these funds were put to optimum use and delays in execution of projects which have vital implications for the battle-worthiness of the troops were avoided.

3. In their action taken reply, the Ministry of Defence (Department of Defence Production) have ascribed the delay in sanction of the project mainly to late receipt of Limited Technical Project Report from the foreign country. It has also been explained by the Ministry that the time between 1965, when the contract was signed and February 1972, when the Limited Technical Project Report was finalised was spent in seeking clarifications from the foreign government which took its own time in reacting to the various problems. The Committee have felt that even granting all that the Ministry have urged in extenuation, the time of seven years taken in seeking clarifications was too long. The Committee have also observed that frequent changes in the decisions in the Ministry had also contributed to the delay in no small measure. The Committee have observed that with proper planning on the part of the Ministry, coupled with vigorous pursuance of the matter with the foreign government, the delay could have been substantially reduced. The Committee

have expressed the hope that the Ministry would draw upon their experience in the present case and take care to avoid such delays in future.

4. The Committee considered and adopted the Report at their sitting held on 20 March, 1984.

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

6. 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 ;
March 22, 1984

Chaitra 2, 1906 (S)

SUNIL MAITRA
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 and observations contained in their 156th Report (Seventh Lok Sabha) on Paragraph 9 of the Report of Comptroller and Auditor General of India for the year 1980-81, Union Government (Defence Services) regarding Establishment of production facilities for an ammunition.

1.2. The 156th Report which was presented to Lok Sabha on 29 April, 1983 contained 16 recommendations. Action Taken Notes have been received in respect of all the recommendations/observations and these have been categorised as follows :

- (i) *Recommendations and observations that have been accepted by Government.*
Sl. Nos. 4, 5, 6, 7, 8, 10, 11, 13, 14 and 15.
- (ii) *Recommendations and observations which the Committee do not desire to pursue in the light of the replies received from Government.*
Sl. Nos. 9 and 12.
- (iii) *Recommendations and observations replies to which have not been accepted by the Committee and which require reiteration,*
Sl. Nos. 1, 2, 3 and 16.
- (iv) *Recommendations and observations in respect of which Government have furnished interim replies.*

-Nil-

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

*Delay in the establishment of production facilities for an ammunition
(Sl. Nos. 1, 2, 3 and 16—Paragraphs 1.64, 1.65, 1.66 and 1.79)*

1.4. In their earlier Report, the Committee had adversely commented upon the delay in the establishment of production facilities for indigenous production of the ammunition for a new medium range imported gun.

1.5. In Paragraph 1.64 of their 156th Report, the Committee had observed as follows :—

“A new medium range imported gun was introduced in service in 1966. Its ammunition was initially imported from a foreign country. As the gun was expected to be in service for the next 20 years, it was proposed in 1965 to establish facilities for indigenous production of the ammunition to achieve self-sufficiency. In November 1965, a contract was concluded with the foreign country for supply of licence and technical documentation for this purpose. The documentation was received in April—May, 1966. Though the decision was taken in April 1968 to set up facilities for production of 5,000 rounds of both HE and A.P. type of the ammunition in a single shift of 8 hours per day, the project was finally sanctioned in October, 1972 at a total cost of Rs. 16.47 crores. Subsequently, it was decided that AP type was not required to be produced indigenously as it was not longer required by the Army.”

1.6. Action taken note dated 7 January, 1984, furnished by the Ministry of Defence (Department of Defence Production) reads as follows :—

“The contract was concluded in 1965 with a foreign country for indigenous production of the ammunition. However, the foreign country, could send the Limited Technical Project Report in November 1970 only. The Limited Technical Project Report was finalised in February 1972 after a Team of the specialists of the foreign country visited India in January, 1972. After the finalisation of the project report in February, 1972, a Statement of Case was prepared and the project was sanctioned in October 1972. The decision to drop the production of AP Type of ammunition was taken in June, 1969, i. e. before the finalisation of the Limited Technical Project Report, and not after the issue of project sanction.”

1.7. In Paragraph 1.65 of their 156th Report, the Committee had recommended as follows :—

“Although the project was targeted for commissioning by October, 1977, the date was revised to August, 1978 and the project is now

expected to be completed by June 1984. In the meantime, the estimated cost of the project has also increased from Rs. 16.47 crores to 23 crores. The Committee cannot but express their dismay at the fact that there has been a delay in this project at every stage. Although the project was conceived in 1965, and documentation was received in 1966, the project was actually sanctioned only in 1972. While the project was expected to be completed in 5 years, it is now expected to take 12 years for completion with an escalation in cost of more than Rs. 6 crores. The Committee deplore this delay on the part of authorities in implementing a project of such vital importance to our defence forces. This lapse on the part of the authorities in completing the project has cost the nation dearly as is borne out by the fact that ammunition worth Rs. 21.50 crores had to be imported since 1978, because of the inability to ensure indigenous production. The Committee are not satisfied with the reasons given by the Ministry for the delay. The Committee desire that the matter should be enquired into and the findings together with the action taken thereon may be intimated to the Committee within six months."

1.8. In their action taken note dated 7th January, 1984, the Ministry of Defence (Department of Defence Production) have stated as follows :—

"As it has been explained in reply to S. No. 1 (Para 1.64) there was no delay in sanctioning the project, after the Limited Technical Project Report was finalised with the specialists of Collaborators in February, 1972. The time between 1965, when the contract was signed and February 1972, when the Limited Technical Project Report was finalised, was spent in seeking clarifications from the foreign Government which took its own time in reacting to the various problems. A chronological sequence of events between 1965 and February, 1972 will bear this out.

The delay in implementation of the project after it was sanctioned in October, 1972, is solely due to delay in the erection/commissioning of Shell Forge Plant by H. M. T. The cost of the project had to be revised upwards due to :

- (i) Procurement of a versatile Forging Press to take care of futuristic requirements.
- (ii) Increase in the rates of statutory levies, like Custom Duty etc. and inflationary pressures in the procurement of Plant and Machinery from 1973 onwards, in the international market due to expected oil crisis.

In spite of delay in the satisfactory commissioning of critical equipment like Shell Forge Press, the Ordnance Factories had commenced trickle production of the ammunition in 1976-77 and till March, 1983, 57,252 rounds of the ammunition of the value of Rs. 12 crores (Approximate) have been supplied.

It will be seen from the enclosed chronological sequence of events, that the delay in the sanction/execution of this project was due to circumstances beyond control and was not attributable to any fault in planning/execution of the project. The Department of Defence production does not consider it necessary to investigate into the matter at this stage, as no useful purpose will be served. All the projects in the Ordnance Factories are now being reviewed at the highest level in the Department of Defence production and corrective remedial measures are taken, wherever necessary.

1.9. In Paragraph 1.66 of their 156th Report, the Committee had recommended :—

“According to the Ministry, at the time of introduction of the gun in 1965 it was accepted that this would be in use till 1985. The project for indigenous production of ammunition required for the gun was pursued in such a casual manner that the full scale production thereof is not expected to establish till 1994 which is practically the terminal year for use of this gun. This speaks volumes of the inefficient, if not negligence, of the machinery in charge of planning and execution of projects. The Committee are not only surprised but shocked at this state of affairs. A bigger surprise is that it has now been claimed that the gun will be in use till 2000 AD. This was not intimated to the Audit at any stage. The Committee consider that either the earlier assessment was wrong or the present statement is only an alibies to cover the lapse. In matters of defence such alibies may lead the country to disastrous results. It so appears that our craze for imported equipment has throttled all our national efforts for indigenisation in the field of defence production. The Committee take very serious view of this situation and desire that the observations of the Committee in this case may be brought to the notice of the Minister of Defence.

1.10. Action taken note dated 7 January, 1984 on the above recommendation furnished by the Ministry of Defence (Department of Defence Production) reads as follows :—

“As it has been explained in reply to S. No. 2, the delay in this project was not due to any fault in the planning/execution of the project,

but was due to circumstances beyond the control of Department of Defence Production.

It may be clarified that it is the normal practice while introducing new weapon system to make assessment on the basis of a life span of 20 years. This does not necessarily imply that the weapon system goes out of operation after 20 years. In fact most of the new weapon systems remain in operation for periods much longer than 20 years. The actual period is determined by the nature and extent of obsolescence of the system, extent of its use, development of a new system anywhere in the world. The weapon system under discussion in the PAC Report is a case in point. This weapon system is still current and is expected to remain current till 2000 A.D. The fact that Self-propelled Version of this weapon system are being productionised now, goes to show that this will remain in operation for the next 15-20 years, if not more. The above statement is certainly not an alibi to cover lapses, which are not there. The concern of the Public Accounts Committee is appreciated, but it may be mentioned that considerable success in the area of indigenisation in the field of defence production has been achieved. With the satisfactory commissioning of the Shell Forge Plant, the production of the ammunition would be stepped up and all the annual training requirements of Army, for which the project was set up, would be met. Thus the aim behind setting up this project would be achieved."

1.11. In paragraph 1.79 of their 156th Report, the Committee had recommended as follows :—

"The facts—narrated above abundantly prove that there has been complete lack of planning and care in the execution of the project, meant for attaining self-sufficiency in production of ammunition for this particular gun. Apart from escalation in the cost of the project to the tune of Rs. 6.53 crores, huge additional expenditure had to be incurred in foreign exchange by resorting to import of the ammunition to the tune of Rs. 21.50 crores and import of components worth Rs. 699.87 lakhs which could have been avoided had the project progressed as per schedule. This is a matter of serious concern. The manner of utilization of funds ungrudgingly voted by Parliament for such defence projects leaves much to be desired.

Inordinate delays and huge cost escalation in certain other defence projects of a vital nature such as replacement of a basic trainer aircraft, 87th Report (7th Lok Sabha) development of a helicopter, 76th Report (Seventh Lok Sabha) and Procurement and utilisation of

10-ton chassis and vehicle built thereon (139th Report—Seventh Lok Sabha) have come to the notice of the Committee, during the last few years. These cases reflect very adversely on the quality of Defence Planning and the manner of implementation of vital projects.

The fact that Parliament is so generous in granting funds for Defence Forces casts an additional responsibility on the Ministry to ensure that these funds are put to the optimum use and delays in execution of projects which have vital implications for the battle worthiness of the troops are obviated. The Committee therefore recommend that the lapses in the execution of the project for establishment of production facilities for an ammunition as highlighted in the foregoing paragraph should be brought to the notice of the Cabinet and remedial measures taken to avoid recurrence. The Committee would like to be apprised of the action taken in this regard within six months.”

1.12. In their action taken note dated 7 January, 1984, the Ministry of Defence have stated as follows :—

“In reply to the various observations of the P.A.C., it has been stated that there was no lack of planning or execution, in so far as this project is concerned. The delay in this project was due mainly to factors, which were beyond the control of the Department of Defence Production. The increase in the cost of the project occurred due to (a) procurement of a versatile Forging Press to take care of futuristic requirements and (b) increase in the rate of statutory levies, like customs duty and (c) inflationary pressures in the procurement of Plant and equipment from 1973 onwards in the international market due to unexpected oil crisis.

The concern of the Public Accounts Committee for speedy execution of the Project of defence production is appreciated. It may, however, be mentioned that all possible steps are taken to ensure that projects are completed according to schedule. All the projects in the Ordnance Factories are now reviewed at the highest level in the Department of Defence Production and corrective remedial measures are taken, wherever necessary. Instructions will be issued to all concerned to take special care in the planning/execution of the projects.”

1.13. In their earlier Report, the Committee had expressed dismay over unsonscionable delay in the establishment of facilities for indigenous production of the ammunition for an imported gun which was introduced in service in 1966 and was expected to be in service for the next 20 years. Although the project

was targeted for commissioning by October, 1977, the date was revised to August, 1978 and the project was expected to be completed by June, 1984. In the meantime, the estimated cost of the project had increased from Rs. 16.47 crores to Rs. 23 crores. Apart from escalation in the cost of the project to the tune of Rs. 6.53 crores, huge additional expenditure had to be incurred in foreign exchange in import of the ammunition to the tune of Rs. 21.50 crores and import of components worth Rs. 699.87 lakhs, which the Committee felt could have been avoided had the project progressed as per schedule. The Committee had emphasised that the fact that Parliament was so generous in granting funds for Defence Forces cast an additional responsibility on the Ministry to ensure that these funds were put to optimum use and delays in execution of projects which have vital implications for the battle worthiness of the troops were avoided.

1.14. In the opinion of the Committee, inordinate delays and huge cost escalations in the present as also some other defence projects of a vital nature reflected very adversely on the quality of Defence Planning and the manner of implementation of vital projects. The Committee had desired that the matter should be enquired into and the findings together with the action taken thereon might be intimated to the Committee within six months.

1.15. In their action taken reply, the Ministry of Defence (Department of Defence Production) have ascribed the delay in sanction of the project mainly to late receipt of Limited Technical Project Report from the foreign country. According to the Ministry, although the contract was concluded with the foreign country in 1965, the Limited Technical Project Report was received from the country only in November, 1970. This Report was finalised in February, 1972 and the project was sanctioned in October, 1972. It has also been explained by the Ministry that the time between 1965, when the contract was signed and February 1972, when the Limited Technical Project Report was finalised was spent in seeking clarifications from the foreign government which took its own time in reacting to the various problems. Even granting all the Ministry has urged in extenuation, the Committee feel that the time of seven years taken in seeking clarifications was too long. The Committee also observe that frequent changes in the decisions in the Ministry had also contributed to the delay in a small measure. e.g., earlier the project provided for production of both H.E. and A.P. types of ammunition. But subsequently it was decided to manufacture H.E. type of ammunition only. Similarly, the project initially included erection of an air-conditioning plant. Subsequently, it was decided not to include the air-conditioning plant. But after some time it was again decided to have an air-conditioning plant. In the opinion of the Committee, with proper planning on the part of the Ministry, coupled with vigorous pursuance of the matter with the foreign government, the delay could have been substantially reduced. The Committee trust that the Ministry will draw upon their experience in the present case and take care to avoid such delays in future.

1.16. As regards the delay of nearly 12 years in the implementation of the project, the Committee have been informed that it was mainly due to delay in the erection/commissioning of Shell Forge Plant by H.M.T. While the Committee are all for indigenisation, they would like the Ministry of Defence to give a serious thought whether a project having a vital bearing on the battle-worthiness of troops as the present one should be allowed to be so inordinately delayed solely on the consideration of indigenisation of a small part of the project. The Committee also expect the HMT as a premier public sector undertaking to ensure that such delays in work undertaken by them in a vital sector like defence are not allowed to take place in future.

CHAPTER II

RECOMMENDATIONS AND OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The project for production of the ammunition covered facilities to be created at three Ordnance Factories 'A', 'B' and 'C'. Factory 'A' was to produce shells and fuzes for the ammunition. Factory 'B' was to produce cartridge cases and blanks and factory 'C' was to cater for assembly and filling up of the ammunition. According to the original estimation, the entire project was to be completed by October, 1977. In Factory 'B', involving 35% of the total capital outlay the project was completed in February, 1978 with a slippage of 5 months. In regard to Factory 'C' involving 19% of the capital outlay, the project was completed in April 1979. There is, however, inordinate delay in the completion of the project in Factory 'A' involving investment of 46% of the total capital outlay and where the very important constituent of the ammunition viz. shell was to be produced. The Department of Defence Production has put the blame for this on the delay in the commissioning of forging press in Factory 'A'.

[Sl. No. 4 (Para 1.67) of Appendix to 156th Report of the Public Accounts Committee (7th Lok Sabha)].

Action Taken

In Factory 'A', the production of shell was planned. Shell Forge Press is the primary equipment required for production of shells. Originally, it was proposed to obtain the shell forge plant from an East European country in NCR due to constraints of free foreign exchange. This effort failed, as the offer received from the foreign country was not found suitable. The order for the Shell Forge Plant was placed on DGS&D, which concluded a contract with H.M.T. in June 1977. It may be relevant to mention that this was the first plant of its type set up in the country. The delay in erection/commission-

ing of the Shell Forge plant was primarily responsible for the delay in the execution of the project in Factory 'A'.

[Ministry Defence (Deptt. of Defence Production) O.M. No. 72/D (Project I)
[84 dated 7-1-1984].

Recommendation

The Committee note that when the project was sanctioned in October, 1972, it provided for the procurement of a shell forging plant for Factory 'A' Further during December, 1973 to April 1979, after holding discussion with the foreign party from whom this plant was proposed to be procured, it transpired that they were able to offer only a marginal capacity plant. Thereafter, there precious years were wasted and the formal acceptance of tender A/T for the procurement of this plant was concluded with Hindustan Machine Tools a public sector undertaking in June, 1977. Though according to the terms of the contract with HMT, the delivery erection and commissioning of the complete plant was to be completed by 31 December, 1978, the plant was handed over to the factory only in November 1982.

[Sl. No. 5 (Para 1.68) of Appendix to 156th Report of the Public Account Committee (7th Lok Sabha)]

Action Taken

This is a factual statement.

[Ministry of Defence (Deptt. of Defence Production) O.M. No. 72/D
(project, I)/84 dated 7-1-1984]

Recommendation

It is evident that while the Department have miserably failed to process the proposal for procurement of the shell forging plant with the requisite speed, the HMT also miserably failed to honour the terms of the contract for completion of the delivery. erection and commissioning. The Committee cannot but express their dismay, at the failure of this premier public undertaking. They would like to be informed as to how much liquidated damages were recovered from HMT as per Article XI of the contract delay in completion of work.

[Sl. No. 6 (Para 1.69) of Appendix to 156th Report of the Public Account Committee (7th Lok Sabha).]

Similarly lack of proper planning and foresight by the concerned autho-

rities is noticed in the procurement, installation and commissioning of a number of important equipment and various machines required for the three.

[S. No. 7 (Para 1.70) of Appendix to 156th Report of the Public Accounts Committee (7th Lok Sabha)].

The Committee are concerned to note that the annealing furnace imported for factory 'B' in November, 1974 could not be commissioned as the high frequency generating set and its controlling equipment was not ordered simultaneously. The generating set and its controlling equipment was subsequently procured from trade and as such the annealing furnace was commissioned only in August, 1978 and taken over in Nov. 1978.

[S. No. 8 (Para 1.71) of Appendix to the 156th Report of the Public Accounts Committee (7th Lok Sabha).]

Action Taken

The decision to procure a higher calibre Forging Press was taken after considering the futuristic requirements of Army for higher calibre ammunitions which took some time. Once a decision was taken to procure higher calibre press and from sources other than those originally contemplated all activities connected with the procurement were implemented with speed and the indent was placed on DGS&D in June 75. Since this was the first equipment of its type being procured, detailed specifications had to be prepared carefully. The time gap between the placement of indent and trials is considered normal for the nature of the plant, especially when it was to be fabricated by HMT for the first time.

2. DGS&D has already been instructed to recover liquidated damages from H.M.T., as per the provisions of the contract. The final action taken by DGS&D in the matter will be intimated in due course.

3. As regards the power-pack, it may be mentioned that non-supply of power-pack against the annealing furnace contract with the foreign Govt. arose out of lack of understanding by both the parties. According to the normal concept of an Annealing Furnace, it includes the power-pack. However, the concept of the foreign supplier was found to be different, according to which the power pack was to be ordered separately. This became evident when the annealing Furnace was received without the power-pack. Immediately this gap became known, alternative procurement of power pack was arranged and the project in this Section was completed by February, 1978 against original schedule of October, 77 i.e. after a delay of four months.

[Ministry of Defence (Deptt. of Defence Production) O.M. 72/D
(Project I)/84 dated 7-1-1984.]

Recommendation

It is again disquieting to note that regular production in the main shell filling plant, erected and commissioned in Factory 'C' in April, 1979 was held up for a very long time for want of primer along with propellant, as the authorities failed to get the nomenclature of the item from the suppliers for a long time. Due to this failure whereas the reduced charge propellant would become available for regular use with the ammunition from 1982-83, the manufacture of full charge propellant has not so far been established.

[Sl. No. 10 (Para 1.73) of Appendix to 156th Report of the Public
Accounts Committee (7th Lok Sabha)]

Action Taken

The production in Factory 'C' was held up on account of non-supply of primers along with the propellant and cartg. cases by the foreign Government. It was not on account of failure of getting the correct nomenclature from the supplier, but due to the inability of the supplier to comply with the contractual obligations to include primer as part of the requirements, as had been the practice under the earlier contracts. The manufacture of prime and propellant for the ammunition was not covered under the Collaboration Agreement and both these items were required to be developed with indigenous know-how. Ordnance Factory concerned has already commenced bulk production of reduced charge propellant and the connected primer. It is expected that manufacture of full charge propellants and the connected primer would begin very soon.

[Ministry of Defence (Deptt. of Defence Production) O.M. No 72/D
(Project I)/84 dated 7.1.1984]

Recommendation

Another lapse indicative of casual approach of the authorities occurred with regard to the use of 5000 silicon brass blanks, procured at a cost of Rs. 17.73 lakhs. Though these blanks were received in February 1979, 4707 numbers remained unused till May and June 1982 and the balance quantity, costing Rs. 1.04 lakhs, had been pilfered in transit. It is surprising that the claim for this loss lodged with the Railways in January, 1981 had not been finalised as yet.

[Sl. No. 11 (Para 1.74) of Appendix to the 156th Report of the Public
Account Committee (7th Lok Sabha)]

Action Taken

The non-utilisations of the silicon brass blanks is not a laps. The consumption/utilisation of 4707 blanks, which have since been consumed, was deliverately delayed since first priority was given to reforming of re-covered/fired Cartg. cases available with the Depots. Till March, 83 49,896 Nos. of fired Cartg. cases available with the Depots have been reformed. It may be pointed out that priority had to be accorded to the reformation of fired Cartg cases to avoid deterioration in these cases while lying with the depots. Such a situation could not have arisen for the 4707 blanks, as these were stored under standard conditions.

The police has since recovered the lost quantity in transit and these cases are being retained by them as an evidence in the court case. These Cartg cases would be utilised as soon as the court case is completed.

[Ministry of Defence (Deptt. of Defence Production) O.M. No. 72/D
(Project I)/84 dated 7-1-1984]

Recommendation

The Committee note that factory 'A' could produce barely 22,522 numbers of fuze till 1980-81 as against the orders for 3,43,190 numbers received by it from factory 'C' till April, 1979. The main bottleneck for production was non-acceptance due to cracks in the fuze body. This problem is now stated to have been solved. The Committee would like to know why adequate care was not exercised to ensure that the fuzes were free from all defects. They would like to emphasize that efforts should be made to achieve the production programme of 60,000 numbers from this item at least in 1983-84.

[Serial No. 13 (Para 1.76) of Appendix to 156th Report of the Public
Accounts Committee 1980-81 (7th Lok Sabha)]

Action Taken

The Ordnance Factories took adequate care to ensure that the fuzes were free from all defects. The design for the fuze catered for the material to the foreign Government specification. The material equivalent to Indian specifications was specified. However, when the fuzes made with Indian material were subjected to sample proof, crakes were revealed, which were beyond the permissible limits. The matter was technically investigated and the remedial measures have been taken to remove the above defect. It is expected that during 1983-84, 60,000 Nos. of fuzes would be produced.

[Ministry of Defence (Deptt. of Defence Production) O.M. No. 72/D
(Project I)/84dated 7-1-1984]

Recommendation

The Committee are deeply concerned to note that there was uncanscion-able delay in establishment and commencement of bulk indigenous production of the ammunition and its components. During April 1974 to June 1978, Factory 'C' received 9 orders for 2.33 lakh rounds of the ammunition from the DGOF. During 1976-77 and 1977-78, the factory produced only 975 rounds of the ammunition. The total production of ammunition from 1979-80 to January 1983 was 45,477 Nos. which was far from satisfactory. Even this production of ammunition could be made possible by importing various components costing as much as Rs. 699.87 lakhs, comprising 33,000 Nos. of Shell Forgings, 27,500 Nos. of Propellant FVC, 56,500 Nos. of Propellant RVC, 1,04,000 Nos. of Primer and 90,000 Nos. of Fuze.

[Serial No. 14 (Para 1.77) of Appendix to 156th Report of the Public
Accounts Committee (7th Lok Sabha)]

Action Taken

As explained earlier, bulk production of this ammunition could commence only after the Shell Forge Plant was satisfactorily commissioned in Nov. 82. Total production from 1979-80 till March, 1983 was 56,277 Nos. The programme for 1983-84 is 60,000 rounds. The Factories are now geared to meet the annual requirements of Army for this ammunition.

[Ministry of Defence (Deptt. of Defence Production) O.M. No. 72/D
(Project I)/84 dated 7.1.1984]

Recommendation

The Committee further note that due to delay in the commissioning of shell Forging Plant, 2.957 tonnes of steel received by Factory 'A' upto July, 1981, so costing Rs. 118.96 lakhs for production of shell, virtually remained unutilised. According to Audit Paragraph, this included 359 tonnes, costing Rs. 16.70 lakhs, lying unused since March, 1977. According to the Ministry, however, 63 tons out of these 359 tons, have been used and balance 273 tons is being consumed in a phased manner.

[Serial No. 15 (Para 1.78) of Appendix to 156th Report of the Public
Accounts Committee (7th Lok Sabha)]

Action Taken

The position is that steel received upto July 81, was partly utilised. The total stock of steel as on 15.4.82 was 1561 tonnes which is sufficient for six

months requirements. This has since been completely used. As regards the 359 tonnes of steel of particular specification lying unused till March, 77 O.F.B. has stated that it has been utilised completely by end of 1983.

[Ministry of Defence (Deptt. of Defence Production) O.M. No. 72/D
(Project I)/84 dated 7-1-1984]

CHAPTER III

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

Recommendation

Another instance of bad planning was that no capacity for the production of brass blanks, required for the production of cartridge case, was created in Factory 'B'. Augmentation project for brass melting and strip making, sanctioned subsequently in August 1978 is scheduled to be completed only by 85-86 a year after which it was supposed to have become obsolete according to initial projection.

[Sl. No. 9 (Para. 1.72) of Appendix to 156th Report of the Public Accounts Committee (7th Lok Sabha)]

Action Taken

It is not correct that no capacity for production of brass required for production of Cartg. cases was created at Factory 'B'. The Factory 'B' has omnibus capacity for meeting the requirements of brass strip for a large variety of ammunition items. Individually, the production of brass strips for the ammunition under consideration in this report, would not be a viable project. The brass melting and strip making capacity sanctioned in 1978, which has been mentioned by the Public Accounts Committee, related to the overall requirements of brass strips, on account of increase in the requirements of Army for various kinds of Ammunition.

[Ministry of Defence (Deptt. of Defence production) O.M. No. 72/D (Project I)/84 dated 7.1.1984].

Recommendation

The Committee are gravely concerned to note yet another case of bad planning resulting in an infructuous additional expenditure of about Rs. 10.68 lakhs relating to the air-conditioning of the shell filling up of factory 'C'. The

Committee find that first it was decided to have the air-conditioning and for this offers were invited. It was subsequently decided not to have the air-conditioning. The Committee are surprised at the authorities blowing hot and cold. Part of this additional expenditure was also attributable to the non-acceptance of an offer before the expiry of validity viz. 20 February, 1980. It is surprising that responsibility for delay in issuing the sanction within the validity period of the offer, could not be pinpointed even by the Board of Inquiry, who investigated this matter.

[Serial No. 12 (Para 1.75) of Appendix to 156th Report of the Public Accounts Committee (7th Lok Sabha)]

Action Taken

Non provision of air conditioning for the filling shop was not a case of bad planning. In the original planning, the requirement of air-conditioning was included. However, when a different method of filling i.e. worm filling method was recommended by the collaborator, who also advised that air-conditioning was not necessary from operation and maintenance angle, this requirement was deleted. It will thus be seen that there was no faulty planning. Subsequently, after the filling bunker had been constructed, it was experienced that the filling shop surrounded with thick RCC walls on three sides was very uncomfortable especially during summer, and was also prone to risk. Thus, based on actual experience, air-conditioning of the filling shop had to be resorted to.

2. The fresh Approximate Estimates for Rs. 14.13 lakhs submitted by the Engineers were pruned down to Rs. 10.68 lakhs by the E-in-C Branch and accordingly Administrative Approval was issued for Rs. 10.68 lakhs. However, on opening of tender, it was noted that the cost of the air-conditioning would be Rs. 14.54 lakhs based on actual tender rates. The go-ahead sanction could not be issued within the validity period of the tender and hence the lower offerer had withdrawn his offer and increased his rate to Rs. 13.62 lakhs, resulting in extra expenditure of Rs. 1.30 lakhs. The matter was investigated by a Board of Enquiry, which did not pinpoint the responsibility for delay in issue of go-ahead sanction and accordingly the matter was dropped.

[Ministry of Defence (Deptt. of Defence Production) O.M. No. 72/D
(Project. I)/84 dated 7.1.1984]

CHAPTER IV

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

Recommendation

A new medium range imported gun was introduced in service in 1966. Its ammunition was initially imported from a foreign country. As the gun was expected to be in service for the next 20 years, it was proposed in 1965 to establish facilities for indigenous production of the ammunition to achieve self-sufficiency. In November 1965, a contract was concluded with the foreign country for supply of licence and technical documentation for this purpose. The documentation was received in April-May, 1966. Though the decision was taken in April 1968 to set up facilities for production of 5,000 rounds of both HE and A.P. type of the ammunition in a single shift of 8 hours per day, the project was finally sanctioned in October, 1972 at a total cost of Rs. 16.47 crores. Subsequently, it was decided that AP type was not required to be produced indigenously as it was no longer required by the Army.

[Sl. No. 1 (Para. 1.64) of Appendix to 156th Report of the Public Accounts Committee (7th Lok Sabha)]

Action taken

The contract was concluded in 1965 with a foreign country for indigenous production of the ammunition. However, the foreign country could send the Limited Technical Project Report in November 1970 only. The Limited Technical Project Report was finalised in February 1972 after a Team of the specialists of the foreign country visited India in January, 1972. After the finalisation of the project report in February, 1972, a statement of Case was prepared and the project was sanctioned in October, 1972. The decision to drop the production of AP Type of ammunition was taken in June, 1969, i.e. before the finalisation of the Limited Technical Project Report, and not after the issue of project sanction.

[Ministry of Defence (Deptt of Defence Production) O. M. No. 72/D
(Project I)/84 dated 7.1.1984]

Recommendation

Although the project was targetted for commissioning by October, 1977, the date was revised to August, 1978 and the project is now expected to be completed by June 1984. In the meantime, the estimated cost of the project has also increased from Rs. 16.47 crores to 23 crores. The Committee cannot by express their dismay at the fact that there has been a delay in this project at every stage. Although the project was conceived in 1965, and documentation was received in 1966, the project was actually sanctioned only in 1972. While the project was expected to be completed in 5 years, it is now expected to take 12 years for completion with an escalation in cost of more than Rs. 6 crores. The Committee deplore this delay on the part of authorities in implementing a project of such vital importance to our defence forces. This lapse on the part of the authorities in completing the project has cost the nation dearly as is borne out by the fact that ammunition worth Rs. 21.50 crores had to be imported since 1978, because of the inability to ensure indigenous production. The Committee are not satisfied with the reasons given by the Ministry for the delay. The Committee desire that the matter should be enquired into and the findings together with the action taken thereon may be intimated to the Committee within six months.

[Sl. No. 2 (Para. 1.65) of Appendix to 156th Report of the Public Accounts Committee (7th Lok Sabha)].

Action Taken

As it has been explained in reply to S. No. 1 (Para 1'64) there was no delay in sanctioning the project, after the Limited technical Project Report was finalised with the specialists of Collaborators in February, 1972. The time between 1965, when the contract was signed and February 1972, when the Limited Technical Project Report was finalised, was spent in seeking clarifications from the foreign Government which took its own time in reacting to the various problems. A chronological sequence of events between 1965 and Feb., 1972 enclosed, will bear this out (Annexure).

2. The delay in implementation of the project after it was sanctioned in October, 1972, is solely due to delay in the erection/commissioning of Shell Forge Plant by H.M.T. The cost of the project had to be revised upwards due to :

- (i) procurement of a versatile Forging Press to take care of futuristic requirements.
- (ii) Increase in the rates of statutory levies, like Customs Duty etc. and inflationary pressures in the procurement of Plant and Machinery from 1973 onwards, in the international market due to erexpected oil crisis.

3. In spite of delay in the satisfactory commissioning of critical equipment like Shell Forge Press, the Ordance Factories had commenced trickle

production of the ammunition in 1976-77 and till March, 1983, 57,252 rounds of the ammunition of the value of Rs 12 Crores. (Approximate) have been supplied.

4. It will be seen from the enclosed chronological sequence of events, that the delay in the sanction/execution of this project was due to circumstances beyond control and was not attributable to any fault in planning/execution of the project. The Department of Defence Production does not consider it necessary to investigate into the matter at this stage, as no useful purpose will be served. All the projects in the Ordnance Factories are now being reviewed at the highest level in the Department of Defence Production and corrective remedial measures are taken, wherever necessary.

[Ministry of Defence (Deptt. of Defence Production) O.M. No. 72/D
(Project I)/84 dated 7.1.9184]

ANNEXURE

SEQUENCE OF EVENTS 130 MM AMMUNITION PROJECTS

(Reference Action taken
(Note to S. No. 2—para 1.65)

Sl. No.	Date	Major events
1	2	3
1.	May, 1965	Agreement concluded with the Foreign Government for supply of 130 mm Guns (oty 170) and 66 spare barrels and ammunition. Provision was also made in the Agreement for the supply of technical documentation for manufacture of barrels and ammunition.
2.	Nov., 1965	Based on Agreement dated 8th May 1965, Contract No. 58842 for the supply of licences and technical documentation for the manufacture of gun tubes and ammunition for 76mm Tank Gun and 130 mm M 46 Gun was signed. Under the contract, the documents were required to be supplied in the first quarter of 1966.
3.	Nov.-Dec., 1965	List of Plant and Machinery requirements handed over to Foreign Government.
4.	March, 1966	Foreign Govt. advised that a project Report should first be made. The Foreign Govt. also offered to have the project report produced by the Foreign experts.
5.	May, 1966	The documents were received by May 1966 in Foreign language.
6.	Aug., 1966	Essential documents translated under arrangements made by DGOF and a project operation schedule indicating items of plant and machinery required in Defence for each major component was prepared. Project Report prepared by DGOF sent to Foreign Government.

1	2	3
7. Sep., 1966	Lists pertaining to items of plant and machinery required the manufacture of Shell (HE), AP Shot, Fuze, Primer and Cartg. case, filling, sent to our Military Adviser for handing over to Foreign Govt. for consideration. Our Ambassador at Foreign country was also informed that we were not in favour of a <i>turn key</i> factory to be organised by Foreign experts.	
8. April, 67	<p>Our request for the supply of 159 items was considered by the Foreign Govt. and they promised to supply only 109 units as follows :--</p> <p>(a) 43 units consisting of forging and pressing equipment—supply only “after 1970”.</p> <p>(b) 66 units between 1968 and 1970 provided the contract is signed not later than 3rd quarter of 1967. They declined to supply plant and machinery for the manufacture of 130 mm Shell.</p>	
9. June/July, 1967	<p>Discussions were held with Foreign Government by our ordnance factories delegation with regard to the supply of plant and machinery for 130 mm project. During the discussion the foreign Government indicated their unwillingness to supply tooled up machines.</p> <p>As regards the plant and machinery the Foreign Govt. gave only brief indications of the types of models of the machines that were likely to be offered.</p> <p>As a result of further discussion the Foreign Govt. promised to supply 80 units of equipment within 24 months from the date of signing of the contract provided the contract was signed in the first half of Aug. 67 and 19 units of special equipment which included all the requirements of the cartg. case plant after 1970.</p>	
10. June, 1967	Discussion of the Project in <i>EFC</i> .	
11. Aug., 1967	A draft contract for delivery of 57 units of equipment for 130 mm ammunition during 1968-69 was received. It was taken up for consideration in consultation with DGOF and Law.	

1	2	3
12.	Oct., 1967	Foreign Govt. requested for early handing over of the draft contract for 23 items out of the original 80 items and stated that unless all the machines were installed the production shop would be incomplete and hence it would be of no use to finalise the details of 57 machines earlier.
13.	Dec., 1967	EFC informed that it would not be possible to procure the cartridge case plant from Foreign Govt. before 1970 and it was pointless to get it so late as no tooling was coming with the plant. It was also brought out that the Soviet side would not be quoting for the shell forging plant and therefore this would have to be procured from other sources for which DGOF was already in touch.
14.	Feb., 1968	The Foreign Govt. side gave a memorandum to our Embassy, delivering some GOST specifications and limited answers to certain clarifications.
15.	March 1968	A draft contract incorporating such of these amendments which were acceptable to the Foreign Govt. side and modifying/deleting those which were not acceptable was received.
16.	April 1968	The Foreign Govt. regretted their inability to supply the required special machinery alongwith technical accessories and special tools according to our process technology.
17.	July 1968	Approval for concluding the contract with regard to the supply of first lot of machinery of 8 units for 130 mm ammunition project sent to M.A. in Foreign country.
18.	July 1968	Contract No. 3781 of 8 items consisting of 16 units concluded with the Foreign Govt. and items to be delivered within 24 months. The ninth item, as selected by DGOF was excluded as the same was to be included in next list of 23 items.
19.	Oct., 1968	Supply of plant and machinery for the manufacture of 130 mm gun barrels was still under consideration of the Foreign Govt.

1	2	3
20. Feb., 1969	Protocol was concluded on 27th Feb 69 which provided for early conclusion of a new contract for the preparation of a limited part of a project report covering the technological process for production of shell and cartridge case filling of fuzes, detonators and caps on the basis of their own technology.	
21. March 1969	As per the terms of the protocol, a draft Approved Design Assignment with limited technological Report of the project was sent to the Foreign Government to submit within one month a contract for carrying out project work. The Foreign Govt. wanted confirmation that the Government of India had accepted in principle the terms and conditions of the volume of assistance required from the Foreign Government for 130 mm project as stipulated in the protocol and that the payments for the limited technological project report for 130 mm would be affected according to the Foreign-Indian Trade Agreement as stipulated in the protocol.	
22. April 1969	Discussions were held with Indian Ambassador on 19.4.1969 in Delhi stating that the efforts should be made to get from Foreign Country a special credit for 130 mm project. Deptt. of Economic Affairs who had been consulted also advised that once the commercial terms of deferred payments in respect of Defence project were accepted, there was likely to be more and more resistance from the Foreign Govt. to offer usual credit terms for defence requirements. Deptt. of Economic Affairs opined that as the provisions of the protocol are subject to the approval of the two Governments, it should be possible to press the Foreign Govt. side to agree to the usual credit terms for this project.	
23. May 1969	Indian Embassy reminded Foreign Govt. for the grant of a special credit for the 130 mm Project and to hand over the draft contract for the limited technical project report.	
24. June 1969	The Foreign Govt. wanted clarification as to how the design assignment sent in March, 1969. covered only 130 mm HE, where as the draft design assignment approved to the protocol was both for HE and AP. It was	

1	2	3
		clarified by the Foreign Govt. that the design assignment sent by us was only for 130 mm HE. As regards the special credit, the Foreign Govt. informed Defence Secretary who was on a visit to that Foreign country that the project involved a comparatively smaller amount and accordingly the question of credit should not be raised.
25.	July 1969	It was confirmed that no assistance was required from the Foreign Government for AP ammunition.
26.	September/ Nov., 1969	The Foreign Govt. was expedited for the draft contract and the special credit facilities.
27.	Dec., 1969	Foreign Govt's memorandum and a draft contract for limited technical project report for 130 mm ammunition received.
28.	Jan., 1970	Revised draft contract forwarded to the Foreign Govt.
29.	March, 1970	Comments of the Foreign Govt. on the revised draft contract indicating that they had accepted most of our amendments in the revised draft contract and requested our approval for concluding the same received.
30.	April, 1970	MA forwarded us a copy of the Revised Draft Contract from the Foreign Govt. incorporating almost all our amendments their's modifications in this respect for our final approval.
31.	May, 1970	MA forwarded us two copies of Supplement No. 1 dated 29 April 1970 to contract No. 3781 dated 26.7.68, which concluded the Revised Draft Contract for limited Technological project Report for 130 mm HE ammunition. As per provisions of the Supplement in question, the limited technological project report was to be given within 8 weeks from the date of signing the Supplement.
32.	Sept., 1970	Technical assistance required for the setting up of the indigenous production of the 130 mm Gun Barrel in view of the agreement provided in the working protocol signed on 27 Feb. 1969 taken up with the Foreign Govt.
33.	Oct., 1970	Secretary (DP) requested Charge D' Affairs to expedite the Project Report promised for Mid Sep 70.

1	2	3
34.	Nov. 1970	One set in English and one set of Foreign language of the Project Report were received from that country.
35.	Dec., 1970	DGOF comment on the Project Report sent to that country for clarification.
36.	Feb., 1971	Our Embassy there informed that DGOF was of the opinion that technological documents for Barrel were sufficient. The question of further technical assistance from them could be considered further.
37.	March 71/ April 71	Foreign Govt. insisted on restrictions on export of ammunition to be manufactured by OF-which was accepted by us in April 71.
38.	May 1971	Foreign Govt. handed over a draft supplement No. 4 to Contract No. 3781 dt. 26.7.68 containing provisions of the elaboration and supply 9 months from the date of the signing the Supplement, the working drawings for Jigs, Fixtures and tools for the project.
39.	June 1971	Director (P&C) confirmed the contention and also requested to get the draft contract in order to finalise the plant and machinery requirements if possible within the next two months.
40.	June 1971	Director (P&C) requested DGOF for comments on the Foreign Govt's clarifications in respect of the Technological Project Report and reactions to the draft Supplement No. 4 to Contract No. 3781.
41.	July 1971	In the 1st (71) meeting of the DM (P&S) Committee held on 3 July 71, it was decided that we should not delay the implementation of this project and DGOF was authorised to go ahead and put up proposals for import of necessary equipment from any source.
42.	July 1971	Cable from Director (P&C) to Counsellor (Coord) requesting position of draft contract on visit of specialists.
43.	Jul 1971	Counsellor (Coord) intimated that the matter regarding draft contract was under consideration of the concerned Foreign organisation and that a further reply would be

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		given later. He also requested to finalise draft Supplement No. 4. He further forwarded the clarification of the Foreign Govt. on the points raised by the DGOF concerning the production of Fuze. V—429
44.	Jul 1971	In a meeting held in the room of Secretary (DP) on 12th July 1971, it was decided that DGOF should prepare a feasibility report for the manufacture of 130 mm ammunition without the assistance of Foreign Government. DGOF was requested on 16 July 1971 to prepare the same and forward for examination.
45.	Aug 1971	DGOF intimated that obtaining of detailed drawings for the toolings and gauges for this ammunition from the Foreign Govt. would be worthwhile and recommended to conclude the Supplement No. 4. Particularly it was decided to proceed with the indigenous manufacture of 130 mm ammunition on our own. He also forwarded the feasibility report for the indigenous manufacture of 130 mm ammunition.
46.	Sept 1971	Counsellor (Coord) intimated that the Foreign Govt. had informed him that the draft contract for the visit of Foreign specialists was expected to be ready during the current week.
47.	Dec., 1971	DGOF asked us to defer the visit of specialists and sought clarification whether filling specialists will also be included in the team.
48.	January 1972	<p>(a) Supplement No. 37/3781 dated 4.1.72 concluded to Contract No. 5/52842 dated 22.6.65 for visit of 4 Foreign specialists and one interpreters for a period of one month.</p> <p>(b) A team of Foreign specialists consisting of 4 specialists and one interpreter reached New Delhi on 29.1.72 for one month visit. The terms of reference to the team included the following :</p> <p>(i) Clarification on LTPR submitted by them.</p> <p>(ii) To finalise the list of plant machinery required for manufacture of 130 mm HE ammunition after visitng Ordnance factories at Ambajhari and</p>

1	2	3
		<p>Chanda to indicate the possible sources of supply for plant and machinery other than Foreign Government.</p>
		<p>(iii) To give other points concerning the specifications of the plant & machinery.</p>
49.	February 1972	<p>Working protocol on consideration of question of production of 130 mm round signed with Foreign Government. Following actions were completed :</p>
		<p>(a) DGOF accepted the LTPR submitted by Foreign Govt. in December, 1970.</p>
		<p>(b) 35 items of machinery to be procured in India.</p>
		<p>(c) 17 items to be procured from 3rd party.</p>
		<p>(d) 19 items to be procured from Foreign Govt.</p>
		<p>(e) Foreign Govt. to supply drawings of 24 more items which could be procured indigenously.</p>

Recommendation

According to the Ministry, at the time of introduction of the gun in 1965 it was accepted that this would be in use till 1985. The project for indigenous production of ammunition required for the gun was pursued in such a casual manner that the full scale production thereof is not expected to establish till 1984 which is practically the terminal year for use of this gun. This speaks volumes of the inefficient, if not negligence, of the machinery in charge of planning and execution of projects. The Committee are not only surprised but shocked at this state of affairs. A bigger surprise is that it has now been claimed that the gun will be in use till 2000 AD. This was not intimated to the Audit at any stage. The Committee consider that either the earlier assessment was wrong or the present statement is only an alibi to cover the lapses. In matters of defence such alibies may lead the country to disastrous results. It so appears that our craze for imported equipment has throttled all our national efforts for indigenisation in the field of defence production. The Committee take very serious view of this situation and desire that the observations of the Committee in this case may be brought to the notice of the Minister of Defence.

[Sl. No. 3 (Para 1.66) of Appendix to 56th Report of the Public Accounts Committee (7th Lok Sabha)].

Action Taken

As it has been explained in reply to S. No. 2, the delay in this project was not due to any fault in the planning/execution of the project, but was due to circumstances beyond the control of Department of Defence Production.

2. It may be clarified that it is the normal practice while introducing new weapon system to make assessment on the basis of a life span of 20 years. This does not necessarily imply that the weapon system goes out of operation after 20 years. In fact most of the new weapon systems remain in operation for periods much longer than 20 years. The actual period is determined by the nature and extent of obsolescence of the system, extent of its use, development of a new system anywhere in the world. The weapon system under discussion in the PAC Report is a case in point. This weapon system is still current and is expected to remain current till 2000 AD. The fact that Self-Propelled Version of this weapon system are being productionised now, goes to show that this will remain in operation for the next 15-20 years if, not more. The above statement is certainly not an alibi to cover lapses, which are not there. The concern of the Public Accounts Committee is appreciated, but it may be mentioned that considerable success in the area of indigenisation in the field of defence production has been achieved. With the satisfactory commissioning of the Shell Forge Plant, the production of the ammunition would be started.

and all the annual training requirements of Army, for which the project was set up, would be met. Thus the aim behind setting up this project would be achieved.

[Ministry of Defence (Deptt. of Defence Production) Om. No. 72/DC
Project. I/84 dated 7-1-1984]

Recommendation

The Facts narrated above abundantly prove that there has been complete lack of planning and care in the execution of the project, meant for attaining self-sufficiency in production of ammunition for this particular gun. Apart from escalation in the cost of the project to the tune of Rs. 6.53 crores, huge additional expenditure had to be incurred in foreign exchange by resorting to import of the ammunition to the tune of Rs. 21.50 crores and import of components worth Rs. 699.87 lakhs which could have been avoided had the project progressed as per schedule. This is a matter of serious concern. The manner of utilization of funds ungrudgingly voted by Parliament for such defence projects leaves much to be desired.

Inordinate delays and huge cost escalation in certain other defence projects of a vital nature such as replacement of a basic trainer aircraft, 87th Report (7th Lok Sabha) Development of a helicopter, 76th Report (Seventh Lok Sabha) and Procurement and utilisation of 10-ton chassis and vehicle built thereon (139th Report-Seventh Lok Sabha) have come to the notice of the Committee during the last few years. These cases reflect very adversely on the quality of Defence Planning and the manner of implementation of vital projects.

The fact that Parliament is so generous in granting funds for Defence Forces casts an additional responsibility on the Ministry to ensure that these funds are put to the optimum use and delays in execution of projects which have vital implications for the battle worthiness of the troops are obviated. The Committee therefore recommended that the lapses in the execution of the project for establishment of production facilities for an ammunition as highlighted in the foregoing paragraph should be brought to the notice of the Cabinet and remedial measures taken to avoid recurrence. The Committee would like to be apprised of the action taken in this regard within six months.

[Serial No. 16 (Para 1.79) of Appendix to the 156th Report of the
Public Accounts Committee (7th Lok Sabha).]

Action Taken

In reply to the various observations of the P.A.C., it has been stated that

there was no lack of planning or execution, in so far as this project is concerned. The delay in this project was due mainly to factors, which were beyond the control of the Department of Defence Production. The increase in the cost of the project occurred due to (a) procurement of a versatile Forging Press to take care of futuristic requirements and (b) increase in the rate of statutory levies, like customs duty and (c) inflationary pressures in the procurement of Plant and equipment from 1973 onwards in the international market due to unexpected oil crisis.

2. The concern of the Public Accounts Committee for speedy execution of the Project of defence production is appreciated. It may, however, be mentioned that all possible steps are taken to ensure that projects are completed according to schedule. All the projects in the Ordnance Factories are now reviewed at the highest level in the Department of Defence Production and corrective remedial measures are taken, wherever necessary. Instructions will be issued to all concerned to take special care in the planning/execution of the projects.

[Ministry of Defence (Deptt. of Defence Production) OM. No. 72/D
(Project. I)/84 dated 7-1-1984.]

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

NIL

NEW DELHI,
March 22, 1984
Chaitra 2, 1906 (S)

SUNIL MAITRA,
Chairman,
Public Accounts Committee

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APPENDIX

Conclusions and Recommendations

Sl. No.	Para No.	Ministry/Department concerned	Conclusion/Recommendation
1	2	3	4
1	1.13	Defence (Department of Defence Production)	In their earlier Report, the Committee had expressed dismay over unsonscionable delay in the establishment of facilities for indigenous production of the ammunition for an imported gun which was introduced in service in 1966 and was expected to be in service for the next 20 years. Although the project was targeted for commissioning by October, 1977, the date was revised to August, 1978 and the project was expected to be completed by June, 1984. In the meantime, the estimated cost of the project had increased from Rs. 16.47 crores to Rs. 23 crores. Apart from escalation in the cost of the project to the tune of Rs. 6.53 crores, huge additional expenditure had to be incurred in foreign exchange in import of the ammunition to the tune of Rs. 21.50 crores and import of components worth Rs. 699.87 lakhs, which the Committee felt could have been avoided had the project progressed as per schedule. The Committee had emphasised that the fact that Parliament was so generous in granting funds for Defence Forces cast an additional responsibility on the Ministry to ensure that these funds were put to optimum use and delays in execution of projects which have vital implications for the battle worthiness of the troops were avoided.
2	1.14		In the opinion of the Committee, inordinate delays and huge cost escalations in the present as also some other defence projects of a vital nature reflected very adversely on the quality of Defence Planning and the manner of implementation of vital projects. The Committee had desired that the matter should be enquired into and the

findings together with the action taken thereon might be intimated to the Committee within six months.

- 3 1.15 Defence (Department of Defence Production) In their action taken reply, the Ministry of Defence (Department of Defence Production) have ascribed the delay in sanction of the project mainly to late receipt of Limited Technical Project Report from the foreign country. According to the Ministry, although the contract was concluded with the foreign country in 1965, the Limited Technical Project Report was received from that country only in November, 1970. This Report was finalised in February, 1972 and the project was sanctioned in October, 1972. It has also been explained by the Ministry that the time between 1965, when the contract was signed and February 1972, when the Limited Technical Project Report was finalised was spent in seeking clarifications from the foreign government which took its own time in reacting to the various problems. Even granting all the Ministry have urged in extenuation, the Committee feel that the time of seven years taken in seeking clarifications was too long. The Committee also observe that frequent changes in the decisions in the Ministry had also contributed to the delay in no small measure, e.g., earlier the project provided for production of both H.E. and A.P. types of ammunition. But subsequently it was decided to manufacture H.E. type of ammunition only. Similarly, the project initially included erection of an air-conditioning plant. Subsequently, it was decided not to include the air-conditioning plant. But, after some time it was again decided to have air-conditioning plant. In the opinion of the Committee, with proper planning on the part of the Ministry, coupled with vigorous pursuance of the matter with the foreign government, the delay could have been substantially reduced. The Committee trust that the Ministry will draw upon their experience in the present case and take care to avoid such delays in future.

- 4 1.16 As regards the delay of nearly 12 years in the implementation of the project, the Committee have been informed that it was mainly due to delay in the erection/commissioning of Shell Forge Plant by H.M.T. While the Committee are all for indigenisation, they would like the
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Ministry of Defence to give a serious thought whether a project having a vital bearing on the battle-worthiness of troops as the present one should be allowed to be so inordinately delayed solely on the consideration of indigenisation of a small part of the project. The Committee also expect the HMT as a premier public sector undertaking to ensure that such delays in work undertaken by them in a vital sector like defence are not allowed to take place in future.

PART II

MINUTES OF THE SIXTY-SIXTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON 20 MARCH, 1984 (AN)

The Committee sat from 1500 hrs to 1720 hrs.

PRESENT

Lok Sabha

Shri Bhiku Ram Jain—in the Chair

2. Shri Chitta Basu
3. Smt. Vidyavati Chaturvedi
4. Shri G.L. Dogra
5. Shri Jamilur Rahman

Rajya Sabha

6. Shri Syed Rahmat Ali
7. Smt. Pratibha Singh

REPRESENTATIVES OF THE OFFICE OF THE C&AG

1. Shri R.K. Chandrasekharan—*Addl. Dy. C&AG of India (Reports)*
2. Shri S.R. Mukherjee—*Addl. Dy. C&AG of India (Railways)*
3. Shri K.N. Row—*Director of Audit, Defence Services*
4. Shri A.N. Biswas—*Director of Audit, P&T*
5. Shri V. Sundaresan—*Director of Receipt Audit-I*
6. Shri N. Shivasubramanian—*Director of Receipt, Audit-II*
7. Shri A.N. Mukhopadhyay—*Jt. Director (Report-Central)*
8. Shri K.H. Ohaya—*Jt. Director (Railways)*
9. Shri S.K. Gupta—*Jt. Director (Receipt Audit)*
10. Shri N.R. Rayalu—*Jt. Director (Defence)*
11. Shri T.G. Srinivasan—*Jt. Director of Audit P&T*

12. Shri N. Balasubramaniam—*Jt. Director (Receipt Audit)*
13. Shri R.S. Gupta—*Jt. Director of Audit, Defence Services*

SECRETARIAT

1. Shri H.S. Kohli—*Chief Financial Committee Officer*
2. Shri K.K. Sharma—*Senior Financial Committee Officer*
3. Shri K.P. Singh—*Senior Financial Committee Officer*
4. Shri R.C. Anand—*Senior Financial Committee Officer*
5. Shri K. Sahai—*Senior Financial Committee Officer*

2. In the absence of the Chairman, PAC, Shri Bhiku Ram Jain, was chosen to act as Chairman for the sitting.

3. × × × ×

4. The Committee also considered and adopted the following draft Reports without any amendments/modifications.

× × × ×

3. Action Taken on 139th Report of PAC (7th Lok Sabha) on Procurement and utilisation of 10-ton chassis and vehicles built thereon.
4. Action Taken on 156th Report of PAC (7th Lok Sabha) on establishment of production facilities for an ammunition.

The Committee also authorised the Chairman to finalise the Reports in the light of modifications/amendments suggested by Audit as a result of factual verification and present the same to the House.

The Committee then adjourned.

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

Sl. No.	Name of Agent	Sl. No.	Name of Agent
BIHAR		TAMIL NADU	
1.	M/s Crown Book Depot, Upper Bazar, Ranchi (Bihar).	10.	The Manager, M.M. Subscription Agencies, No. 2, 1st Lay Out Sivananda Colony, Coimbatore-641012.
GUJARAT		UTTAR PRADESH	
2.	The New Order Book Company, Ellis Bridge, Ahmedabad-6.	11.	Law Publishers, Sardar Patel Marg, P.B. No. 77, Allahabad, U.P.
MADHYA PRADESH		WEST BENGAL	
3.	Modern Book House, Shiv Vilas Palace, Indore City.	12.	Mrs. Manimala, Buys and Sells, 128, Bow Bazar Street, Calcutta-12.
MAHARASHTRA		DELHI	
4.	M/s Sunderdas Gian Chand, 601, Girgaum Road, Near Princess Street, Bombay-2.	13.	Jain Book Agency, Connaught Place, New Delhi.
5.	The International Book Service, Decan Gymkhana, Poona-4.	14.	J.M. Jain & Brother, Mori Gate, Delhi.
6.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1.	15.	Oxford Book & Stationery Co., Scindia House, Connaught Place, New Delhi-1.
7.	M/s Usha Book Depot, Law Book Seller and Publishers, Agents Govt. Publications, 585, Chira Bazar, Khan House, Bombay-2.	16.	Bookwell, 4, Sant Nirankari Colony, Kingsway Camp, Delhi-9
8.	M & J Services, Publishers, Representative Accounts & Law Book Seller, Mohan Kunj, Ground Floor, 68, Jyotiba Fuele Road, Nalgaum-Dadar, Bombay-14.	17.	The Central News Agency, 23/90, Connaught Place, New Delhi.
9.	Subscribers Subscription Services India, 21, Raghunath Dadaji St., 2nd Floor, Bombay-1.	18.	M/s Rajendra Book Agency, IV-D/59, IV-D/50, Lajpat Nagar, Old Double Storey, New Delhi-110024
		19.	M/s Ashoka Book Agency, BH-82, Poorvi Shalimar Bagh, Delhi-110033.
		20.	Venus Enterprises, B-2/85, Phase-II, Ashok Vihar, Delhi.

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