

PUBLIC ACCOUNTS COMMITTEE
(1969—70)

NINETY-NINTH REPORT

(FOURTH LOK SABHA)

**[Action taken by Government on the recommendations
of the Public Accounts Committee contained in their
69th Report (Fourth Lok Sabha) on Appropriation
Accounts (Defence Services), 1966-67 and
Audit Report (Defence Services), 1968]**



LOK SABHA SECRETARIAT
NEW DELHI

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PUBLIC ACCOUNTS COMMITTEE

(1969-70)

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Shri K. Seshadri—*Under Secretary.*

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Ninety-Ninth Report on the Action Taken by Government on the recommendations of the Public Accounts Committee contained in their 69th Report (Fourth Lok Sabha) on Appropriation Accounts (Defence Services), 1966-67 and Audit Report (Defence Services), 1968.

2. On 7th June, 1969, an "Action Taken" Sub-Committee was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Committee in their earlier Reports. The Sub-Committee was constituted with the following Members:

- | | | |
|---|---|---------|
| 1. Shri N. R. M. Swamy— <i>Convener</i> . | } | Members |
| 2. Shri H. N. Mukerjee | | |
| 3. Shri K. M. Koushik | | |
| 4. Shri Tayappa Hari Sonavane | | |
| 5. Prof. Shanti Kothari | | |
| 6. Shrimati Sushila Rohtagi. | | |

3. The draft Report was considered and adopted by the Sub-Committee at their sitting held on the 26th December, 1969 and finally adopted by the Public Accounts Committee on the 22nd January, 1970.

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

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

ATAL BIHARI VAJPAYEE,
Chairman,
Public Accounts Committee.

NEW DELHI;
January 24, 1970|Magha 4, 1891 (S).

CHAPTER I

REPORT

This Report of the Committee deals with action taken by Government on the recommendations contained in their Sixty-Ninth Report (Fourth Lok Sabha) on the Appropriation Accounts (Defence Services), 1966-67 and Audit Report (Defence Services), 1968 which was presented to the House on the 17th April, 1969. Action taken notes have been received on all the 90 recommendations contained in the Report.

1.1. The action taken notes/statements on the recommendations of the Committee have been categorised under the following heads:

(i) *Recommendations|observations that have been accepted by Government:*

S. Nos. 1—7, 11-18, 23, 26, 28, 32, 33, 37—39, 42, 47, 50—62, 64—66, 79—81, 83—85 and 87—90.

(ii) *Recommendations|observations which the Committee do not desire to pursue in view of the replies of Government:*

S. Nos. 29, 31, 34, 40, 41, 43—46 and 63.

(iii) *Recommendations|observations replies to which have not been accepted by the Committee and which require reiteration:*

S. Nos. 8—10, 22, 24, 25, 27, 48, 49, 67—69, 70—74, 75—78 and 86.

(iv) *Recommendations|observations in respect of which Government have given interim replies:*

S. Nos. 19—21, 30, 35, 36 and 82.

1.2. The Committee will now deal with action taken on some of the recommendations.

Economies in Defence Expenditure—Paragraph 1.12 (S. No. 3).

1.3. In paragraph 1.12, the Committee made the following observation regarding the need to effect economies in Defence expenditure:

“The Committee cannot too strongly emphasise the need to effect economies in Defence expenditure consistently with the requirements

of security. While they are happy to learn that economies of the order of Rs. 52 crores were effected last year, they are of the view that a systematic exercise will have to be conducted covering distinct areas of logistics management in a phased manner. The aim should be producing in the country what we need, buying what we cannot produce, 'buying at the lowest sound price' and 'reducing operational costs'. The Committee would like in this connection to commend the suggestions made in the Report of the Team of Officers who visited the United States of America for the introduction of a phased programme of cost effectiveness. For this purpose, it is imperative that training facilities in different branches in management and cost effectiveness techniques are suitably and speedily augmented."

1.4. In their reply dated the 29th November, 1969, the Ministry of Defence have stated:

"The need for effecting economies in Defence expenditure has been recognised and it has been undertaken by the three Services as a continuous exercise. Apart from continuous review of man-power requirements, establishments, war wastage reserves, inventory of stores and rationalisation of ration scales, and logistic arrangements, etc. in which sizeable economies have been achieved, the wider aspect of economy related to better and more efficient management methods and application of the techniques of cost effectiveness is also receiving increasing attention. A Work Study Cell under the centralised control of Army Hqrs. is already functioning and a similar cell in the Air Hqrs. is being set up. These Cells will undertake studies in distinct areas in a phased manner; certain studies by the Work Study Cell in Army Hqrs. have already been completed which will result in noticeable economies. These cells will be suitably strengthened to apply the techniques of cost effectiveness to Defence spending, after adequately trained personnel is available. A beginning for the training of personnel has already been made and a batch of about 20 officers, drawn from the three Services, Departments of Defence Production and Defence Supplies and the Ministry of Finance (Defence) has been imparted preliminary training in cost effectiveness and systems management by the Institute for Defence Studies and Analyses, New Delhi. Similar courses are proposed to be organised to train more officers. After receiving this preliminary training, selected officers are proposed to be deputed to USA for advanced training in specific branches of systems management and cost effectiveness."

1.5. In a further note* dated 15.12.1969, the Ministry of Defence have stated that the aim of the Works Study Cell at Army Hqrs. is

*Not printed.

to review the systems, procedures, organisation and in certain cases authorisation of equipment in order to obtain the maximum efficiency with more rational allotment of resources. The economies attained as a result of these studies are incidental but have nevertheless been effected and are fairly substantial.

1.6. The Committee trust that the Work Study Cells already set up in Army and being set up in Air Headquarters will be suitably strengthened with trained personnel so that they could serve as useful tools for securing cost reduction consistent with the need to maintain effectiveness. The data furnished to the Committee shows that the Works Study Cell has so far by and large been studying staffing patterns and structures. While this is no doubt of importance, the Committee would like to point out that cost effectiveness or Systems Analysis techniques have been used elsewhere in the world to solve broad-based policy and programme questions covering specific evaluation of particular programme elements and weapons system. The Committee would like Government to examine how best the scope for application of cost effectiveness techniques could be widened to cover bigger areas of management.

Indigenous production of Defence Stores—Paragraphs 1·19—1·20 and 1·32—1·34 (S. Nos. 5—6 and 8—10).

1.7. In paragraphs 1·19—1·20 and 1·32 to 1·34, the Committee had stressed the need to achieve self-sufficiency in Defence requirements by the development of indigenous production in the country. In this connection the Committee had also pointed out the need for utilising capacity in the civil sector. The Committee made the following observations:

“1.19. The Committee are glad to observe that both the Ministry of Defence and the Department of Defence Production are alive to the need to make the country self-reliant in the matter of armaments and equipment required by our Armed Forces. However, as stated by the Defence Secretary, ‘we have yet to go a long way before it is possible to attain the comparative self-sufficiency which it is possible to attain’.”

“In the Committee’s opinion, the development of indigenous production of items required by the Armed Forces is a crucial factor in Defence preparedness. There is, therefore, need to pool the production resources available both in Governmental as well as the private sector and to enlist the assistance of skills and capacities that

the private sector offers, particularly in the engineering and chemical industries."

"1.20. In the Committee's view, this requires the formulation of a carefully prepared industrial mobilisation plan in liaison with the trade and with assistance to Industry to enable them to familiarise themselves with the techniques of production and quality control that would meet Defence requirements."

"1.32. The Committee feel that appreciable progress has not been made in off-loading to the trade items available in the market at a cheaper price. If production for Defence requirement is to be 'indigenised' speedily, it is essential that sustained efforts should be made to tap the industrial capacity available in the civil sector, more so when that sector has been able to supply successfully critical and sophisticated items required by Defence."

"1.33. In this connection, the Committee would like to recall their observations made in their 16th Report (Fourth Lok Sabha) that Government may consider seriously whether items which are available at a comparatively cheap price from the trade and where there is no risk of the supplies failing at a crucial time, may not be obtained from the civil sector. The Committee had then also pointed out that procurement of defence supplies from civil industries in peace time had the added advantage of providing a cushion for increasing the supplies at short notice during an emergency."

"1.34. The Committee note that a Department of Defence Supplies has been in existence since 1965 and has been charged with the task of encouraging indigenous production of Defence items which are being imported. That Department should pay sustained attention to the question how best the resources available in the civil sector could be tapped in an increasing measure."

1.8. In their reply dated the 5th December, 1969, the Ministry of Defence have stated:

"The above recommendations have been carefully considered by the Ministry of Defence. Increasing efforts are being made to achieve self-sufficiency in the Defence Sector as detailed below:

- (a) In September, 1965, a detailed study was made by the Department of Defence Production of the fields in which the National Fourth Five Year Plan could be re-oriented to strengthen the Defence Production base. The major fields covered by this study related to import substitution with special application to raw materials and semi-

processed items; special steels, ferrous and non-ferrous alloys required by Defence industries; exploitation of mineral wealth with higher priority to strategic metals; special arrangements for making effective use of the available capacity in the private firms for the manufacture of components of arms and ammunition, components of vehicles, tractors and tanks and aircraft general standard parts and spare parts; establishment of a wide industrial base for electronic equipment and components and development of the ship-building ancillary industries, particularly main and special weld pipes to meet the requirements of Defence. Following acceptance of this report, 9 Technical Study Groups were set up under the Planning Commission to re-orient the Fourth Five Year Plan to meet the Defence requirements more adequately by indigenous production. Recommendations of these Study Groups are being followed up by the administrative Ministries concerned with reference to the revised Fourth Plan period. Steps have been taken by the Department of Industrial Development and the Atomic Energy Commission to develop or augment the production of certain strategic raw materials based on these studies. Manufacture of some important special steels is also being undertaken by the Steel Plants in the Civil Sector. These efforts will contribute further in mobilising the potential of the civil industry to meet Defence requirements.

- (b) Under the Industrial Policy Resolution of the Government, production of armaments and defence equipment has been entrusted exclusively to the public sector. However, within the framework of this policy, continuous efforts are being made by the Ordnance Factories and particularly by the Department of Defence Supplies to utilise the capacity of the private sector for indigenous production of components, spare parts, etc., by enlisting in an increasing measure the capacities which the private sector can offer in meeting the defence requirements. For this purpose, technical guidance and special assistance in the procurement of scarce raw materials are given to the civil industries. Upto the end of September, 1969, orders for a total number of 350 items on the public sector and 2,541 items on the private sector valued at Rs. 33.37 crores were placed by the Department of Defence Supplies after establishing indigenous sources of

5

production. Supplies against these orders materialised in full or part for 2,959 items valued at Rs. 3.37 crores. Some of the sophisticated items of equipment for which supplies have started are: Tripod Mountings for 7.62mm MMGs; Director No. 7; 20-Ton Trailers; Theodolite Baloon; Electric Welding Trailers; Shock Absorbers of Centurion Tanks; Gear Boxes for Nissan vehicles; Bomb bodies and Tail Units for 81mm Bombs; Servicing Trailers and Gas Welding Trailers. Continuous efforts are being made to develop other important items in the private sector. These include components and assemblies of Nissan and Shaktiman vehicles, a large number of items of Vijayanta tanks; submarine batteries and medium-size crash fire tenders for airfields. For these items, there will be long-term demands. The Department of Defence Supplies has also been made responsible for the development of electronics industry in the country.

- (c) It has been decided that after an item has been successfully established in the trade and deliveries completed, a full account of the drawings, documents, dyes and machines pertaining to these items would be maintained and the skills of production will be kept alive by maintaining trickle production where considered necessary.

It will be seen that within the scope of the present industrial policy the capacity of the private sector is proposed to be utilised extensively in the matter of production and import substitution of components, spare parts, etc. Substantial contribution to the defence production efforts in the immediate future is expected to be made by the Civil Public Sector Undertakings, which have set up considerable engineering capacity in many fields, e.g., H. E. C., Ranchi, M. A. M. C., Durgapur, B. H. E. L., Hardwar and Tiruchirapalli, etc. when a wide industrial base is established for the manufacture of defence equipment, mobilisation in an emergency will be greatly facilitated."

"For examining in detail the further areas in which industrial mobilisation can be effected in pursuance of the recommendation of the Committee and within the scope of the present industrial policy, a Committee has been constituted by the Defence Ministry to make a detailed technical assessment of the extent and manner in which the civil capacity both in the public and private sectors can be further mobilised. This Committee will also review the quantum of reserves held with the Services in preparation for the War, which would take

into account the lead time for effective supplies to be made from new production after the commencement of operations. This Committee will consist of a Joint Secretary each from the Departments of Defence, Defence Production and Defence Supplies, the Director General of Ordnance Factories (or his representative) and the Director General of Inspection."

1.9. In regard to utilisation of capacity in Civil Sector and off-loading of orders to Trade, the Ministry of Defence have stated in their note:

"The policy governing the projection of items to the Civil Sector is broadly as follows:

Where capacity exists in the Defence Sector, orders are not to be diverted to the Civil Sector without first fully utilising the capacity in Defence Sector or at the cost of rendering Defence Sector capacity idle; nor is it the policy not to undertake production of items in the Defence Sector which can be produced in the private sector. However, the capacity in the Civil Sector would be utilised to the maximum extent possible by encouraging the civil industries by giving them technical guidance and special assistance. In respect of more difficult items, capacity has necessarily to be set up in the Defence Sector itself. Where items are comparatively easier and available at cheaper prices in the market without risk of failure of supplies at crucial times, reliance is increasingly being placed on the civil sector. In respect of certain new projects under consideration the project reports are based on availability of suitable and reliable capacity in civil sector and its utilisation for the production of maximum possible number of components, the Defence Sector confining its role to the manufacture of sophisticated and more complicated items and the final assembly.

The success of the policy enunciated above, would depend on the ability of the civil sector to come up to the required standards of Defence specifications.

Within the framework of above guide-lines, the Department of Defence Supplies is paying sustained attention to the question as to how best the resources available in the Civil Sector could be tapped in an increasing measure so as to avoid imports, as far as possible. In

this connection, the following steps have been taken by the Department:

- (i) Sample Rooms have been opened in the important cities of India, viz., Bombay, Calcutta, New Delhi and Madras, where samples of all items required by Defence Services, which are hitherto imported or which the DGOF is not producing are displayed. The Trade Associations and the Chambers of Commerce have been requested to advise their manufacturers to visit these Sample Rooms with a view to examining as to which of the items they could take up for indigenous production.
- (ii) To maintain a direct liaison with Industries, periodicals meetings are held with the representatives of industry.
- (iii) The Department of Defence Supplies has set up seven Technical Committees to handle the work relating to indigenous production of different types of Defence stores in civil sector (i) Armaments (ii) Vehicles (iii) Engineering (iv) Electrical and Electronics (v) Marine (vi) Medical and (vii) General Stores. The Director General of Technical Development, Ministry of Industrial Development and Company Affairs, Development Commissioner, Small Scale Industries, Ministry of Finance, Electrical and Mechanical Engineering and users are also represented on all these Technical Committees.
- (iv) The Director General Technical Development and other members of the Committee keep the Committees informed about the production resources in the private sector as well as in the public sector. Assistance in this regard is also sought from the Development Commissioner, Small Scale Industries.
- (v) Technical Officers visit the likely manufacturers with a view not only to inspecting their capacity and capability but also to give them useful suggestions to take up manufacture of Defence items.
- (vi) Necessary guidance is provided to the manufacturers by the Defence Inspectorate.
- (vii) Special assistance is rendered in procurement of scarce raw materials.

- (viii) Special assistance is also rendered for importing balancing plant and equipment required for production of Defence items.
- (ix) Financial assistance is given to the firms on the merits of each case by grant of 'on account' payment against the purchase of raw materials for items ordered on them.
- (x) Directors of Inspection, Ministry of Defence, are already compiling lists of reliable and capable firms for the manufacture of Defence stores.
- (xi) Industries entrusted with some of the difficult and sophisticated defence items are, where considered necessary and consistent with security consideration, provided with opportunity to visit the Ordnance Factories so as to make themselves familiar with the latest production techniques. This has helped to overcome the problems of industry of high rejection of Defence stores and has resulted in improvement in quality.

It may be mentioned that orders worth Rs. 35 crores have been placed by the Department of Defence Supplies on civil firms during the period 1966—69. The target in the fourth plan is to place orders worth Rs. 200 crores."

1.10. The Committee note that the procurement and provisioning procedures in respect of Defence stores has evolved on the following lines:

*"The need for proper screening of demands for stores which had to be obtained from abroad was felt soon after independence. For this purpose the Imported Stores Screening Committee was set up in January, 1949 (a) to provide a machinery for continuous examination of the items of defence stores so that Government could be advised from time to time as to the stores which could be obtained from indigenous production and those which had perforce to be imported, and (b) to take steps for the immediate production, if possible, of stores which were for the time being obtained from abroad. The Committee consisted of representatives of the Ministry of Defence, the three Services Headquarters, the Director General, Ordnance Factories, the Ministry of Finance (Defence), the Ministry of Works, Housing and Supply, the D.G.S. & D. and the Ministry of Commerce and Industry (Development Wing). This Committee was assisted by

various Sub-Committees for a detailed examination of the lists of various kinds of defence stores and for categorising them into stores to be obtained by import and those to be obtained from indigenous production. The Sub-Committees compiled lists of the imported and indigenous stores separately and categorised the former into three types, viz., those which were capable of being manufactured from existing indigenous potential; those which could be manufactured in the near future; and those which had no prospect of being manufactured for some years.

The main Committee as originally composed was found to be too unwieldy, and was, therefore, reconstituted in April, 1954, to consist of only senior officers of the rank of Director in the Services Headquarters, the Industrial Advisers of the Commerce and Industry Ministry and the Deputy Director General, Supply, apart from the representatives of the Ministry of Defence and the Ministry of Finance (Defence). It was re-designated as Imported Stores and Raw Materials Screening Committee in January, 1956. It considered matters of general policy only; the routine and detailed work connected with the actual location of indigenous capacity for the imported stores being tackled by the Sub-Committees. As the new name indicates, the Committee also examined the need for importing such raw materials as could not be procured indigenously. The Committee compiled a Master List of Imported Stores which included stores which were not procurable in the country and which had necessarily to be imported from abroad. The same was circulated to all concerned for information and guidance. The list of imported stores was kept under constant review by the Imported Stores and Raw Materials Screening Committee and its various Sub-Committees with a view to exploring the possibilities of indigenous production of the items included therein. As soon as the indigenous production of any item was satisfactorily established, it was excluded from the list and further procurement of the item was done indigenously. Since the inception of the Committee, indigenous production was established at a number of items which were formerly being imported. Consequent on the constitution of the Defence Production and Supply Committee and the Defence Research and Development Committee in 1957, the Imported Stores and Raw Materials

Screening Committee and associated sub-Committees were dissolved."

1.11. **The Annual Report of Ministry of Defence (1968-69) lists the following steps taken for import substitution:**

"To acquaint Indian industry with the range and variety of Service requirements, sample rooms have been established at Bombay, Calcutta, Delhi and Madras. The sample room at Delhi alone exhibits more than 10,000 items. Manufacturers interested in production of defence requirements are assisted in every way by technical officers and assistance is also provided in the matter of procurement of scarce raw materials, etc."

"To achieve the above object in view, the Department is assisted by seven technical committees consisting of technical, financial and administrative experts. Each committee deals with a particular sphere of Defence requirement. The seven technical committees deal with the import substitution in the following areas:

- (i) Armament stores.**
- (ii) Electronic/electrical stores.**
- (iii) Engineer stores.**
- (iv) General stores.**
- (v) Marine stores.**
- (vi) Medical stores.**
- (vii) Vehicle stores.**

So far about 9,000 items of the value of Rs. 30 crores have been cleared for placement of orders. Supplies have started materialising and upto December, 1968, supplies of over 2,000 items of the value of about Rs. 2.5 crores have been completed. Production of more than 5,500 items has been assigned to EME Workshops and certain Technical Training Centres."

1.12. The experience of the country in 1965, when there was a stoppage of military supplies from some countries, underscores the need for greater self-reliance in respect of materials and hardware required by the Defence Services. This calls for a mobilisation plan covering not only the public but also private sector units: only such a plan would help to establish a broad production base in the

country, which can successfully meet any requirements during emergency. The Committee note that the Department of Defence Production and Defence Supplies are making a continuous assessment of the extent and manner in which the civil capacity in the public and private sectors can be mobilised. The efforts in this direction have so far established sources of indigenous supply for items valued at Rs. 33.37 crores. However, the efforts will need further intensification, if import substitution is to be achieved to the extent of Rs. 200 crores over the next five years, as Government are reported to be planning.*

1.13. The Committee note that the Imported Stores and Raw Materials Screening Committee which used to function in the Ministry of Defence had compiled a Master List of Imported Stores to help Government to locate indigenous sources of supply for imported items. It would be of distinct advantage in fixing an appropriate scheme of priorities for indigenous production if the Technical Committees constituted in the Department of Defence Supplies could draw up similar Master Lists in their respective fields of work.

1.14. Any programme for establishing indigenous production would in the Committee's opinion also have to take note of the need to provide adequate incentives to indigenous producers, by way of assistance in procurement of critical raw materials needed for production and design and engineering expertise that might be needed for production of acceptable indigenous substitutes. The Committee have already drawn attention to this matter in para 1.20 of the Sixty-Ninth Report (Fourth Lok Sabha).

1.15. The Committee would also like to stress that ordnance factories should, consistent with the need to secure economic utilisation of capacity, concentrate on production of vital and critical items. Common user items should as far as possible be procured from Trade, if reliable and economic sources of supply are established. This arrangement would be in the interests of Government, as such items are likely to be produced cheaply and efficiently in the civil sector where competition is likely to prevail and large-scale output would help to bring down prices.

Research for achieving indigenous production—Paragraph 1.21 (6, No. 7).

1.16. In paragraph 1.21, the Committee made the following observation regarding the need to encourage research in indigenous

*Economic Times : dated 23rd October, 1969.

design and production of defence equipment:

"No less important is the need to encourage research in indigenous design and indigenous manufacture so that weapons and systems which are suited to Indian conditions are developed in the national interest."

1.17. In their reply dated the 18th October, 1969, the Ministry of Defence have stated:

"The need for making the country self-reliant in Defence equipment and of providing scientific support to the Armed Forces has been recognised ever since independence. With this in view, the Defence Science Organisation was set up in a nucleus form in 1948 and a further major reorganisation was effected in 1958 when the Research and Development Organisation came into being in its present form, by amalgamating the Defence Science Organisation with the erstwhile Technical Development Establishments. From a handful of laboratories in 1958 with very meagre facilities for Research and Development work, the organisation has grown into 30 establishments|laboratories embracing practically all the scientific and technological disciplines of Defence interest. Considerable competence and facilities have been established at these establishments, towards design and development of indigenous weapons and equipment for the Armed Forces. However, in some of the more sophisticated fields like missiles, aeronautics and naval research, in view of the complexity and large outlays involved, some leeway has still to be made good to attain the necessary take-off level. The implementation of the recommendations of the Aeronautics Committee set up by the Government in November, 1967 is expected to go a long way in establishing the desired facilities in the fields of aeronautics and missiles. Build up of competence in the field of naval research is also being progressed with all speed and Government has recently sanctioned in February, 1969 the setting up of a Naval Science and Technological Laboratory for sophisticated naval Research and Development work.

During the short span of existence Research and Development Organisation has made significant contribution towards the design and development of equipment some of which has even gone into bulk production. The orga-

nisation has also developed indigenous substitutes for imported materials components and has provided valuable assistance to the production agencies in evolving indigenous substitutes in cases where production is undertaken with imported know-how. Production development of a number of defence items has, where possible, also been entrusted to the Private Sector industry with a view to diversify the defence production base."

1.18. The Committee observe that in its annual review for 1968-69 entitled "India in World Strategic Environment" brought out by the Institute for Defence Studies and Analyses, the following observations have been made about the Defence Plan framework:

"Anti-tank missiles are becoming standard equipment of the Army all over the world. It will be difficult to postpone the manufacture of this weaponry much longer especially when Pakistani forces are equipped with Bolkow Cobra anti-tank missiles.

In view of Pakistan's acquisition of sub-marines, it is reasonable to expect build up of fast patrol vessels in India.

Since the surface-to-air missiles (Seacat) and homing torpedoes have been introduced, manufacturing effort in these directions are also to be expected.

Subramaniam Committee's report is expected to be finalised shortly. HAL has already announced its plans to manufacture a combat aircraft for the seventies. Various teams from foreign manufacturing firms have visited India and held discussions with a view to develop collaboration arrangements. Therefore a major aircraft development project might have found its place in the plan

Having adopted the surface-to-air missiles and the air-to-air missiles, it will be difficult to avoid investing in these technologies.

The above programme will need substantial step up in our R&D effort and a steady expansion in R&D effort may be expected."

1.19. The Aeronautics Committee set up by Government had undertaken a study of production and development tasks in the field of aeronautics. Statement showing the recommendations made by this Committee was placed before Parliament on 15th

May, 1969. The statement contains the following observations in regard to future requirements in the field of aeronautics:

"The most important finding of the Committee is the need for long term planning in the defence area. This requirement has application in all the three Services but is of the largest significance to the Air Force. The formulation of long term requirements should be based on a long term assessment of threats. The present arrangements for the long term assessment of threats and formulation of long term requirement need strengthening. The Committee have suggested that these arrangements need to be reviewed.

Based on a 10-year forecast, a firm plan of requirement should be drawn up each year for 5 years adopting the concept of a rolling plan. This concept has in fact recently been adopted by the Ministry of Defence. The Committee has recommended the establishment of an Aeronautics Requirements Committee at a high level to determine the long term requirements in the field of Aeronautics."

"HF-24 Mark I designed and manufactured by HAL (Bangalore Division) is already in squadron use. An improved version of the HF-24 aircraft now under development is likely to be available to the Air Force in 3-5 years and should meet their requirements for some years. HF-24 aircraft is basically a good design. Further development of HF-24 aircraft should be undertaken by HAL if necessary with a new engine, to meet the requirements of the Air Force in the late 70's and until a new aircraft incorporating a more advanced technology is designed and produced in the country. The assessment of the Committee is that such further development of the HF-24 aircraft is feasible.

Similarly, the manufacture of improved versions of the MIG-21 aircraft should be undertaken, so that the requirements of the 70's for this type of aircraft are met, without introducing an entirely new type of aircraft, with the attendant disadvantage of multiplicity of types.

An analysis of the aircraft requirements of the Navy indicated the need for a number of studies in depth. These would have involved a study of the total operations of the Navy and not only its aircraft requirements and were beyond the terms of reference of the Committee. The

Committee have, therefore, advised that the Ministry of Defence should undertake the necessary studies, before making any major commitments on purchases of aircraft for the Navy.

The studies which the Committee have suggested in the case of the Air Force and the Navy would be facilitated by the involvement of research institutions outside the Defence field. The National Aeronautical Laboratory, the Indian Institute of Science, Bangalore and the I.I.T., Kanpur are institutions in which expertise could be built up, after devising suitable procedures for security clearance."

"There has been little reliance on research outside the Defence Establishments. The present separation between civil and defence aviation research should be ended. The involvement of the Scientists outside the Defence-fold which with the composition of the Committee and through discussions with various authorities by the Committee has been initiated, should be continued. For instance, the National Aeronautical Laboratory, Bangalore and the Institute of Mathematical Sciences, Madras, could make a substantial contribution."

"One of the important reasons for the set back in the HF-24 project was the difficulty in locating a suitable engine. The Committee have, therefore, made two recommendations:

- (i) The new advanced technology aircraft should in the first instance be built around a proven engine.
- (ii) Indigenous design and development of an advanced technology engine should be undertaken simultaneously to replace the proven engine initially selected for the advanced technology aircraft. Technical assistance as necessary, should be procured, ensuring however, that the design responsibility rests with Indian technical personnel.

The Helicopter requirements of the Air Force, Navy and the Army are many and would further increase in variety in the years to come. While in the immediate future there is no alternative to licensed production, early steps must be taken to acquire expertise in the design and development of helicopters. The Committee is of the view that foreign technical assistance obtained judiciously would accelerate this process.

The development of guided weapons should receive intensive attention in the next 5 years. Foreign assistance obtained judiciously should accelerate this process also.

The design and development of light aircraft and agricultural aircraft are well within the capability of HAL."

"Self-sufficiency in the design and development of the important requirements of aircraft, helicopters and missiles can and should be achieved in the span of 10 years. But complete self-sufficiency in the manufacture of aircraft, aero-engines, helicopters and missiles can be achieved only over a much longer period. During the next 10 years, the aim of HAL should be a rapid reduction of foreign exchange for imports, with the long term objective in mind. Complete self-sufficiency in the maintenance of aircraft, helicopters, etc. produced by HAL and in service with the Air Force, should be laid down as a clear objective and achieved in the period 1974-79. In this context, self-sufficiency need not exclude for a time stock-piling of basic materials, whose manufacture in the country will be uneconomic."

"The Committee have recommended that the investments in Research, Design and Development and manufacture during 1969-74 should be related to the higher level of requirements during 1974-79, as the aim is to make the country reasonably self-sufficient within a period of 10 years. Any large scale import of the Air Force requirements in the period 1974-79 and beyond would otherwise be a very heavy burden on the economy of the country."

1.20. In the Committee's opinion, a substantial step-up of research and development effort in the defence field is called for. The assessment referred to at page 14 of this Report indicates that the country will be called upon to undertake a number of schemes for the development of missiles. In the field of aeronautics, the country has to attain self-sufficiency in the design and development of advanced types of aircraft and helicopters. The Aeronautics Committee have called for the production of a "new aircraft incorporating a more advanced technology" and the need for design and development of "an advanced technology engine" for this aircraft. All these are pointers of the need for intensification of research and development efforts and the fields of activity which should receive emphasis. The

priorities will have to be worked out by Government on the basis of a "long-term assessment of threats".

1.21. Another point arising out of the recommendations of the Aeronautics Committee which needs to be mentioned is the necessity for involvement of research institutions outside the Defence field with studies that are proposed to be conducted in order to avail of the services of a larger number of scientists. This will have to be done after adequate safeguards from the security angle are provided.

Provisioning Procedures for the Services—Paragraphs 1.49—1.50 and 3.79 (S. Nos. 14-15 and 47).

1.22. In paragraphs 1.49, 1.50 and 3.79, the Committee made the following observations regarding the need to have a high level review of provisioning procedures for the three services:

"1.49. The Committee are not happy that such gross over-provisioning should have occurred. As would be evident from the findings in the later section of this Report, there was on the one hand a tendency to overpitch the requirements and on the other hand an omission to collect certain basic data regarding actual consumption|wastage|retrievals as a preliminary to the placing of orders."

"1.50. While the Committee are fully conscious of the fact that these cases occurred at a time when the security of the country was at stake, they feel that the omission to take certain elementary measures calls for a high level review of the provisioning procedure for the three Services. The Committee, therefore, suggest that Government appoint a Committee comprising of senior officers drawn from the three Services as well as from the Ministry of Defence|Finance (Defence) with a view to laying down proper guidelines for provisioning and for evolving a suitable machinery for keeping a continuous watch on the utilisation of stores so as to ensure that provisioning is done more realistically in future and that wastages are avoided."

"3.79. The Committee have earlier in this Report recommended a high level review of provisioning procedures for the Services so that the system could be effectively stream-

lined. The Committee would like Government to take an early action on this recommendation."

1.23. In their note dated the 29th November, 1969, the Ministry of Defence have stated:

"The circumstances in which the over-provisioning had occurred in the cases referred to in paras 7 to 10 of the Audit Report (Defence Services), 1968 have been already explained in detail to the Public Accounts Committee. The views expressed by the Public Accounts Committee have, however, been noted.

The need for a high level review of the provisioning procedure in the three Services as suggested by the Public Accounts Committee is fully appreciated. The Government has already taken action in this direction.

Based on recommendations of the Ministry of Defence Provisioning Committee an Inter-Services Provisioning Sub-Committee was appointed by the Ministry of Defence in December, 1964, which included the representatives of the three Services, Department of Defence Production, Ministry of Finance (Defence) and Ministry of Defence. The DGS&D was also associated with this Sub-Committee. The report of the Inter-Services Provisioning Sub-Committee was submitted to the Government in 1968 and is under consideration. Meanwhile, a Technical Study Group has been appointed under the Chairmanship of Lt. Gen. R. S. Paintal (Retd.) which consists of senior and experienced members of Army Headquarters. This Technical Study Group is being assisted by a firm of Industrial and Material Management Consultants (Messrs.....), who are acting as Consultants to this Study Group. The report of this Technical Study Group is due by the end of April, 1970. The recommendations of the Provisioning Sub-Committee and that of the above Technical Study Group assisted by the Consultants are expected to be considered by the Government towards the middle of 1970.

On the Air Force side, the Administrative Staff College, Hyderabad were engaged by IAF for advice in regard to the organisation of the overhaul effort for certain range of items. In the course of this study, they also looked into the system of provisioning and positioning of spares in IAF. Their Preliminary Report has been received and is

under consideration in Air Headquarters. The responsibility for provisioning of maintenance and overhaul spares for the Aircraft manufactured as also the Aircraft maintenance/overhauled by HAL is in the process of being transferred from Air Headquarters to the Hindustan Aeronautics Ltd. In this connection, Hindustan Aeronautics Ltd. have engaged the Institute of Management, Ahmedabad, to advise them on the manner in which these responsibilities can be carried out in the best possible manner after taking into account the modern management methods for inventory control and provisioning of spares. A Team of the Institute of Management, Ahmedabad has visited a number of Air Force Establishments to assess the present procedures for provisioning, stocking and issue of spares for maintenance/overhaul purposes. Their report is yet to be considered.

In addition to the above, a High Level Inter-Services Working Group was appointed in September, 1968 under the Chairmanship of Additional Secretary to go into the question of the reduction in the War Wastage Reserves for Category 'B' Stores (General Stores, Clothing, Spares, Ancillary and connected Equipments). The report of the Working Group is still awaited.

It will thus be seen from the above that the question of review of the existing provisioning procedures and the level of Reserves has been engaging the attention of the Defence Ministry and a number of studies are in progress at present, which are expected to streamline the existing provisioning procedures."

1.24. The *modus operandi* in provisioning of stores required by Defence Services has been described in a recent publication* brought out by the Publications Division as follows:

"The requirements of weapons, ammunition and other stores required by the Armed Forces have to be assessed on the basis of the quantum required for initial equipment (for an item newly introduced or for new raisings of troops); for normal training and the estimated consumption during the initial period of combat. The rate of consumption in

*"Defence Organisation in India" (1967)—by A. L. Venkateswaran—Publications Division.

war would vary from item to item. The amount of reserve to be built up in the case of an item of store, known as war-wastage reserve, is the consumption during a period (ranging from months to years) which is fixed taking into account various factors, namely, the existence and the rate of indigenous production, or the possibility of setting up such production by diverting manufacturing resources and the time needed for such switch-over; the time taken for the stores and equipment to reach the forward posts from centres of production or storage, etc. For stores which are normally imported, the war-wastage reserves would have to be built up for longer periods, since such supplies are liable to dry up during war. Having regard to all these factors, the level of reserve stocks to be built up and maintained by the Army for the various categories of equipment were reviewed and fixed towards the end of 1963. The prescribed levels of provisioning require review from time to time. The problem of striking a balance between reserve stores to be held and the reliance to be placed on Industry obtains in every country.

Further with the rapid advance in science and technology, weapons and equipment become obsolete within a few years. The designing, development and manufacture of a new weapon may take anything from five to ten years. A new weapon is designed on the basis of operational requirements postulated by the users (i.e., the Armed Forces) compatible with scientific and technological feasibility. By the time the weapon is produced it may well be obsolete (or not meeting the current operational requirements) of the users. If requirements are constantly changed, no project will ever materialise. A compromise has therefore to be struck in this respect and this is achieved by what is termed as Standardisation. A Standardisation Committee with the Scientific Adviser as Chairman and consisting of representatives of the three Services and others started work in 1963 and on the basis of the Committee's recommendations, decisions have been taken on the standard weapons with which the Army would be equipped for the next 7 to 10 years. All programmes for production and provisioning will be based on these standardised weapons and equipment. Reviews

continue in respect of other groups of equipment and stores."

1.25. According to the Annual Report of Ministry of Defence (1968-69), the stores and equipment for the three Services excluding the stores produced and supplied from ordnance factories in 1969-70 are estimated to account for Rs. 292.62 crores. The issues from ordnance factories have been as under:

(In crores of Rupees).					
	1964-65	1965-66	1966-67	1967-68	1968-69
				(Estimated)	
(i) Arms, ammunition and vehicles (including heavy vehicles)	63.75	78.06	83.73	79.31	85.00
(ii) Clothing and General Stores	37.74	29.96	20.14	17.86	23.00

1.26. The Defence expenditure under Revenue and Capital for the last 5 years has been as under:

Year	Defence Expenditure	Gross National Product at Current Prices	% Defence expenditure bears to GNP
(In crores of Rupees).			
1964-65	805.80	21,196	3.80
1965-66	884.76	21,771	4.06
1966-67	908.59	24,999	3.63
1967-68	968.43	29,342	3.30
1968-69 R.E.	1,051.38	30,222*	3.44
1969-70 B.E.	1,110.00	32,035**	3.46

*Assuming 3% growth of GNP during 1968-69 as indicated in Economic Survey.

**Assuming 6% growth of GNP during 1969-70 as anticipated in the Fourth Five Year Plan period.

1.27. The issues of stores and equipment to the Defence Services are now of the order of about Rs. 350 crores and constitute about a third of the Defence expenditure. It is therefore imperative that provisioning procedures are streamlined, to avoid recurrence of instances of over provisioning of the type pointed out by the Committee in their Sixty-Ninth Report (Fourth Lok Sabha). The Committee observe that a number of committees or other agencies have been asked to undertake reviews of the existing provisioning procedures in the different services. The Committee hope that these studies will be expeditiously completed and would help Government to lay down sound guidelines which would secure economical provisioning consistent with the need to keep the Services efficiently equipped.

1.28. A crucial factor in provisioning is the determination of reserve stocks to be built up. It is obvious that reliance on overseas sources of supply will necessitate larger reserves. It would, therefore, be necessary to build up indigenous production, if reserves are to be economically regulated.

1.29. Another factor to be reckoned in provisioning is the possibility of equipment becoming obsolete with advances in technology. The Committee note that there is a standing machinery in Government entrusted with the work of standardising equipment to be provided to the Services. The Committee hope that as recommended by the Aeronautics Committee, "a rolling plan" for equipping the services, based on a long-term assessment of threats would be drawn up periodically.

Economies by reduction in staff in the Office of Director General, Ordnance Factories—Paragraphs 1.66, 1.67 and 1.68 (S. Nos. 19—21).

1.30. In paragraphs 1.66, 1.67 and 1.68, the Committee made the following observations on the need to effect economy by reduction of staff in the Office of the Director General, Ordnance Factories as recommended by the Staff Inspection Unit of the Ministry of Finance:

"The Committee note that substantial economies by way of curtailment in the strength of the gazetted and non-gazetted staff in the Office of the Director General, Ordnance Factories, have been suggested by the Staff Inspection Unit of the Ministry of Finance, but their recommendations have not been found to be workable by the Director General, Ordnance Factories. The question of implementation of the suggestions is, however, stated

to be under active consideration in consultation with the Director General, Ordnance Factories, and the Staff Inspection Unit."

"The Committee would like Government to finalise the matter at an early date and effect maximum economy consistently with requirements."

"The Committee further suggest that there should be a standing arrangement whereby the requirements of staff at the Headquarters of the Director General, Ordnance Factories as well as the production units (mainly Ordnance Factories) which have not been examined by the Staff Inspection Unit, are periodically examined at a high level to effect all possible economies consistently with the need for maintaining efficient production."

1.31. In their reply dated the 3rd December, 1969, the Ministry of Defence have stated:

"Following are the economies suggested by the Staff Inspection Unit in the various cadres of the Headquarters office of the Director General, Ordnance Factories:

Posts	Sanctioned strength	Strength assessed by SIU	Economy suggested
on-gazetted technical staff (Superintendents etc).	191	162	39
Non-gazetted clerical posts (LDCs etc).	628	517	111

The Director General, Ordnance Factories did not find the recommendations of the Staff Inspection Unit workable. He had pointed out that the study made by the Unit related to the period from June, 1966 to May, 1967 and had not taken into account the increase in the work-load, both qualitative and quantitative, which was anticipated even at the time of the study. He was also of the opinion that the norms adopted by the Unit to determine the strength of the technical staff had not taken into account the complexity of work. The Director General, Ordnance Factories also got work-study carried out by his staff in respect of two Sections, one dealing with administrative work and the other with technical work and had come to

the conclusion that the actual staff required was far in excess of that recommended by the Unit.

In order to finalise the case early, the matter was discussed by Secretary (DP) with Finance Secretary on the 1st July, 1969. It was agreed that so far as the clerical staff was concerned, a *de novo* study of a few Sections and review of non-standard work which was not directly relatable to the number of receipts would be carried out by the Staff Inspection Unit. As regards the technical staff, it was decided that the matter would be examined further by the Staff Inspection Unit in consultation with the Directorate General, Ordnance Factories. A further report from the Unit is awaited in the light of their further examination.

The Staff Inspection Unit did not submit a final report on the strength of Gazetted Officers in the D.G.O.F. Headquarters. A note containing their suggestions was received for consideration of the Ministry. The recommendations contained in that note were not found to be acceptable. The matter is under consideration in consultation with the Unit.

The suggestion of the Public Accounts Committee that there should be a standing arrangement whereby the requirements of staff are periodically examined, is under examination. A further note will be submitted as soon as the examination is complete."

1.32. The Committee note that the recommendations made by the Staff Inspection Unit regarding reduction in staff in the Office of the Director General, Ordnance Factories were not considered "workable" by the Director General, Ordnance Factories and that the matter is under discussion between the Ministries of Defence and Finance. The Committee hope that with reference to further studies on a mutually acceptable basis, the matter would be expeditiously finalised and maximum possible economies effected.

1.33. The Committee would like action to be taken on their suggestion that there should be a standing arrangement whereby the requirements of staff at the Headquarters of the Director General, Ordnance Factories as well as the production units (mainly Ordnance Factories) which have not been examined by the Staff Inspection Unit are periodically examined at a high level to effect

all possible economies consistently with the need for maintaining efficient production.

Production of Shaktiman Nissan trucks—Paragraph 2.38 (S. No. 22).

1.34. In paragraph 2.38, the Committee made the following observation regarding shortfall in the production of Shaktiman trucks:

“The Committee are not at all happy about the situation that has developed concerning Shaktiman Trucks. They note that there has been a consistent shortfall in the production of Shaktiman trucks in relation to targets fixed. It was stated by the Secretary, Department of Defence Production, that the ‘practice’ has been to fix the targets on the high side, but the Committee observe that, even after the annual target of production was scaled down in 1967-68 from 1,500 to 1,200 trucks, production has continued to lag behind the target.”

1.35. In their reply dated the 5th December, 1969, the Ministry of Defence have stated:

“The scaling down of the production target, which originally was fixed at an optimum figure, was due to the following reasons which may not get eliminated altogether until such time as the New Vehicles Factory which is an independent and integrated factory starts production at Jabalpur:

- (a) The manufacture of vehicles was undertaken on the basis of available spare capacity existing in various ordnance factories. To an extent, this capacity dwindled or became fluctuating consequent on Chinese Aggression in 1962 and thereafter again after the Indo-Pak Conflict in 1965 when more stress was laid on the manufacture of armament items.
- (b) The capacity sanctioned for the manufacture of Nissan 1-Ton vehicles was for 100 vehicles per month on 2x10 hour shifts but the DGOF has been producing much more vehicles. (19,927 vehicle were produced from 1960-61 to 1968-69) thereby to some extent affecting utilisation of spare capacity for the manufacture of Shaktiman vehicles.
- (c) No plant and machinery were sanctioned for production of Nissan Patrol but the DGOF has been producing these vehicles (production for 1962-63 to 1968-69 being 6,545 vehicles) which in turn reduced further the available capacity for the manufacture of Shaktiman vehicles.

- (d) While considering the output of Shaktiman vehicles against various targets fixed, the combined production of all the three types of vehicles referred to above, will have to be taken into account with reference to the sanctioned capacity.

Another major reason for production targets being upset has been the frequent failure on the part of trade firms to come up as expected.

Simultaneously with the establishment of an integrated vehicle factory, and the progressive shift of production lines to this factory, the existing provisioning and procurement procedures are being revised with a view to leave sufficient discretion and latitude with the General Manager to take decisions on the spot to overcome production bottlenecks."

1.36. In regard to the pace of indigenisation of production of Nissan vehicles, the Ministry of Defence have in a further note dated 16.12.1969, furnished at the instance of the Committee, stated as follows:

"The planned achievement of indigenous content for Nissan Truck is as follows:

1969-70	47.46%
1970-71	54.96 %
1971-72	70.96%
1972-73	90.00%
1973-74	90.00%

The above targets are intended to be the optimum to be achieved during each year but are conditional on the orders on indigenous trade sources, materialising as expected."

"The indigenous content at the end of October, 1969 is 45.46 per cent for Nissan Trucks. It was expected earlier that the indigenous content would be 50 per cent for 1969-70, 65 per cent for 1970-71 and 70 per cent for 1971-72. There has been a slight set-back on account of indigenous sources not coming up as expected. However, as the New Vehicle Factory goes into progressive production, the process of indigenisation would be speeded up."

"The following are the two major steps taken for stepping up indigenous production of components:

- (a) With the commissioning of the Integrated Vehicle Factory, which is in an advanced stage of establishment, more

components and assemblies than at present will progressively be produced in the factory.

- (b) A concerted and systematic effort is being made by the Department of Defence Supplies to locate or establish indigenous sources for the components which are being imported and for which no provision is made in the New Vehicle Factory."

1.37. The Committee are not able to subscribe to the view that the shortfall in production of Shaktiman Trucks was made up through increased production of Nissan Vehicles. The data furnished by Government shows that in respect of Nissan Vehicles, the planned programme for import substitution has not been achieved. The production of these vehicles was, therefore, comparatively an easier matter than the production of Shaktiman Trucks.

1.38. Now that a full-fledged unit for production of vehicles is being set up in the public sector and Government will no longer be dependent for production of vehicles on availability of spare capacity in ordnance factories, the Committee hope that targets for production would be attained. The Committee would like Government to keep a close watch on the position.

1.39. The Committee also trust that Government will make sustained efforts to accelerate the pace of import substitution in respect of components etc. required for Nissan Vehicles.

1.40. The Committee note that in regard to items to be supplied by Trade for the production of these vehicles, there has been a "frequent failure". The automobile industry in the country is now fairly well-established and it should not be difficult for Government to locate reliable sources of supply of components.

Delay in establishing indigenous production of components—Paragraphs 2.40-2.41 (S. Nos. 24-25)

1.41. In paragraphs 2.40 and 2.41, the Committee made the following observations regarding delay in the establishment of indigenous production of some major components of trucks:

"2.40. The Committee observe that the pace of indigenous production of components has been rather slow. The imported components used per truck (Rs. 13,466) in 1967-68, about eight years after production was started, accounted for over a fifth of its total cost (Rs. 62,642). In fact, due to periodical set-backs in the programme for indigenous manufacture of components, Government have been obliged to fall back upon imports which, during seven years end-

ing 1967-68, amounted to Rs. 1.31 crores. The Committee would like it to be examined how import substitution can best be speeded up, consistently with the maintenance of quality of the trucks."

"2.41. There has been particular delay in the establishment of indigenous production in the Ordnance Factories of some major components of the trucks like universal joints, crank case and cylinder heads. The Committee observe that a collaboration agreement was executed as early as June, 1962, for the production of universal joints and production was planned from May, 1965 onwards. However, due to various reasons, production was not started till 1967-68 and the components produced are still to be fitted to the trucks. In respect of crank case and cylinder heads, for which collaboration agreements were executed in September, 1958, production is yet to be established, more than three years after the planned date (i.e., May, 1965)."

1.42. In their reply dated the 5th December, 1969, the Ministry of Defence have stated:

"The present indigenous content of the Shaktiman vehicles is about 77 per cent. In order to speed up import substitution, a comprehensive list of imported components has been projected to the Department of Defence Supplies. The Department of Defence Supplies has already initiated action to approach trade firms, in a systematic way, with a view to locate or develop indigenous sources.

It may be mentioned in this connection that it has since been possible to overcome the difficulties in the establishment of indigenous manufacture of items like Connecting Rod, Universal Joint, Micro Oil Filter and Gear Box (excluding certain Ball and Roller Bearing)."

"Manufacture of universal joint has been established at Machine Tool Prototype Factory, Ambernath. Production commenced in April, 1968 and the target production of 125 per month was achieved by March, 1969. It is expected that the manufacture of the remaining items will be established in the coming year."

1.43. The Committee note that manufacture of universal joint has been established at Machine Tool Prototype Factory, Ambernath. The Committee hope that production of the remaining items will be established in the coming year according to schedule.

1.44. The Committee are far from happy over the inordinate delay in establishing production of crank case and cylinder heads for

which collaboration agreements were executed as far back as September, 1958. They hope that the production will be established in the coming year as expected.

Cost control in respect of Shaktiman trucks—Paragraphs 2.43 and 2.44 (S. Nos. 27 and 28).

1.45. In paragraphs 2.43 and 2.44, the Committee drew attention to certain factors bearing on the economies of the vehicles project and made the following observations regarding the need to enforce strict cost control in the manufacture of Shaktiman trucks:

“2.43. Apart from quality control, there is also a compelling need to enforce strict cost control. The cost of a Shaktiman truck as on 18th July, 1967 was Rs. 62,642, as against which the cost of a civil truck procured by the Army was Rs. 51,000. It was stated by the Department of Defence Production that certain of its features make the Shaktiman truck “superior”. The Committee would like the department of Defence Production to examine how best the cost of the Shaktiman truck could be brought down through systematic cost control at every stage of production.”

“2.44. So far as the project for setting up a full-fledged unit in the State Sector for manufacture of Shaktiman trucks as well as Nissan trucks and patrols is concerned, the Committee would like Government to give careful consideration to the following factors which have a bearing on the economics of the venture.

- (i) According to the information given to the Committee, the proposed unit would be producing 1,100 trucks per month so that it could take advantage of economies of scale. The Army's requirement for trucks over the last six years has varied from 5,200 to 9,600 trucks per year. It is, therefore, obvious that production at an economic level cannot be sustained on the strength of demand from Army alone.
- (ii) If the proposed unit is geared to a level of production which demand from Army alone cannot sustain, it will inevitably have to look to the internal and export markets to keep its production going. The internal market is being catered to already by units in the private sector which are at present producing trucks at cheaper cost than the ordnance factories. The unit cannot, therefore, compete with private sector units unless the existing level of cost is proportionately brought down. The scope for such reduction in costs and the competitiveness

of the trucks produced at such reduced costs vis-a-vis trucks produced in the private sector will, therefore, require very careful examination.

- (iii) So far as export markets are concerned, the data furnished by the Department about the ex-works prices of both Shaktiman and Nissan trucks show that these prices are at present higher than similar prices of trucks produced in Germany and Japan. Admittedly, there may be a reduction in internal prices if production is established on a larger scale, but it will still have to be considered whether the prices will even then be competitive with those at which the collaborators are at present producing them. The other point is whether the terms of the collaboration agreements leave scope for exports on a scale that would be necessary. Another point no less important is how potential export markets which Government have in view are at present being served and whether the proposed unit will be able to compete with existing suppliers to those markets on equal terms."

1.46. In their reply dated the 5th December, 1969, the Ministry of Defence have stated:

"Government have sent a batch of technical personnel to the Collaborator's works in West Germany for training in Cost Control and Quality Control at each stage of production. With the implementation of proper Cost Control, the shifting of the present dispersed production from various Ordnance Factories to the integrated unit under establishment at Jabalpur and large-scale production of vehicles, the production cost is expected to come down from the present level."

"The limited production established so far by utilising such surplus capacities as exist in various Ordnance Factories, has not been able to meet fully the demand of the Services. It has, therefore, not been possible to cater for the demands from civil indentors, save in exceptional cases. So far, supplies to the civil sector (including Border Roads, Border Security Force and the Police) have been made to the extent of 41 Shaktiman, 1,361 Nissan 1-Ton and 684 Nissan Patrol vehicles. The question of export and induction on a large scale into the domestic civil market would arise only when the produc-

tion reaches the maximum capacity and exceeds the requirements of the Services; this is not likely to happen before 1973-74.

Nevertheless, the need for effecting reduction in the production cost to make the vehicles competitive with reference to the products of the private sector as well as in the international market is receiving attention. Towards this end, Government have sent technical personnel abroad for training in cost control and quality control in vogue in the collaborators' works in West Germany.

The collaboration Agreement for Shaktiman vehicles which expired in September, 1969, has been extended for a period of three years. Similarly the Agreement in respect of Nissan 1-Ton and Patrol vehicles expires on 2nd February, 1970 and is being extended further for a period of three years. These Agreements provide for export to a few neighbouring countries; the need to enlarge the field for export is not likely to arise before the extended agreements expire.

Government will ensure that the maximum number of vehicles are produced in the new factory now under establishment at the minimum possible cost consistent with quality in order to make the vehicles competitive for export and for induction into the domestic civil market."

1.47. The Committee note that steps have been taken to train technical personnel in cost control and quality control at the collaborator's works in West Germany and they hope that these efforts would help in bringing down the cost of production of Shaktiman trucks. Serious efforts should be made to make the cost of Shaktiman truck comparable to the cost of a civil truck produced for the Army in the private sector. With large-scale production of vehicles being now established and the distinct possibility of Service demands not being able to support production in the unit on an economic scale from 1973-74 onwards, the importance of cost and quality control needs no emphasis.

Non-commissioning of a gas plant—Paragraph 2.59 (S. No. 30).

1.48. In paragraph 2:59, the Committee made the following observation regarding non-commissioning of a gas plant in an ordnance factory:

"The Committee note that the gas plant is still to be commissioned over four years after the scheduled date of its commissioning. Preliminary trials with the Plant have brought to light defects which the firm has been asked to rectify and Government is, therefore, not in a position to say when the plant is likely to be put into operation. The Committee would like to be apprised of the progress in this regard as also the action taken against the firm."

1.49. In their note dated the 3rd December, 1969, the Ministry of Defence have stated:

"Though the Plant has not officially been taken over by the Ordnance Factory and certain defects are under rectification by the firm, trial runs have been in progress for the past few months. The gas generated during these trials has been utilised by the factory and it has been possible to reduce, if not altogether eliminate, the purchase of commercially bottled gas which has almost been discontinued."

"According to the firm, the measures already taken by them regarding the soundness of foundation structures for the gas holders are adequate. But according to the consignee, these foundations are defective and need further strengthening. In order to settle the issue, DGS&D have entered into an agreement with the firm for the appointment of two arbitrators, one from the firm's side and the other from the Government's side, in order to have their independent finding in the matter. In case of any difference of opinion, the matter would be referred to an umpire, whose verdict would be final and binding on both the parties. This agreement was signed on 20th August, 1969. The firm appointed their arbitrator on 22nd August, 1969 and the Government their arbitrator on 1st September, 1969. The outcome of the arbitration is awaited."

1.50. The Committee observe that there is a dispute between Government and the firm which undertook the supply and erection of the gas plant. The matter has now been referred for arbitration. The Committee suggest that the arbitration proceedings be expedited so that the gas plant is commissioned at the earliest possible opportunity.

Excessive payment of electricity charges on account of over-estimation of actual requirements—Paragraphs 2.68 and 3.187 to 3.189 (S. Nos. 32, 64, 65 and 66).

1.51. In paragraph 2.68, the Committee made the following observation regarding over-estimation of electricity requirements in a factory resulting in excessive payments towards electricity charges:

“The Committee observe that the factory contracted originally for a demand of 14,000 KVA which was later reduced to 5,000 KVA. Even the reduced demand has turned out to be a gross over-estimation of requirements. Over a period of four years ending July, 1968, the payments for electricity on the basis of stipulated percentages of contract demand exceeded by Rs. 8.27 lakhs the charges that would have been payable on the basis of actual consumption. The Committee note that this question of excess payment as well as the payment of certain charges demanded by the Electricity Board at the time of reduction of the contract demand of 5,000 KVA are under discussion. They would like to be apprised of the outcome of the efforts in this regard.”

1.52. In their reply dated the 3rd December, 1969, the Ministry of Defence have stated:

“The circumstances under which the factory originally contracted for a demand of 14,000 KVA were explained before the Committee. The present contract demand of 5,000 KVA cannot be considered as unduly high on the only consideration that the actual maximum demand reached so far is much lower. The maximum demand reached has been increasing from year to year and it is expected to approximate to the ‘billing demand’ which is 75 per cent of the contract demand of 5,000 KVA. This expectation is based on the growth of production anticipated in the factory.

As regards the ‘excess payment’, the position is as follows:

The tariff of the Electricity Board consists of two parts:

- (a) The ‘energy charges’ being the cost of units actually consumed; and

- (b) The 'demand charges' based in the present case on 75 per cent of the contract demand of 5,000 KVA.

So far as (a) is concerned, the question of excess payment does not arise. As regards (b), the payment of 'demand charges' on the basis of 3,750 KVA is higher compared to payment on the basis of the actual maximum demand registered, but it cannot be considered as excessive for the following reasons:

- (i) As stated in para 1, the difference between the actual maximum demand and the billing demand is expected to narrow in the coming years.
- (ii) Secondly, the contract demand has necessarily to be pitched at a higher level than the possible maximum demands from year to year, so as to prevent the risk of interruption to supply on account of the Electricity Boards capacity falling below the actual requirement.
- (iii) The installation and equipment provided by the Electricity Board have to be based on the ultimate demand of the factory, as the Board cannot be expected to lay fresh cables and change their equipment each time the demand registers an increase.
- (iv) There is no provision in the Electricity Board's tariff for 'demand charges' being based on the actual maximum demand from year to year. The tariff lays down that the 'demand charges' be based on the demand indicated in the contract. The agreement of the Board to restrict the 'demand charges' to 75 per cent of the contract demand is in the nature of a concession. The question of 'excess payment' does not, therefore, really arise.

It has been possible to secure a further concession from the Electricity Board of Rs. 1.13 lakhs for the initial period August, 1964 to February, 1965.

An agreement has been reached with the Electricity Board that a contract on the basis of a demand for 5,000 KVA would come into effect from 1st March, 1965 and the contract is likely to be executed shortly."

1.53. In paragraphs 3.187 to 3.189, the Committee made similar observations in another case:

"3.187. The Committee observe that an Air Force Station paid electricity charges from September, 1965, till January, 1967, on the basis of 75 per cent of the maximum con-

tract demand, viz., 500 KVA, though the actual consumption was not more than 100 KVA. It has been stated that the connected load was 250 KVA and a further load of 250 KVA was anticipated. The anticipated load did not, however, materialise due to a change in operational requirements, which was 'indicated' by the Command Authorities in January, 1967. It is not, however, clear how, when the change in operational requirements was 'indicated' only in January, 1967, the Garrison Engineer could have approached the Electricity Board for scaling down the contract demand to 100 KVA even in September, 1966. The Committee would like the Ministry of Defence to examine whether there was a failure to scale down the demand sufficiently in time."

"3.188. The Committee note that the excess charges for the period June, 1966, to January, 1967, have been refunded or are likely to be adjusted but that the State Electricity Board have not agreed to refund the excess charges levied for the earlier period, viz., September, 1965 to May, 1966."

"3.189. The Committee would like the question of refund of excess charges for the period September, 1965 to May, 1966 to be pursued vigorously. They would also like the Ministry to impress upon the authorities concerned the need to assess their requirements more realistically."

1.54. In their reply dated the 27th October, 1969, the Ministry of Defence have stated:

"It is true that the change in the operational requirements was indicated by the Command authorities in January, 1967, but the question of scaling down the contract demand had been taken up independently by the Garrison Engineer much earlier. The circumstances in which this action was taken by the Garrison Engineer are explained below:

The electric supply was given to the M.E.S. in pursuance of the letter of the Additional Chief Engineer, Rajasthan State Electricity Board, dated the 17th September, 1965. In accordance with that letter billing had to be done under Schedule HS|ML|LT|3 which applies to loads ranging from 10 KW to 100 KW. In view of this, the M.E.S. considered that the Rajasthan State

Electricity Board would charge for the consumption of energy in the manner prescribed under Schedule HS|ML|LT-3. It was only on 27th May, 1966 when the Rajasthan State Electricity Board sent the bills for the first time that the M.E.S. came to know that the billing had been done under Schedule HS|ML|HT-2. Immediately on receipt of the bill, the Garrison Engineer took up the matter on 31st May, 1966, with the Additional Chief Engineer; Rajasthan State Electricity Board, pointing out that the demand charges given in the bill were based on 500 KVA whereas the capacity of the MES transformer installed was 100 KVA only. However, in accordance with the rules of Rajasthan State Electricity Board, and with a view to avoiding forfeiture of rebate, the bill was paid in full. On 4th June, 1966, the Garrison Engineer, Jaipur again requested the Additional Chief Engineer, R. S. E. B. to restrict the Contract Demand to 100 KVA. On 10th November, 1966, the Additional Chief Engineer, R. S. E. B. conveyed the approval of the Chairman, R. S. E. B. for reducing the contract demand from 500 KVA to 100 KVA with effect from 4th June, 1966.

It will be seen from the position stated above that there was no time lag between the receipt of the first bill or revelation of the incorrect demand charges and application to the Board for scaling down the Contract Demand. There is, thus, no failure on the part of the MES authorities in taking necessary action to scale down the contract demand sufficiently in time."

"As regards the refund of excess demand charges for the period from 20th September, 1965, to 3rd June, 1966, the Rajasthan State Electricity Board have since agreed to refund the same.

With a view to ensuring that the peak load demands of electricity are assessed on realistic requirements, necessary instructions have been issued to all concerned *vide* Army Headquarters, E-in-C's Branch letter No. 29066|68|E4, dated 23rd December, 1967."

1.55. The Committee hope that, on the basis of Government's experience in these two cases, they would ensure that assessment of peak load demands of electricity is most carefully made, keeping in view a realistic picture of operational requirements.

Purchase of sub-standard timber and recovery of loss—Paragraph 2.112 (S. No. 36)

1.56. In paragraph 2.112, the Committee made the following recommendation regarding recovery of loss caused to Government on

account of the supply of sub-standard timber by a contractor:

"The Committee desire that in the light of the advice given by the Ministry of Law, the Department of Supply should take measures, without further delay, to recover the loss caused to Government through the default of the contractor."

1.57. In their reply dated the 4th December, 1969, the Ministry of Defence have stated:

"The above recommendation is for Ministry of Foreign Trade (and Supply) to take action. A copy of the same has already been forwarded to that Ministry for necessary action."

1.58. The Committee trust that necessary action to effect recovery from the contractor for supply of sub-standard timber has been taken by Ministry of Foreign Trade and Supply. The Committee would like to be informed of the progress in the matter.

Procurement of defective spare parts—Paragraphs 3.95 and 3.96 (S. Nos. 48 and 49).

1.59. In paragraph 3.95 and 3.96, the Committee made the following observations regarding procurement of defective spare parts from a firm in U.S.A. by India Supply Mission, Washington:

"3.95. The Committee feel that procurement of defective stores that occurred in this case could have been avoided had the India Supply Mission, Washington as well as Army Headquarters exercised due care. The indent for the stores was raised on an urgency basis by Army Headquarters in February, 1964 and a contract was placed by the India Supply Mission with a firm in July, 1964. The India Supply Mission were aware, at the time the contract was placed, that similar stores supplied by this firm against an earlier contract had been reported by Army Headquarters to be defective and that the question of acceptability of those stores was under consideration. The India Supply Mission themselves had, in fact, drawn the attention of Army Headquarters to this position, in a communication they sent in February, 1964, on another ordinary indent for these stores on which they had for this reason suspended procurement action. It is, therefore, not clear why the Mission chose to place a contract without specific clearance from Army Headquarters. The fact that the indent in question was 'urgent', whereas the one on which procurement action was suspended had been categorised as 'ordinary' should have made no difference

as the question involved was whether or not the earlier supplies were defective.”

“3.96. The Committee are also at a loss to understand why Army Headquarters failed to give appropriate instructions to the India Supply Mission, even after the latter had specifically addressed them in the matter in February, 1964. Army Headquarters became aware of the defects in the supplies in December, 1963, i.e., even before the indent for the subsequent lot was placed. They could, therefore, have well instructed the India Supply Mission not to place the orders with the firm till the question of the acceptability of the earlier supplies was settled. In fact, it took Army Headquarters eight months to reply to India Supply Mission’s communication on this point and by that time India Supply Mission had already placed the contract.

The Committee would like both the Ministry of Defence and the Department of Supply to investigate the various lapses that occurred at various stages in this case and to fix responsibility for these.”

1.60. In their reply dated the 4th December, 1969, the Ministry of Defence have stated:

“On receipt of letter dated 5th February, 1964 from I.S.M., Washington, Army Headquarters referred the matter to EME Directorate on 7th March, 1964 because the original discrepancy report was raised by EME workshop. The EME Directorate suggested on 21st March, 1964 that the views of the AHSP should be obtained and further action taken accordingly. The matter was, therefore, referred to AHSP viz., Chief Superintendent Development (Veh.), Technical Development Establishment (V), Ahmednagar, on 31st March, 1964. Simultaneously, I.S.M., Washington, was informed that the matter was under examination by the technical authorities and that a further communication would follow. I.S.M. were kept informed by letters dated 24-6-1964 and 11-7-1964 that the matter was under consideration of the technical authorities. The report was received from technical authorities on 7th August, 1964 and I.S.M., Washington, were accordingly informed on 31st October, 1964 that the stores supplied by the firm against their contract dated 18th April, 1963 were not acceptable. It will thus be seen that there was no avoidable delay on the part of Army Headquarters in replying to India Supply Mission, Washington.

According to the normal procedure, an indenter is not required to indicate the source of procurement while projecting the indent to the Central Procurement Agency. At the time of placing the indent, it was, therefore, not required of the Army Headquarters to indicate that procurement should or should not be made from any particular source. Unless a proprietary article certificate is issued by the indenter, which was not done in this case, it is entirely for the ISM Washington to decide on whom the order be placed. Further, the indent for Qty. 2,015 was placed on 26-2-1964 i.e., after the ISM, Washington's letter dated 5-2-1964 had been received. In the said letter of 5-2-1964, the ISM had stated that they were not in a position to place an order for the same material for which a discrepancy existed and had further suggested that identical stores should not be purchased from that firm and on these grounds had requested that they may be permitted to suspend procurement action on the indent for 600 Nos. In these circumstances Army Headquarters could not expect that ISM, Washington would be placing a contract for Qty. 2,015 on the same firm for identical stores. In the circumstances, it is considered that there is no lapse on the part of the Army Headquarters.

The circumstances under which ISM, Washington placed the contract dated 7th July, 1964 for 2015 Nos. of Sleeves Crankshaft Driven Clutch on the same supplier firm have been intimated to the Public Accounts Committee vide para 9* of the Defence Ministry's note No. PC.3(16)67/D

*9. The reasons advanced by ISM, Washington for placing the contract dated 7th July, 1964 for 2015 Nos. on the supplier Company are as follows :

"There was no indication in the indent that similar store supplied by NAPCO against the first contract No. C. 5142/MT/3/D-4643 of April 18, 1963, would not be acceptable. On receipt of DGS & D's crossmandate ISI/4/(1393)/125263-M of May 17, 1963, against another indent No. S005/LVI/3655/60/6, of January 20, 1961, for the same store, quantity 600 Nos. MGO, vide letter No. 5645/MT of February 5, 1964 was cautioned that it would not be advisable to place order against this ordinary indent on NAPCO till the discrepancy against the first contract was finally settled. As neither any reply was received to our letter No. C.5645/MT of February 5, 1964, and MGO continued to be expedited by this Mission nor the discrepancy against the first contract was established on receipt of the firm's letter of January 20, 1964, where in they had contested the correctness of the store supplied, the second contract No. C.6161/MN/D-6159 of July 7, 1964, for a quantity of 2,015 Nos. of similar stores was placed on lowest basis with NAPCO against the urgent indent.

It may be stated that only two quotations were received, one from NAPCO and the other from Levy Auto Parts and the total difference between their prices was \$15,332.13. This would indicate that the market for the procurement of this type of stores was very limited and restricted to two firms only out of 13 firm to whom tender enquiries had been issued."

(O.I) dated 15th November, 1968. Taking into account the circumstances under which the contract dated 7-7-1964 was placed with the same supplier firm, Department of Supply are of the view that no action is called for against any official of ISM, Washington.

As indicated in para 8 of the Defence Ministry's note No. PC. 3(16)|67|D(O.I) dated 15th November, 1968, the Public Accounts Committee were informed that instructions were issued by the Defence Ministry on 18th October, 1968 to ISM, Washington to pursue and settle the Government's claim against the supplier firm on the most advantageous terms obtainable. ISM, Washington have informed the Department of Supply that a compromise settlement has since been effected with the supplier firm whereby they have refunded a sum of US \$8,798.15 representing 40 per cent of the value of the stores against the two contracts dated 18-4-1963 and 7-7-1964 placed with the supplier firm. This amount has been credited to the Government account.

This note has been seen and concurred in by the Department of Supply."

1.61. The Committee are unable to accept Government's view that there was no lapse in this case. Supplies made by the firm against a contract placed in April, 1963 were found defective by the Army Authorities soon after the stores were received in December, 1963. The Army authorities had also reported the matter immediately to the India Supply Mission, Washington, which had placed the contract. Under the circumstances, it was the duty of the Army authorities, when they placed a fresh indent for similar stores in February, 1964, to have alerted the purchasing agency suitably. The argument that the indenting authority is not required to indicate the source of procurement while placing the indent is clearly untenable in this context. It is no doubt true that, as a matter of normal procedure, it is the procuring agency which decides the source of supply. But when the indenting authority is aware that similar stores procured from a particular source have proved unacceptable, it is surely its responsibility to draw attention to this fact. In any case, under the existing practice, indenting authorities

do normally indicate the previous sources of supply in their indent. The Army authorities could have well, therefore, pointed out to the India Supply Mission that the previous source of supply in this case could not be relied upon to supply acceptable stores.

1.62. Another point that the Committee notice is that, even after the India Supply Mission themselves had drawn the attention of Army authorities in February, 1964 to their complaint about the previous lot of supplies, it took about 8 months for the Army authorities to investigate the position and inform the Supply Mission that the stores were not acceptable.

1.63. The part played by the India Supply Mission also calls for comment. The Mission have taken the plea that they procured the stores against the indent placed in February, 1964, because the indent contained no indication that the previous lot of supplies was not acceptable to the Army authorities. The Committee see little force in this plea, because the Supply Mission were aware, even in the absence of any indication to that effect in the indent, that the previous lot of stores had not been accepted by the Army authorities. Besides, as the Committee have themselves pointed out in para 3.95 of their Sixty-Ninth Report (Fourth Lok Sabha) the Supply Mission had themselves suspended for this reason procurement action on another indent for similar stores received at the same time

1.64. For the foregoing reasons, the Committee wish to reiterate their recommendation in para 3.96 of their Sixty-Ninth Report that responsibility for the lapses that occurred at various stages of the case should be fixed.

Jetty at Karanja which was not fully operative—Paragraphs 4.24 to 4.26 (S. Nos. 67, 68 and 69).

1.65. In paragraphs 4.24 to 4.26, the Committee made the following observations regarding a jetty built at a cost of Rs. 1.75 crores for the Naval authorities which had not become fully operative as a result of siltation:

“The Committee observe that a jetty built for the Naval authorities at a cost of Rs. 1.75 crores has not become fully operative as a result of siltation. In the Committee's view, this situation arose because of inadequate attention to the location and design of the jetty. Government were aware that the silt in the basin where the jetty was constructed ‘is in nascent stage’ and had not stabilised. Besides, experiments conducted by the Central Water and Power Research Station with different models for the

purpose of deciding on the most suitable alignment for the jetty had indicated that siltation occurred with all the alignments and that the most advantageous course was to have an open jetty below low water which would, however, 'be more expensive'. The Naval authorities could have, in the light of these observations, reconsidered their scheme."

"It is also surprising that after having consulted the Central Water and Power Research Station on the most suitable design for the jetty, the Naval authorities did not take their clearance before agreeing to the construction of a temporary bund by the contractor for the purpose of execution of the work. It is significant that, after this bund was put up, siltation increased reducing the depth from 12 feet to 8 feet in four years."

"The Committee note that experiments conducted in 1968 show that the basin is getting desilted and that at present the jetty is being used for loading and unloading of barges. The Committee consider that before incurring heavy capital expenditure in providing handling and other facilities at the jetty, Government should make sure that the jetty will have a draught of 20 feet at the pier to permit direct loading and unloading by destroyers and frigates."

1.66. In their reply dated the 26th September, 1969, the Ministry of Defence have stated:

"The jetty at Karanja is being used for loading and unloading barges. The fact that the jetty is not fully operative in that it cannot be used by Destroyers and Frigates is because the capital dredging provided for in the administrative approval has yet to be carried out for which the recommendations of the CW&PRS on the dredging pattern to be adopted are awaited.

So far as the location of the jetty is concerned, consequent on the selection of Karanja as a site for the establishment of a permanent Naval Armament Depot, the jetty had to be located close to the Depot.

As regards the design, the one incorporated in the recommendations of the CW&PRS which provided for an open construction for the first 2,000' from the shore line in order to have the least interference with the currents in the area, the rest being rubble mound was adopted. The design of the jetty is, therefore, such that the silting would be kept

to the minimum possible level. But this jetty, like any other similar project, will require periodic maintenance dredging.

The construction of the bund was not in the form of a major work necessitating any change in the design or alignment of the jetty but was only required to assist the process of construction of the closed portion of the jetty. The temporary bund was constructed for the same purpose as scaffoldings are put up when buildings are constructed and it was removed as scaffoldings are removed after construction. Because of the temporary nature of the bund, CW&PRS was not consulted regarding its provision and removal. Engineers who were associated with the planning and execution of the works were trained in marine engineering works. It was visualised by these engineers that slight siltation would take place due to the construction of the temporary bund, but it was also expected that the silt would be gradually flushed out after its removal. This has been borne out by actual observations by survey of the basin in the years 1966, 1968 and 1969 and observations by CW&PRS. In fact the findings of January, 1968 surveys were:

- (i) a depth of 8' to 12' continues to be available;
- (ii) the accumulation of silt is on the decrease;
- (iii) there is a noticeable movement of the silt deposited near the shore towards the sea;
- (iv) the area where the limited dredging was carried out for the construction of berthing pier has not shown any appreciable siltation.

As desired by CW&PRS, a survey of the Karanja Basin was carried out from 27th December, 1968 to 3rd January, 1969 and the report was sent to them. The matter was further discussed with the CW&PRS on the 28th March, 1969. The CW&PRS, however, had requested that near shore surveys should be carried out and soundings made available to them before they can make their recommendations. These surveys have since been completed and the report forwarded to CW&PRS. Dredging of the area will be undertaken as soon as the pattern of dredging is evolved by CW&PRS. CW&PRS have already been requested to expedite their recommendations keeping in view the minimum maintenance dredging."

"No heavy capital expenditure is expected to be incurred in future on the provision of requisite loading and unloading facilities on the jetty. However, the recommendations of the PAC will be borne in mind before further works are undertaken.

It is confirmed that the jetty will be put to full use, for which it has been designed, once the capital dredging of the basin is completed. As stated above, the CW&PRS are already working on the dredging pattern to be adopted. Provision of capital dredging is included in the administrative approval of the project which will be carried out on receipt of the recommendations of the CW&PRS."

1.67. The Committee note that the jetty built at a cost of Rs. 1.75 crores will be put to full use "once the capital dredging of the basin is completed". The Committee would like Government to settle, after consultation with the Central Water and Power Research Station, the pattern of dredging and draw up a programme for the purpose so that the jetty can be used by Destroyers and Frigates also.

Delay in construction of seaward Defence Boats—Paragraphs 4.36 to 4.40 (S. Nos. 70—74).

1.68. In paragraphs 4.36 to 4.40, the Committee made the following observations regarding the inordinate delay caused in the construction of three seaward Defence Boats for use of the Navy:

"The Committee observe that the three Seaward Defence Boats which were expected to be delivered to the Navy between August-December, 1964, will now be available only in the middle of 1969, i.e., after a delay of about 4½ years. This delay was, in the main, due to the time taken in the revision of specifications and in importing steel of the required specifications."

"The Committee note that, within two months of sanctioning the scheme, the Naval Headquarters undertook a major revision of specification which took as much as 1½ years to complete. The Committee can only conclude that due note was not taken by Naval Headquarters/Ministry of Defence at the time of sanctioning the project in March, 1960 of the advances made by the ship-building

industry in India and of their own experience with the Seaward Defence Boats built earlier in the country."

"The Committee further note that, though the Garden Reach Workshops were issued a licence for import of steel through the Iron and Steel Controller in October, 1963, supplies were actually received only towards the end of 1965. Thus, a further delay of more than two years was caused."

"The Committee are constrained to observe that, as a result of delays due to various factors and at various stages, machinery, equipment and certain weapons costing Rs. 41 lakhs acquired for installation in the boats, are lying unused. The warranty period for these items of supply has already expired. Even when it became obvious in May, 1963, that there would be delay in construction due to steel having to be imported, Naval Headquarters|Government did not take any measures to reschedule the delivery period of these stores."

"The project thus appears to the Committee to have been conceived in a hurry and executed at leisure. The Committee would like Government to analyse in detail the reasons for delays of this nature and take suitable remedial measures. They would impress upon Government the need for more careful planning and coordination between the various agencies so as to avoid recurrence of cases of this nature."

1.69. In their reply dated the 5th December, 1969, the Ministry of Defence have stated:

"In March, 1960, Government sanctioned the construction of three Seaward Defence Boats by Ship-builders in India through the Director General of Supplies and Disposals at an estimated total cost of Rs. 60.00 lakhs including Rs. 27.00 lakhs in Foreign Exchange to be incurred on the procurement of machinery and equipment.

In April, 1960 the Government acquired Messrs Garden Reach Workshops Limited and Messrs Mazagon Dock Limited, and a policy decision was taken in May, 1960 to the effect that all orders for Naval Works are to be entrusted to these two companies. Even prior to the policy decision, Naval Headquarters had floated preliminary enquiries with Garden Reach Workshops in view of the fact that

Garden Reach Workshops had experience of building a Seaward Defence Boat. Garden Reach Workshops informed Naval Headquarters in November, 1960, that due to heavy pressure of work in their Estimating Section, they would not be able to submit their estimates before the end of December, 1960. Meanwhile, NHQ undertook a revision of specifications of the Seaward Defence Boats taking into account the various advances made by the ship-building industry in India and on the basis of their experience of the earlier Seaward Defence Boats built in India. This revision of specifications which involved a complete change of electrical equipment and the substitution of indigenous equipment for imported ones, was intimated to Garden Reach Workshops as and when modifications were decided upon. They also ensured that obsolete equipment was not fitted on the vessel.

The first quotation from Garden Reach Workshops was received in July, 1961. Various technical and costing details of the firm's offer had to be obtained and further correspondence entered into with Garden Reach Workshops. The final quotation was received from the firm in January, 1962. This was considered in detail by Government and the revised sanction accordingly issued in December, 1962 revising the total cost of Rs. 60.00 lakhs to Rs. 78,42,860.00 including Rs. 27.00 lakhs in foreign exchange. The firm was to deliver the first vessel for trial in approximately 20 months followed by one vessel every two months thereafter, subject to the following conditions being satisfied:

- (a) that all the free supply items were made available to the Company at least 12 months prior to the delivery date;
- (b) that Import Licence for importing Aluminium material and water cooler was issued within four months from the date of order and imported materials were received in the Yard within 8 months thereafter;
- (c) that there was no delay in inspection|approval and|or progress payments;
- (d) that all steel material remained, or were made available within 5 months from the date of receipt of order.

As stated above, Messrs Garden Reach Workshops Limited had earlier constructed a Seaward Defence Boat for the Navy which was built using only indigenous steel. The original Seaward Defence Boats were designed according to British Navy's specifications and the use of indigenous steel had resulted in an increase of Hull weight by 15 tons over the British design figure. This was the maximum permissible increase acceptable to Naval Headquarters. When Messrs Garden Reach Workshops Limited got the order in December, 1962 they projected their requirements of steel to the Iron and Steel Controller in accordance with the specifications of the scantlings used by them for the earlier construction. In the meantime, an important development had taken place. The specifications for the Seaward Defence Boats were obtained from the U.K. Ministry of Defence (Navy) and were based on the foot pound system. The Indian Steel Industry was originally producing steel in accordance with the foot pound system and Naval Headquarters did not, therefore, anticipate any difficulty in regard to indigenous availability, particularly because steel of the required specifications had been made available by the Indian steel producers for the Seaward Defence Boats previously constructed for the Indian Navy. However, by the time the order was communicated to the builder, the steel rolling mills in India had switched over to the metric system and due to further rationalisation of sizes by the steel industry, the steel requirements for the Seaward Defence Boats which satisfied the weight specification could not be met indigenously. In January, 1963, Naval Headquarters were accordingly informed by Garden Reach Workshops that certain sections were not available indigenously and substitutes offered by the Iron and Steel Controller would cause a further increase in Hull weight by approximately 4.5 tons. This increase in weight was not acceptable to Naval Headquarters in view of design considerations.

The matter was then taken up by Naval Headquarters with the Iron and Steel Controller in February, 1963. In April, 1963 the Iron and Steel Controller informed M/s. Garden Reach Workshops that steel of the requisite specifications was not available indigenously. Thereupon in May, 1963 Naval Headquarters requested M/s. Garden Reach Workshops to forward their complete requirements to the Iron

and Steel Controller for grant of an import licence, and this was done by the firm in July, 1963. The Iron and Steel Controller, however, intimated Garden Reach Workshops in end of July, 1963 to provide the requisite foreign exchange as the foreign exchange could not be spared from his allocation. The firm projected this requirement to Naval Headquarters in end of August, 1963. Naval Headquarters then requested the Iron and Steel Controller to reconsider his stand regarding the provision of the Foreign Exchange from his quota. This was agreed to by Iron and Steel Controller on 1st October, 1963. Necessary import licence was issued and M/s. Garden Reach Workshops invited offers from abroad for the required steel. However, in January, 1964, M/s. Garden Reach Workshops informed Naval Headquarters that they had not received any suitable offers from the Trade abroad for their requirements of steel and requested Naval Headquarters to explore the possibility of having the requirements cross-mandated to the Indian Supply Department, London through the Director General of Supplies and Disposals. This position was brought to the notice of the Department of Defence Production in early February, 1964, whereupon they advised the firm in March, 1964, that the indent should be placed on the Director General of Supplies and Disposals who could cross-mandate it to the Indian Supply Department, London|Indian Supply Mission, Washington. Accordingly indents were raised on 27th March, 1964 by M/s. Garden Reach Workshops which were, however, returned by Director General of Supplies and Disposals (end of April, 1964) to the firm for rectification of some mistakes and also for payment of an advance deposit. The corrected indent along with the deposit money was forwarded to Director General of Supplies and Disposals in middle of May, 1964, subsequent to which the indent was crossmandated to India Supply Department, London by Director General of Supplies and Disposals. Thereafter further exchange of correspondence was necessary with D.G.I.S.M., London as certain sections were not available even in U.K. The matter was finally resolved and shipment of steel commenced in early 1965 and continued upto middle of 1966.

The construction of the Vessels has been further delayed due to the delay that occurred in the supply of some of the items which the Navy was required to supply to the

builder. This delay occurred as a result of difficulties experienced in identifying and checking the serviceability of the stores to be sent to the builder from time to time as well as difficulties in regard to the availability of suitable rail transport.

In addition to the delay in the procurement of suitable steel, the following factors also contributed to the Craft not being completed and delivered in time:

(i) *Non-availability of non-magnetic bullet proof steel.*

Non-magnetic Bullet Proof steel was not available from indigenous sources although enquiries were made from a wide range of supplying sources. Ultimately, an acceptable alternative viz. aluminium plating was located and order placed in December, 1966. However, there was a serious breakdown in the Aluminium Rolling Mill as a result of which there was further delay in the delivery of aluminium plating. This was received only in December, 1967.

(ii) *Indigenous substitution of imported materials.*

A number of items like light fittings, junction boxes, distribution box and board, switches and cables were being substituted from indigenous sources. Due to the small quantities involved considerable effort was required to persuade manufacturers to supply these items. Besides this, these items were required to meet Naval specifications and thus contributed to the delay in establishing indigenous sources of supply. However, whatever little could be achieved by indigenous substitution was considered to be worthwhile in the larger interests of self-sufficiency.

The original sanction issued in March, 1960 listed certain machinery and equipment which were to be supplied by the Navy to the ship-builder at an estimated cost of Rs. 27.00 lakhs. In 1960, Naval Headquarters had not anticipated any difficulty in regard to the construction of these boats and therefore initiated immediate action for the procurement of these items in view of the fact that the lead time required for such imports would be considerable. The processing of the procurement of the machinery which continued even upto 1964, i.e., even

after Naval Headquarters knew that there would be delay in the construction of the vessel consequent on the non-availability of steel, was deliberate as Naval Headquarters did not expect the difficulty in the procurement of steel to last so long. Further, the items required are not perishable and should be available for installation in the craft as soon as required. The supply of these items commenced in 1962 and continued upto 1967. The equipment received had not deteriorated during storage and was being issued to the shipbuilders as required for the installation on the Seaward Defence Boats.

The Bofor Guns were not required to be fitted by the Builder as this is not his contractual commitment. The purchase of these guns was authorised *vide* Government of India, Ministry of Defence letter No. WM|1407|NHQ|3164|S|D (N-1), dated 30th November, 1964 at a cost of Rs. 15 lakhs and these were received in September, 1967. The Guns would have to be installed by the Naval Dockyard, Bombay after the Seaward Defence Boats had been delivered complete in other respects to the Indian Navy.

Although the delay in construction was primarily due to the non-availability of steel, it should be pointed out that the total cost of steel utilised in Naval ships account for less than 2 per cent of the total cost of the construction of the vessel. However, the use of the correct quality of steel was extremely important from the point of view of design and operational considerations and unless the correct quality of steel was utilised, however low its cost, no progress could have been achieved in construction. In the present case, there was no delay in taking the basic decision to import the steel when it was discovered that the steel according to the necessary specifications was not available indigenously. It may also be pointed out that the requirement of machinery|equipment was incapable. Since its procurement in 1962 the prices of the imported machinery had escalated considerably and had, therefore, the machinery and equipment not been procured at that time Naval Headquarters would have to pay a considerably greater amount for its procurement at later date. There had been no deterioration in the machinery procured and therefore, its procurement earlier had not resulted in any financial loss to the Government.

It is evident from the position explained above, that the revision of specifications only did not cause any delay in regard to the order placed on Garden Reach Workshops in December, 1962, as referred to in the observation at Sl. No. 70 and these were taken into consideration for the stipulated delivery date of August—December, 1964. The delay caused was also due to the reasons given in para 7 above. The delay in the construction of the vessel after the placement of the order thus was due to:—

- (a) Non-availability of suitable steel indigenously consequent to the steel rolling mills in India having switched to metric system and consequential procurement of the required specifications of steel from abroad.
- (b) Delay in the Navy supply items due to the problem of identification and transport arising out of lapse of time from the receipt of the stores.

It may be stated that one of the Seaward Defence Boats had already been delivered in August, 1969 and second and third Seaward Defence Boats are expected to be delivered by end of December, 1969 and January, 1970 respectively.

With reference to the observation at Sl. No. 71, it is pointed out that the revision in the specifications was undertaken by the Naval authorities to take into account the various advances in ship-building being made around this period. The change mainly involved the complete electrical equipment which was brought in line with developments in the indigenous Marine Electrical Industry which was concentrating on the development of only A.C. equipment in conformity with the world trend, as A.C. electrical system had better performance in ships. The revision was also undertaken with a view to conserving foreign exchange and utilising Indian equipment to the maximum extent possible. It is further pointed out that the Naval authorities would have made these changes in electrical equipment irrespective of the delay by Garden Reach Workshops in quoting for this work. This is so as the installation of electrical generating machinery and fitting out of the vessel does not start until some time after the fabrication of hull is completed. Thus supply of revised specification in this respect to Garden Reach Workshops

even after the placement of order would not have by itself delayed the construction of the ship as long as the change was intimated to the yard sufficiently in advance of completing the fabrication of the hull. This was in fact the case as the changes were duly intimated to Garden Reach Workshops by end of 1962. On the other hand, the fabrication of the hull did not commence till July, 1966 due to delay in procurement of steel. Thus it would not be correct to relate any element of delay in completion of these crafts to the change of specifications undertaken by the Naval authorities in the interest of ensuring more upto-date and efficient electrical system for these ships.

As regards the delay in the receipt of the steel after the grant of the import licence in October, 1963 (mentioned in the observation at Sl. No. 72), it is quite evident from the position explained in detail in para 5 above that it was due to:—

- (1) Non-availability of certain sections of steel even in U.K.
- (2) Non-receipt of suitable offers to the enquiries floated by M/s. Garden Reach Workshops to the Trade.
- (3) Procedural delays involved in the placement of orders on DGISM, London.

Thus even though the steel was received only in end of December, 1965 and the last consignment was received only in August, 1966, it might be appreciated that peculiar combination of circumstances led to the delay of the shipment of steel of required specifications.

In regard to the non-utilisation of equipment and weapons worth Rs. 41 lakhs (referred to in Sl. No. 73), it will be observed that this amount of Rs. 41 lakhs includes a sum of Rs. 15 lakhs for guns. Government sanction for these was accorded only on 30-11-1964. The indent was raised in February, 1965 and the delivery made only in September, 1967. Thus, their receipt has not been inadvertently long before the completion of the vessels. Regarding the balance of Rs. 26 lakhs, indents worth Rs. 22 lakhs in foreign exchange were raised in 1960-61 and these items had already been received by May, 1963 or were already under inspection and despatch and their delivery could

not be rescheduled. Further as explained already, at the time of placing of orders in some cases, it was realised that the Project would be subject to some delay but the extent of the delay could not be anticipated. Moreover, the Naval authorities considered that it was not advisable to delay the supply of these imported items, which were not perishable and should be available for installation in the craft, but such delays might eventually be more injurious to the construction schedule.

In regard to the observations of the method of planning and executing the project (Cf Sl. No. 74), it is evident that the delay in the construction has occurred due to a combination of various factors which could not reasonably be foreseen and were beyond the control of Naval Headquarters or M/s. Garden Reach Workshops Ltd. Such cases are exceptional in nature. It may, however, be mentioned that design and production of Naval ships and other crafts is now being carried out on more systematic methods with a view to avoiding delays."

1.70. The Committee cannot help expressing their disapproval of the manner in which this project has been handled. The scheme for construction of the seaward defence boats was sanctioned by Government early in 1960 in the anticipation that they would be supplied by end of 1964. Nine years after the sanction, two of the three boats still remain to be delivered. The Committee note the explanation of Government that delay was caused by "a combination of various factors which could not reasonably be foreseen" and that cases of this kind are "exceptional in nature". The Committee however feel that a sense of urgency or some imagination on the part of those who handled the project in the Naval Head-quarters, Garden Reach Workshop and the Steel Controllers Office could have substantially reduced the procedural bottlenecks which have led to 6 years of delay in the schedule of delivery. The Committee hope that Government would ensure that procedural delays of the kind that occurred in this case do not dog the implementation of defence projects hereafter.

Loss of aero-engines—Paragraphs 5.20 to 5.23 (S. Nos. 75—78)

1.71. In paragraphs 5.20 to 5.23, the Committee made the following observations regarding loss of 2 aero-engines which were shipped

from a foreign country after overhaul but could not be traced at Bombay:

"The Committee observe that a series of lapses on the part of different authorities led to a valuable Defence consignment passing into unauthorised hands and Government sustaining a loss of Rs. 7 lakhs. The stores were consigned to Bombay in April, 1962, but were apparently not off-loaded there. The Port Trust authorities at Madras who got this consignment some time in 1962 allowed it to remain in an 'Iron dump' 'where uncleared packages are stored', for the best part of two years, before deciding to put them up for auction in May, 1964, as unidentified and unconnected stores. According to the procedure, they were required to check the 'outturn' from every ship by the end of the month from the date of completion of discharge. This they failed to do and the consignment also 'missed the outturn', resulting in its being dumped in their premises for about two years. The customs authorities, who cleared the consignment prior to its auction, appraised its value as Rs. 4,000 but did not apparently even open the consignment. Had the consignment been properly examined, it would have been identified at least at that stage."

"One aspect of the case in particular needs close investigation by Government. It was stated before the Committee that the consignment got off-loaded at Madras instead of Bombay 'by accident'. The Committee, however, observe from the information furnished by the Ministry of Defence that the ship by which the consignment was sent 'did not call at Madras'. The Ministry of Defence have, however, added that 'confirmation|clarification' in this regard is being obtained from the Ministry of Transport and Port Trust authorities. The Committee would like the matter to be followed up. In case it is established that the ship did not touch Madras, it should be thoroughly investigated how a Defence consignment meant for Bombay found its way to Madras without the knowledge of any of the authorities concerned."

"The Committee also find that it took over one year for the Bombay Port Trust authorities to issue a short-landing certificate for the goods. Such a delay argues poorly of the state of efficiency of the Port Trust and may result in claims against shippers becoming time barred. The Com-

mittee desire that concerted action should be taken to ensure that such delays are eliminated. The Committee stress that Port authorities should arrange for speedy identification of all unclaimed/unconnected consignments."

"In their 15th Report (Fourth Lok Sabha), the Committee have comprehensively reviewed the position in regard to the clearance of defence consignments by the Defence Embarkation authorities and have stressed the need to ensure that Defence stores are expeditiously cleared through proper liaison with Port Trust authorities. The present case highlights the need for such action. The Committee note that, pursuant to their observations Government have issued instructions to the organisations concerned. The Committee would like to watch the implementation of these instructions through future Audit Reports."

1.72. In their reply dated the 5th December, 1969, the Ministry of Defence have stated:

"An Officer on Special Duty was appointed to investigate into and report on the circumstances leading to the loss of the consignment in consultation with the Ministry of Transport and Shipping and the Ministry of Finance. On receipt of the report of the Officer on Special Duty, a reply to the recommendations will be sent."

1.73. The Committee observe that Government have instituted an enquiry into the circumstances that led to a valuable consignment of aero-engines passing into unauthorised hands. The Committee would like the enquiry to be expeditiously completed and appropriate procedures to be devised, on the basis of the findings, to avoid recurrence of such instances.

Loss due to delay in release of foreign exchange—Paragraph 5.60 (S. No. 82).

1.74. In paragraph 5.60, the Committee made the following observation to emphasise the need to evolve a procedure by which foreign exchange was readily made available to meet the defence requirements out of commercial quota granted to a firm on which the order is placed:

"The Committee are not happy that it took nearly two years in this case to settle the question of foreign exchange re-

quired for certain items of stores indented for by the Air Headquarters. The delay resulted in an extra expenditure of Rs. 56,000. The Committee note that the delay arose mainly because the firm with whom the orders were placed was reluctant to provide the foreign exchange out of its commercial quota though the quota was intended to cover Defence requirements also. This suggests the need for evolving satisfactory arrangements to ensure that where a quota is intended to cover Defence orders also, it is effectively made available for the execution of such orders. The Committee suggest that the matter be considered by the Ministry of Defence in consultation with the Department of Supply and Director General, Technical Development and a satisfactory procedure worked out in this regard."

1.75. In their reply dated the 4th December, 1969, the Ministry of Defence have stated:

"The foreign exchange released to the Commercial Sector for common user items is intended to cover also the supplies against Defence orders. The supplier should, therefore, comply with Defence order without seeking extra foreign exchange allocation. In accordance with that decision when the Director General, Supplies and Disposals negotiates an order on the Civil Sector on behalf of Defence Ministry the assistance of Director General, Technical Development official concerned, or of the representative of the authority in-charge of import licencing where necessary is to be obtained so that the supplier complies with the Defence order without release of an additional exchange. Where, however, the firm is not agreeable to meet the foreign exchange requirement from out of its own quota for purpose of supply of stores against Defence orders, an enforcement machinery has to be devised to ensure that the firm is compelled to do so. This question is under consideration, as suggested by the Public Accounts Committee, in consultation with the Department of Supply, Ministry of Finance, the Ministry of Industrial Development and Company Affairs, the Director General, Supplies and Disposals and the Director General, Technical Development and further progress on this case will be reported to the Committee shortly."

1.76. In the opinion of the Committee, when a foreign exchange quota given to the Commercial Sector is intended also to cover exchange requirements arising out of Defence orders, it is important to ensure that such orders are executed forthwith. If there are any negotiations to be conducted about release of additional foreign exchange these should be done after complying with the order. The Committee note that the question of devising suitable procedures in this regard is engaging the attention of Government. The Committee would like the matter to be finalised expeditiously.

Avoidable expenditure on three Sector Operational Centres—Paragraph 5.85 (S. No. 86).

1.77. In paragraph 5.85, the Committee made the following observation regarding avoidable expenditure on three Sector Operational Centres of Indian Air Force:

“The Committee observe that work costing Rs. 14.26 lakhs was sanctioned between July—November, 1963 under the Emergency Works Procedure for improving the operational efficiency of three signal centres. The work, which commenced between May and September, 1964 was abandoned between August—November, 1965 in view of new radar installations in the vicinity sanctioned in the meanwhile. The new radar installations were sanctioned in June—October, 1964 by which time work on these three signal centres had either not started or, having started was in the preliminary stages. Besides, the proposal for these new installations would have been under consideration for some time before these were actually sanctioned. The Committee fail to understand why in the circumstances, instructions could not be issued for immediate cessation of work on these signal centres. The failure to do so rendered an expenditure of Rs. 1.39 lakhs incurred on these centres on purchase of air-conditioning and other equipment (Rs. 86,000) Civil works (Rs. 26,000) and on construction of certain buildings (Rs. 27,000) infructuous|avoidable. The Committee would like Government to investigate whether there was any failure by the authorities concerned in effecting coordination.”

1.78. In their reply dated the 3rd December, 1969, the Ministry of Defence have stated:

“The Sector Operational Centres at A. . . . , B. . . . and C. . . . were already in existence at the time new radar stations

were sanctioned. Air-Conditioning to these sectors had to be provided because it was an essential item for their operation. Augmentation of air-conditioning was necessary as the existing air-conditioning plants were in use for more than seven years during which period they had to undergo extensive repairs or overhauls. The new radar stations were not likely to be operational till the third quarter of 1965 and it was, therefore, necessary to keep these SOCs fully operational till the radar stations came up. Accordingly, sanctions for augmentation of air-conditioning of these SOCs were issued in 1963. The work services at A... commenced on 20th July, 1964, at B... on 15th June, 1964 and at C... on 18th May, 1964. The work services relating to alterations and additions to the buildings were soon completed and then the installation of the air-conditioning was to be done. It was expected that the entire work services including air-conditioning would be completed within 3—7 months, i.e., within the first quarter of 1965 after the commencement of the works. On scrutiny of the tenders it transpired that foreign exchange would be required for air-conditioning plants as the indigenous equipments were much more expensive than the imported ones. It was, therefore, decided to import the foreign equipment for the purpose and hence the question of release of foreign exchange arose. However, by the time the question of the release of foreign exchange required for these SOCs was sorted out, the new radar stations had come up satisfactorily. It was, therefore, decided to foreclose the works services sanctioned at these Sector Operational Centres in 1963 as these were no longer required to operate in the vicinity of the new radar stations which would in addition discharge the functions done by these SOCs."

"The matter has been thoroughly investigated and excepting that the case was dealt with in a routine way, no evidence of any failure by the authorities concerned in effecting coordination has come to notice."

1.79. While Government have admitted that this case "was dealt with in a routine way", they have stated that there was no failure by the authorities concerned in effecting co-ordination. The Committee are not able to accept this view. The work on the Signal

Centres was abandoned in August—November, 1965, about a year after it was started, in view of new radar installations which were sanctioned in the vicinity. According to Government's expectations the new installations were expected to become "operational" in "the third quarter of 1965." Instructions were also issued in August| November, 1965 to stop further work on the Signal Centres. In view of this position, there was no justification at all for Government to have released foreign exchange for the requirements of the Signal Centres and proceeded with the acquisition of imported equipment indented for the Centres. The data given in paras 5.77 and 5.81 of the Sixty-ninth Report (Fourth Lok Sabha) would show that the foreign exchange for the equipment required for these Signal Centres was released between May, 1965 and November, 1965 and that the imported equipments obtained were not utilised for the works. Clearly all this could not have occurred, unless there had been lack of co-ordination.

1.80. The Committee would like Government in the light of this position to re-examine the case for fixing responsibility for the failures that occurred. Expeditious action should also be taken to put the equipment to use.

CHAPTER II

RECOMMENDATIONS|OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendations

The Committee recognise that for various reasons the country will stand committed to a substantial outlay on the Defence effort in the years to come. This lends importance all the more to the necessity to plan the outlay judiciously and economically. The Committee would like to commend in this connection the following lines of approach:

- (i) The Armed Forces will have to be provided with greater fire power and the equipment policy in this respect will have to take note of the rapid changes in technology that are occurring. However, before new equipment is accepted for use, it will be necessary to recognise that it will have to be tested intensively in Indian conditions and that the forces will have to be trained in its use.
- (ii) Equipment for the Armed Forces is not to be viewed as an item in itself; it is part of a system. Before its addition to the armoury is considered, it will have to be examined whether it will add to the complexity and cost of maintenance. A multiplicity of types will undoubtedly complicate the problem of maintenance.
- (iii) The provision of new types of equipment will have to take into account the need to provide a ready bank of spares, based on a realistic assessment of requirements as also the need to train the maintenance staff thoroughly in repair and maintenance jobs.
- (iv) Before new equipment is introduced, there should be a careful examination of its merits vis-a-vis existing equipment and of its suitability for tasks ahead in the light of existing knowledge and expertise. Equipment which may cease to be considered suitable for frontline troops may have to be kept in reserve for Reserve Forces in the secondary sectors which may have to be mobilised in an emergency.

- (v) Rationalisation of demand and standardisation of somewhat similar articles required by different Services might help to make the programme of production economic.

The foregoing considerations illustrate the need for an integrated approach to the problem of equipping the Armed Forces. The experience of some other countries indicates that such an approach to problems has been considerably facilitated by the introduction of the Planning-Programming-Budgetting system. The Committee would like it to be examined how such a system could be of assistance in effecting better co-ordination and implementation of Defence plans.

[Sl. Nos. 1 & 2 (Para 1.4 and 1.5) of Appendix IV to 69th Report (4th Lok Sabha)].

Action taken

Recommendation No. 1.

The recommendation of the Public Accounts Committee has been noted. The approach recommended by the Committee is in broad conformity with the thinking of the Ministry of Defence. For keeping pace with modern technological developments in the Defence field and for meeting the changing nature of threats to the security of the country, new equipments have to be introduced, from time to time. Every effort is being made to develop indigenously equipments which meet our special needs, test them extensively and then productionise and introduce them. This reduces our dependence upon foreign sources and enables proper training of the Forces before large scale introduction of equipment. Nevertheless, certain types of equipment have necessarily to be imported, from time to time. Even in respect of such equipments, every effort is made to obtain samples for intensive tests under Indian conditions prior to bulk procurement. This procedure cannot, however, be adopted in all cases and it becomes necessary, in certain cases, to decide upon introduction of an imported item, based on tests carried out in the country of origin by our technical personnel. The need for avoiding multiplicity of types (which results in increased difficulties in maintenance and training) is fully recognised and every possible effort is being made to standardise the requirements of similar items by the Defence Services and to rationalise their demand for achieving more economic production. The concept of cost effectiveness is also being applied to the extent possible in important cases of introduction of new equipment by

assessing the merits of the new equipment to fulfil the desired objective as compared to the existing equipment and the other alternatives available.

Recommendation No. 2

The need for introducing the concept of Planning-Programming-Budgeting System (PPBS) has been recognised. Normal budgeting system which can look for only a year's programme has been supplemented by a time dimension of five years 'Roll on plan'. Actual performance against the annual targets set out in the Defence Plan will be reviewed periodically and also specifically at the time of the annual "roll on" review. To the extent necessary, the Plan will be backed by drawing up detailed Budgets, for each major segment of activity/programme. The Planning Organisation of the Ministry of Defence has been strengthened with this end in view. The identification of programme, the installation of works management, the application of performance standard, the establishment of record keeping on functional lines and an integration of budgeting and accounting classifications are steps which require urgent consideration. Introduction of Planning-Programming-Budgeting System (PPBS) in Defence will be kept under review and necessary measures taken in due course for gradual application of the PPBS and the Systems Analysis concepts in a phased manner to Defence management.

In periodical reviews and in working out the performance plans, Ministry of Finance (Defence) will be fully associated.

DADS has seen.

[Ministry of Defence File No. F. 11(6)69/D(Budget), dated 15-12-1969].

Recommendations

The Committee cannot too strongly emphasise the need to effect economies in Defence expenditure consistently with the requirements of security. While they are happy to learn that economies of the order of Rs. 52 crores were effected last year, they are of the view that a systematic exercise will have to be conducted covering distinct areas of logistics management in a phased manner. The aim should be producing in the country what we need, buying what we cannot produce, "buying at the lowest sound price" and "reducing operational costs". The Committee would like in this connection to commend the suggestions made in the Report of the Team of Officers who visited the United States of America for the introduc-

tion of a phased programme of cost effectiveness. For this purpose, it is imperative that training facilities in different branches in management and cost effectiveness techniques are suitably and speedily augmented.

A basic factor in any cost effectiveness programme would be computerisation. The Committee would like the Ministry in this connection to expedite progress on the pilot project study on inventory control through electronic data processing system which was introduced in the Central Ordnance Depot, Delhi Cantt. last year. The aim should be to extend this facility expeditiously to other centres in the light of experience gathered.

[Sl. Nos. 3 & 4 (Paras 1.12 and 1.13) of Appendix IV to 69th Report of the Public Accounts Committee (4th Lok Sabha)].

Action taken

Recommendation No. 3.

The need for effecting economies in Defence expenditure has been recognised and it has been undertaken by the three Services as a continuous exercise. Apart from continuous review of manpower requirements, establishments, war wastage reserves, inventory of stores and rationalisation of ration scales, and logistic arrangements, etc. in which sizeable economies have been achieved, the wider aspect of economy related to better and more efficient management methods and application of the techniques of cost effectiveness is also receiving increasing attention. A Work Study Cell under the centralised control of Army Headquarters is already functioning and a similar cell in the Air Headquarters is being set up. These Cells will undertake studies in distinct areas in a phased manner: certain studies by the Work Study Cell in Army Headquarters have already been completed which will result in noticeable economies. These Cells will be suitably strengthened to apply the techniques of cost effectiveness to Defence spending, after adequately trained personnel are available. A beginning for the training of personnel has already been made and a batch of about 20 officers, drawn from the three Services, Departments of Defence Production and Defence Supplies and the Ministry of Finance (Defence) has been imparted preliminary training in cost effectiveness and systems management by the Institute for Defence Studies and Analysis, New Delhi. Similar courses are proposed to be organised to train more officers. After receiving this preliminary training, selected officers are proposed to be deputed to USA for

advanced training in specific branches of systems management and cost effectiveness.

Recommendation No. 4.

The recommendation of the Public Accounts Committee to expedite progress on the Pilot Project Study on inventory control through Electronic Data Processing System in the COD, Delhi Cantt. has been brought to the notice of Army Headquarters and they have been advised to expedite progress of the Study. The question of extending computer applications in the three Services has also been examined. Army Headquarters have drawn up a 10 Year Plan for computerisation. This Plan was examined by a Committee under the Chairmanship of the Scientific Adviser and the first part of the Plan covering the next 3-4 years has been sanctioned. The installation of a computer exclusively for Army use is being discussed with the Department of Statistics. Similarly, the Air Force plan of computerisation for the next 3-4 years has been sanctioned and in this case, the computer facilities at the Ramakrishnapuram Centre run by the Department of Statistics would be used. The main requirements of the Navy for computers is at the Naval Dockyard, Bombay, where a new computer is proposed to be installed. These measures will lead to better utilisation of stores and various repair establishments, and should result in the reduction of inventories.

DADS has seen.

[Ministry of Defence File No. F.11(7)69]D (Budget), dated 20-11-1969].

Recommendations

The Committee are glad to observe that both the Ministry of Defence and the Department of Defence Production are alive to the need to make the country self-reliant in the matter of armaments and equipment required by our Armed Forces. However, as stated by the Defence Secretary, "We have yet to go a long way before it is possible to attain the comparative self-sufficiency which it is possible to attain."

In the Committee opinion, the development of indigenous production of items required by the Armed Forces is a crucial factor in Defence preparedness. There is, therefore, need to pool the production resources available both in Governmental as well as the private sector and to enlist the assistance of skills and capacities

that the private sector offers, particularly in the engineering and chemical industries.

In the Committee's view, this requires the formulation of a carefully prepared industrial mobilisation plan in liaison with the trade and with assistance to Industry to enable them to familiarise themselves with the techniques of production and quality control that would meet Defence requirements.

[Sl. Nos. 5 and 6, Appendix IV, Paras 1.19 and 1.20 of the 69th Report of the Public Accounts Committee (1968-69) (Fourth Lok Sabha)].

Action taken

The above recommendations have been carefully considered by the Ministry of Defence. Increasing efforts are being made to achieve self-sufficiency in the Defence Sector as detailed below:

- (a) In September 1965, a detailed study was made by the Department of Defence Production of the fields in which the National Fourth Five Year Plan could be re-oriented to strengthen the Defence Production base. The major fields covered by this study related to import substitution with special application to raw materials and semi-processed items; special steels, ferrous and non-ferrous alloys required by Defence industries; exploitation of mineral wealth with higher priority to strategic metals; special arrangements for making effective use of the available capacity in the private firms for the manufacture of components of arms and ammunition, components of vehicles, tractors and tanks and aircraft, general standard parts and spare parts; establishment of a wide industrial base for electronic equipment and components and development of the ship-building ancillary industries, particularly main and special weld pipes to meet the requirements of defence. Following acceptance of this report, 9 Technical Study Groups were set up under the Planning Commission to re-orient the Fourth Five Year Plan to meet the Defence requirements more adequately by indigenous production. Recommendations of these Study Groups are being followed up by the administrative Ministries concerned with reference to the revised Fourth Plan period. Steps have been taken by the Department of Industrial Development and the Atomic Energy Commission to develop or augment the production of certain strategic raw materials based on

these studies. Manufacture of some important special steels is also being undertaken by the Steel Plants in the Civil Sector. These efforts will contribute further in mobilising the potential of the civil industry to meet Defence requirements.

- (b) Under the Industrial Policy Resolution of the Government, production of armaments and defence equipment has been entrusted exclusively to the public sector. However, within the framework of this policy, continuous efforts are being made by the Ordnance Factories and particularly by the Department of Defence Supplies to utilise the capacity of the private sector for indigenous production of components, spare parts, etc., by enlisting in an increasing measure the capacities which the private sector can offer in meeting the defence requirements. For this purpose, technical guidance and special assistance in the procurement of scarce raw materials are given to the civil industries. Upto the end of September 1969, orders for a total number of 350 items on the public sector and 2,541 items on the private sector valued at Rs. 33.37 crores were placed by the Department of Defence Supplies after establishing indigenous sources of production. Supplies against these orders materialised in full or part for 2,959 items valued at Rs. 3.37 crores. Some of the sophisticated items of equipment for which supplies have started are: Tripod Mountings for 7.62 mm MMGs; Director No. 7; 20-Ton Trailers; Theodolite Baloon; Electric Welding Trailers; Shock Absorbers of Centurion Tanks; Gear Boxes for Nissan vehicles; Bomb bodies and Tail Units for 81 mm Bombs; Servicing Trailers and Gas Welding Trailers. Continuous efforts are being made to develop other important items in the private sector. These include components and assemblies of Nissan and Shaktiman vehicles, a large number of items of Vijayanta tanks; submarine batteries and medium-size crash fire tenders for airfields. For these items, there will be long-term demands. The Department of Defence Supplies has also been made responsible for the development of electronics industry in the country.
- (c) It has been decided that after an item has been successfully established in the trade and deliveries completed, a full account of the drawings, documents, dyes and machines pertaining to these items would be maintained

and the skills of production will be kept alive by maintaining trickle production where considered necessary.

2. It will be seen that within the scope of the present industrial policy the capacity of the private sector is proposed to be utilised extensively in the matter of production and import substitution of components, spare parts, etc. Substantial contribution to the defence production efforts in the immediate future is expected to be made by the Civil Public Sector Undertakings, which have set up considerable engineering capacity in many fields, e.g., H.E.C., Ranchi, M.A.M.C., Durgapur, B.H.E.L., Hardwar and Tiruchirapalli, etc. When a wide industrial base is established for the manufacture of defence equipment, mobilisation in an emergency will be greatly facilitated.

3. For examining in detail the further areas in which industrial mobilisation can be effected in pursuance of the recommendation of the Committee and within the scope of the present industrial policy, a Committee has been constituted by the Defence Ministry to make a detailed technical assessment of the extent and manner in which the civil capacity both in the public and private sectors can be further mobilised. This Committee will also review the quantum of reserves held with the Services in preparation for the War, which would take into account the lead time for effective supplies to be made from new production after the commencement of operations. This Committee will consist of a Joint Secretary each from the Departments of Defence, Defence Production and Defence Supplies, the Director General of Ordnance Factories (or his representative) and the Director General of Inspection.

[Ministry of Defence File No. F.11(8)69/D (Budget), dated 5-12-1969].

Recommendation

No less important is the need to encourage research in indigenous design and indigenous manufacture so that weapons and systems which are suited to Indian conditions are developed in the national interest.

[S. No. 7 of Appendix IV of the 69th Report of the Public Accounts Committee (4th Lok Sabha)].

Action taken

The need for making the country self-reliant in Defence equipment and of providing scientific support to the Armed Forces has been recognised ever since independence. With this in view, the

Defence Science Organisation was set up in a nucleus form in 1948 and a further major reorganisation was effected in 1958 when the Research and Development Organisation came into being in its present form, by amalgamating the Defence Science Organisation with the erstwhile Technical Development Establishments. From a handful of laboratories in 1958 with very meagre facilities for Research and Development work, the organisation has grown into 30 establishments|laboratories embracing practically all the scientific and technological disciplines of Defence interest. Considerable competence and facilities have been established at these establishments, towards design and development of indigenous weapons and equipment for the Armed Forces. However, in some of the more sophisticated fields like missiles, aeronautics and naval research, in view of the complexity and large outlays involved, some leeway has still to be made good to attain the necessary take-off level. The implementation of the recommendations of the Aeronautics Committee set up by the Government in November, 1967 is expected to go a long way in establishing the desired facilities in the fields of aeronautics and missiles. Build up of competence in the field of naval research is also being progressed with all speed and Government has recently sanctioned in February, 1969 the setting up of a Naval Science and Technological Laboratory for sophisticated naval Research and Development work.

2. During the short span of existence Research and Development Organisation has made significant contribution towards the design and development of equipment some of which has even gone into bulk production. The organisation has also developed indigenous substitutes for imported materials|components and has provided valuable assistance to the production agencies in evolving indigenous substitutes in cases where production is undertaken with imported know-how. Production development of a number of defence items has, where possible, also been entrusted to the Private Sector industry with a view to diversify the defence production base.

3. D.A.D.S| has seen.

[Ministry of Defence File No. F.11(11)|69|D(Budget), dated 18-10-1969].

Recommendation

The Committee also consider that Ordnance Factories should concentrate on producing vital and critical items for which capacity is either not available or can not be established in the civil

sector for various reasons, leaving it to the trade to supply common user items for civil and defence purposes.

[Sl. No. 11 (Para No. 1.35) of Appendix IV to PAC's 69th Report (4th Lok Sabha)].

Action taken

While the Ordnance Factories are concentrating on producing vital and critical items, the guiding policy in the matter of utilisation of Civil Sector for common user items is as follows:

- (a) The capacity in the Civil Sector outside the Defence Production units can be utilised as far as possible subject to the clarification that this should not be at the cost of rendering Ordnance Factories' capacity idle; and
- (b) To the extent production in the Defence Sector Undertaking is not adequate to meet the requirements of the Services, orders may be diverted to Civil Sector to meet them.

[Ministry of Defence File No. 26(2)69/D(Prod-Admin.), dated 4-12-1969].

Recommendation

The Committee can hardly over-emphasise the importance of advance planning and programming of production in Ordnance Factories with a view to ensuring utilisation of assets both of men and machines in a most efficient manner. They note that the Department of Defence Production has recently initiated steps in this direction in the light of the recommendations made by a study team which was set up in pursuance of the recommendations contained in the Sixteenth and Nineteenth Reports of Public Accounts Committee last year.

[Sl. No. 12 (Para No. 1.42) of Appendix IV to PAC's 69th Report (4th Lok Sabha)].

Action taken

DGOF has already accepted the recommendations made by the study team with slight modification. Work is in progress for compiling centralised production programme for Ordnance ammunition and general stores items that are being produced in various Ordnance Factories. As the work involves reallocation of certain amount of responsibilities from the Production Sections in DGOF

HQrs., this will require a gradual evolution of the system, action for which is in hand.

D.A.D.S. has seen.

[Ministry of Defence File No. 4(1)69/D (Prod.), dated 26-11-1969.]

Recommendation

The Committee would like in this connection to draw attention to their observations in their Fifty-Second Report (Fourth Lok Sabha) where they have suggested that while allocating the workload the production cost factor should be kept continuously in view. Better programming could be achieved by the use of computer facilities which have been made available to the Director General, Ordnance Factories in 1964. It is also essential that sustained efforts should be made to achieve quality control and minimise rejection occurring at present on a fairly large scale both during production as well as in the course of inspection.

[Sl. No. 13 (Para 1.43) of Appendix IV to PAC's 69th Report (4th Lok Sabha)].

Action taken

As indicated in the reply with reference to recommendation of the PAC Sl. No. 3 of the Fifty-Second Report, due care is being taken, at the time of allocation of orders among different Ordnance Factories to keep the cost factor in view. It may be mentioned that cost is, however, not the only criterion in allocating orders between the Ordnance Factories. DGOF has to provide adequate workload to Factories even where the cost is slightly higher in one factory as compared to another, to avoid idle time booking and discontentment of labour. Again, urgency of requirements and capacity of the individual factories to adhere to the time-schedule of supply required by the indentors have also to be kept in view.

As regards utilisation of computer facilities the data processing section of the DGOF is already working out and collecting data for introducing centralised material planning as well as centralised production programme.

As regards measures to achieve quality control, the recommendation of the PAC is noted and the quality control in various Ordnance Factories is being systematically pursued towards this end.

D.A.D.S. has seen.

[Ministry of Defence F. No. PC to 4(1)69/D(Prod), dated 4-12-1969].

Recommendations

The Committee are not happy that such gross over-provisioning should have occurred. As would be evident from the findings in the later section of this Report, there was on the one hand a tendency to overpitch the requirements and on the other hand an omission to collect certain basic data regarding actual consumption|wastage| retrievals as a preliminary to the placing of orders.

While the Committee are fully conscious of the fact that these cases occurred at a time when the security of the country was at stake, they feel that the omission to take certain elementary measures calls for a high level review of the provisioning procedure or the three Services. The Committee, therefore, suggest that Government appoint a Committee comprising of senior officers drawn from the three Services as well as from the Ministry of Defence|Finance (Defence) with a view to laying down proper guidelines for provisioning and for evolving a suitable machinery for keeping a continuous watch on the utilisation of stores so as to ensure that provisioning is done more realistically in future and that wastages are avoided.

The Committee have earlier in this Report recommended a high level review of provisioning procedures for the Services so that the system could be effectively streamlined. The Committee would like Government to take an early action on this recommendation.

[S. Nos. 14, 15 and 47, Appendix IV, Paras 1.49, 1.50 and 3.79 of the 69th Report of Public Accounts Committee, (Fourth Lok Sabha)].

Action taken.

The circumstances in which the over-provisioning had occurred in the cases referred to in paras 7 to 10 of the Audit Report (Defence Services) 1968 have been already explained in detail to the Public Accounts Committee. The views expressed by the Public Accounts Committee have, however, been noted.

The need for a high level review of the provisioning procedure in the three Services as suggested by the Public Accounts Committee is fully appreciated. The Government has already taken action in this direction.

Based on recommendations of the Ministry of Defence Provisioning Committee an Inter-Services Provisioning Sub-Committee was appointed by the Ministry of Defence in December, 1964, which included the representatives of the three Services, Department of

Defence Production, Ministry of Finance (Defence) and Ministry of Defence. The DGS&D was also associated with this Sub-Committee. The composition and terms of reference of the Committee are indicated in *Appendix 'A'. The Report of the Inter-Services Provisioning Sub-Committee was submitted to the Government in 1968 and is under consideration. Meanwhile, a Technical Study Group has been appointed under the Chairmanship of Lt. Gen. R.S. Paintal (Retd.) which consists of senior and experienced Members of Army Headquarters. This Technical Study Group is being assisted by a firm of Industrial and Material Management Consultants (Messrs. A. R. Palit & Co.), who are acting as Consultants to this Study Group. The report of this Technical Study Group is due by the end of April, 1970. The recommendations of the Provisioning Sub-Committee and that of the above Technical Study Group assisted by the Consultants are expected to be considered by the Government towards the middle of 1970.

On the Air Force side, the Administrative Staff College, Hyderabad were engaged by IAF for advice in regard to the organisation of the overhaul effort for certain range of items. In the course of this Study, they also looked into the system of provisioning and positioning of spares in IAF. Their Preliminary Report has been received and is under consideration in Air Headquarters. The responsibility for provisioning of maintenance and overhaul spares for the Aircraft manufactured as also the Aircraft maintenance|overhauled by HAL is in the process of being transferred from Air Headquarters to the Hindustan Aeronautics Ltd. In this connection, Hindustan Aeronautics Ltd. have engaged the Institute of Management, Ahmedabad, to advise them on the manner in which these responsibilities can be carried out in the best possible manner after taking into account the modern management methods for inventory control and provisioning of spares. A Team of the Institute of Management, Ahmedabad, has visited a number of Air Force Establishments to assess the present procedures for provisioning, stocking and issue of spares for maintenance|overhaul purposes. Their Report is yet to be considered.

In addition to the above, a High Level Inter-Services Working Group was appointed in September, 1968 under the Chairmanship of Additional Secretary to go into the question of the reduction in the War Wastage Reserves for Category 'B' Stores (General Stores,

Clothing, Spares, Ancillary and connected Equipments). The report of the Working Group is still awaited.

It will thus be seen from the above that the question of review of the existing provisioning procedures and the level of Reserves has been engaging the attention of the Defence Ministry and a number of studies are in progress at present, which are expected to streamline the existing provisioning procedures.

[Ministry of Defence File No. II(19)69I(Budget), dated 29-11-69].

Recommendation

The Committee note that in Britain no centralised purchase agency exists and that each Ministry/Department is free to make its own purchases (excluding Aircraft and their spares). Inter-departmental consultations, however, do take place in regard to the purchase of items of a similar nature. While the Committee concede that the existing arrangements for procurement of Defence Stores in India through a centralised agency, viz., the Department of Supply (Director General, Supplies and Disposals), might be of advantage in the interests of economy, they do wish to emphasise that while catering to Defence requirements time is of the essence of the matter. Government should, therefore, devise a machinery which would ensure the procurement of high priority operational items with the least possible delay. The Committee consider that one method of doing this would be to set up a high level Standing Committee consisting of the representatives of the Department of Supply, the Ministry of Defence/Finance (Defence), Department of Defence Production and Department of Defence Supplies to act as a clearing house for indents of this nature so that in appropriate cases they could give authority for direct procurement to save time.

[Sl. No. 16 (para 1.54) of Appendix IV to the 69th Report of the Public Accounts Committee (4th Lok Sabha)—1968-69].

Action taken

The Committee's observation that the existing arrangements for the procurement of Defence stores in India through a centralised agency namely, the Department of Supply (Director General, Supplies & Disposals) are of advantage in the interest of economy, have been noted. Regarding improved arrangements, to ensure the procurement of high priority operational items with the least

possible delay, it may be mentioned that these items are reviewed the periodical critical review meetings taken by the Director General (Supplies & Disposals). Further, when occasions arise, Coordination Committee meetings under the chairmanship of Secretary, Department of Supply are also held to discuss the difficulties of the Defence indentors. The recommendation made by the Public Accounts Committee that a high level Standing Committee consisting of the representatives of the Department of Supply, Ministry of Defence, Ministry of Finance (Defence), Department of Defence Production and Department of Defence Supplies should be set up, is also under active consideration in the Ministry of Defence (Department of Defence) in consultation with the Ministry of Supply, Department of Defence Production and the Department of Defence Supplies and the decision in this regard would be sent as soon as possible.

[Ministry of Defence File No. F. 12(2) 69/D(O. I), dated 4-12-1969].

Recommendation

The Committee observe that as a result of the measures taken by the Ministry during the past year considerable progress has been made in the disposal of surplus/obsolete stores. The Committee, however, find that the value of stores yet to be examined by the Inter-Services Technical Team has doubled from Rs. 3.14 crores as on 30th April 1967 to Rs. 6.42 crores as on 30th April 1968. The Committee, therefore, urge the Ministry to pursue vigorously its efforts to accelerate the pace of examination and disposal of these stores. So far as the disposal of MT spares is concerned, the Committee would like the Ministry to issue necessary instructions to the Depot Commanders to have them segregated make-wise, expeditiously, so that their disposal is facilitated and better value is obtained.

[S. No. 17 (Para 1.62) Appendix IV to PAC's 69th Report (Fourth Lok Sabha) 1968-69.]

Action taken

The observations of the PAC are noted for compliance. It may, however, be mentioned that the value of stores to be examined by the ISTT as on 31-7-69 was Rs. 0.54 crores only.

2. Necessary instructions have been issued to the Defence Services authorities *vide* this Ministry's u.o. No. 2(11) 69/6038/D(O-II), dated the 27th August 1969 (copy attached).

3. So far as MT spares is concerned, according to the existing practice, MT spares of different makes and types according to the

origin of vehicles are already kept segregated in various Depots. While declaring the same on DGS&D forms, indication of makes and types of MT spares as well as Section, Catalogue and Part No. are given thereon. The DGS&D forms are prepared separately for different makes. The Army H.Q. have, however, been again advised to ensure that the Depot Commanders are duly instructed to comply with the recommendations of Public Accounts Committee in this respect.

4. DADS has seen.

[Ministry of Defence File No. F. 11(2)/69/D (Budget), dated 10-9-1969].

Ministry of Defence—D(O-II)

Subject: Disposal of surplus Defence stores.

The necessity for keeping a constant watch over such surpluses as cannot be utilised in any manner and arranging disposal of such stores promptly has been impressed on all concerned from time to time.

2. In their 69th Report (4th Lok Sabha) the Public Accounts Committee have remarked as follows:—

“The Committee observe that as a result of the measures taken by the Ministry during the past year considerable progress has been made in the disposal of surplus/obsolete stores. The Committee, however, find that the value of stores yet to be examined by the Inter-Services Technical Team has doubled from Rs. 3.14 crores as on 30th April 1967 to Rs. 6.42 crores as on 30th April 1968. The Committee, therefore, urge the Ministry to pursue vigorously its efforts to accelerate the pace of examination and disposal of these stores. So far as the disposal of MT spares is concerned, the Committee would like the Ministry to issue necessary instructions to the Depot Commanders to have them segregated make-wise, expeditiously, so that their disposal is facilitated and better value is obtained.”

3. MGO Branch are, therefore, requested to stress on the Technical Team the need to pursue vigorous efforts in order to clear promptly all backlog keeping in mind the observations of the Public Accounts Committee in this regard. The Stockholders may also be advised to ensure that action is promptly taken to dispose of such

surplus stores as soon as they are cleared by the Technical Team.

4. It is also requested that in respect of MT spares, Depot Commanders be instructed to ensure that these spares are kept segregated makewise in accordance with existing procedure.

5. Necessary instructions may please be issued to all concerned accordingly under intimation to this Ministry.

(T. Jacob)
Under Secretary.

MGO Branch|MG(C)

E-in-C's Branch|E3DIS

DGAFMS|DG2D

DGOF

Air Headquarters (Dte of Equipment|E-21)

Naval Headquarters (Stores Directorate)

M of D u.o. No. 2(11)|69|6038|D(O)-II, dated the 27th August, 1969.

Copy to:—

QMG's Branch|Q1A

D(QS), D(W-1), D(Air-IV), D(N-1), D(Prod), D(Med).

Recommendations

The increasing incidence of surpluses raises a question whether the existing techniques of inventory control and management are effective. The Committee would like in this connection to draw attention to their observations in their 53rd Report about the need to rationalise the existing techniques and to introduce modern methods of provisioning and stores control.

[Sl. No. 18 of Appendix IV to the 69th Report of the Public Accounts Committee (4th Lok Sabha)—1968-69].

The Committee hope that the work on the pilot project study on inventory control in the Central Ordnance Depot, Delhi Cantt., will be speeded up. In the light of the results of the pilot study, Government may also consider the extension of the systems to other Defence Depots in the interests of rationalisation and economy through modern techniques of provisioning and stores control.

[Sl. No. 3 of Appendix II to the 53rd Report of the Public Accounts Committee (4th Lok Sabha)—1968-69].

Action taken

The recommendations made by the Public Accounts Committee have been brought to the notice of Army Headquarters; the latter have been requested to take concerted steps to expedite completion of the Pilot Project Study on inventory control based on Electronic Data Processing System being undertaken at the Central Ordnance Depot, Delhi Cantt.

2. Vide the Defence Ministry's note No. 12(2)|68|D(O-I) dated 19-12-1968, the Public Accounts Committee were informed of the progress made on the Pilot Project Study. Further progress of this Project is indicated in the statement attached as 'Annexure A' to this note.

[Ministry of Defence File No. 12(5)|69|D(O-I), dated 4-12-69].

ANNEXURE 'A'

Statement Indicating the Progress made on the Pilot Project Study on Inventory Control Based on Electronic Data processing system being Undertaken at the Central Ordnance Depot, Delhi Cantt.

The Pilot Project Study on inventory control in the Central Ordnance Depot, Delhi Cantt. based on EDPS was sanctioned by the Government on 22nd May 1968. The progress so far made on this Project is indicated in the subsequent paragraphs.

2. *Equipment, Punch Cards, Stationery and Forms and Special Furniture.*

A contract for hiring of six input punched card machines was placed on M/s International Computers (India) Private Ltd., New Delhi on 25th November 1968. Two machines were installed by the firm on 21st March 1969 and the other 4 are expected to be installed shortly. These 4 machines are required only at the data conversion stage to commence in the near future.

3. The requirements of the punch cards for one year have been received from the firm against supply orders placed on them.

4. The following EDP forms have been designed, finalised and printed in the COD Delhi Cantt. Press:—

- (i) DOS-EDP-001 COBOL Programming Form
- (ii) DOS-EDP-002 Report Layout Form
- (iii) DOS-EDP-003 Card Layout Form

- (iv) DOS-EDP-004 Magnetic Tape Layout Form
- (v) DOS-EDP-005 System Flow Chart Form
- (vi) DOS-EDP-006 Programme Flow Chart Form
- (vii) DOS-EDP-007 Multi-purpose Coding Sheet.

5. Items of special furniture required have been received and installed.

Accommodation for the Project

6. The work relating to additions|alterations in the building was completed in March 1969 and the accommodation for the project has since been occupied.

Staff

(a) *Direct Employees*

(i) *Programme Assistants*

Two Programme Assistants for the Project have been selected on 13-11-1969 for appointment.

(ii) *Key Punching Operators and Verifiers*

Two Key Punching Operators and Verifiers have been recruited to work on the two machines already installed. The remaining 4 Key Punching Operators and Verifiers would be recruited after the remaining 4 machines have been received and installed.

(b) *Department Employees*

The present EDP Team in the Central Ordnance Depot, Delhi Cantt. comprises the following officers, JCOs and NCOs, who have been made available for this special commitment from within the existing Ordnance establishment without any extra authorisation:—

- | | | |
|-----------------------|----|---|
| (i) Officer-in-Charge | .. | One Service Officer of the rank of Major. |
| (ii) Members | .. | 3 Service Officers of the rank of Major Capt. |
| (iii) JCO | .. | 1. |
| (iv) NCOs. | .. | 5. |

Progress of study

(a) *System Analysis*

The Pilot Project Study has entered Phase I and system analysis of the undermentioned procedures has been com-

pleted:—

- (i) Issue Procedure
- (ii) Receipt Procedure
- (iii) Stock-taking Procedure
- (iv) Dues-out Procedure
- (v) Disposal Stock Procedure
- (vi) Provision Procedure
- (vii) Local Purchase Procedure
- (viii) Pricing of Payment Vouchers and Dispersal Procedure.

System Analysis of Master Part Indices and Cataloguing Procedures is at present being undertaken.

(b) *System Design*

To ensure a smooth flow of work and planned integration of all automated systems, block by block, concurrent to the system analysis system design programming work has also been undertaken by the EDP Team. The design system of Receipts and Issue Procedures has been completed. The computer runs for these procedures have also been designed.

(c) *Programmes*

15 Programmes on Receipt Procedures and two programmes on Issue Procedures have been written and are now being tested at R. K. Puram Computer Centre. The total programmes needed for entire automation are estimated to number approximately 300.

Utilisation of Computer Time at the Computer Centre, R. K. Puram

7. Computer time and the tapes as per Army requirements are not being met by the R. K. Puram Computer Centre. This aspect has been taken up with the Director of Computer Centre with a view to finding out ways and means of accommodating the Army's heavy requirements as work progresses in the Pilot Project Study being undertaken at COD Delhi Cantt.

8. In addition to the above, steps have been taken to inculcate awareness of the EDPS in the Ordnance Corps by arranging orientation lectures and showing instructional and feature films on the EDPS for the benefit of Ordnance Officers. The first programme of this series, which covered 130 Ordnance Officers, was undertaken in July, 69. The 2nd programme in this series was held in Delhi from

10th to 12th September, 1969. To cover the Ordnance complexes in Southern Command, some lectures were arranged in Poona from 27th to 29th November, 1969. Plans for arranging some more lectures to cover as many officers as possible serving in the Ordnance Directorate at Army H.Q.s. and other Ordnance officers in Delhi on ERE appointments are scheduled to be held during December, 1969.

9. Army Headquarters have been asked to expedite completion of the Study.

Recommendation

The shortfalls in production have been attributed mainly to defects that developed in certain major components of the truck like piston assembly, gear box and transfer case which are now being indigenously produced. This situation emphasises the necessity for a strict and continued watch by the Department over the quality of indigenous components and quick and timely action to rectify the shortcomings noticed in these components.

[Serial No. 23 of Appendix IV to the 69th Report of the Public Accounts Committee (4th Lok Sabha).]

Action taken

The observations of the Committee are noted. The components procured from the trade or manufactured in the Ordnance Factories are being subjected to inspection, according to stringent standards laid down in this behalf, by the Defence Inspection Organisation, before they are accepted. In fact, on account of these inspection standards, the initial supplies by trade firms often take a long time before they are established as of acceptable quality.

[Ministry of Defence File No. 2/80/69/D(Projects), dated 5-12-1969.]

Recommendation

The Committee would like the Department of Defence Production to ensure that indigenous production is speedily established and that rigorous quality control is maintained so that the parts indigenously produced can be used in the trucks.

[S]. No. 26 (Para 2.42) Appendix IV to P.A.C's 69th Report (4th Lok Sabha) 1968-69]

Action taken

Noted for compliance.

D.A.D.S. has seen.

[Ministry of Defence File No. 2|83|69|D(Projects), dated 3-12-1969.]

Recommendation

So far as the project for setting up a new full-fledged unit in the State Sector for manufacture of Shaktiman Trucks as well as Nissan trucks and patrols is concerned, the Committee would like Government to give careful consideration to the following factors which have a bearing on the economics of the venture:—

- (i) According to the information given to the Committee the proposed unit would be producing 1,100 trucks per month so that it could take advantage of economies of scale. The Army's requirement for trucks over the last six years has varied from 5,200 to 9,600 trucks per year. It is, therefore, obvious that production at an economic level cannot be sustained on the strength of demand from Army alone.
- (ii) If the proposed unit is geared to a level of production which demand from Army alone cannot sustain, it will inevitably have to look to the internal and export markets to keep its production going. The internal market is being catered to already by units in the private sector which are at present producing trucks at cheaper cost than the Ordnance Factories. The unit cannot, therefore, compete with private sector unit unless the existing level of cost is proportionately brought down. The scope for such reduction in cost, and the competitiveness of the trucks produced at such reduced costs *vis-a-vis* trucks produced in the private sector will, therefore, require very careful examination.
- (iii) So far as export markets are concerned, the data furnished by the Deptt. about the ex-works prices of both Shaktiman and Nissan trucks show that these prices are at present higher than similar prices of trucks produced in Germany and Japan. Admittedly, there may be a reduction in internal prices if production is established on a larger scale, but it will still have to be considered whether the prices will even then be competitive with those at

which the collaborators are at present producing them. The other point is whether the terms of collaboration agreements leave scope for exports on a scale that would be necessary. Another point no less important is how potential export markets which Government have in view are at present being served and whether the proposed unit will be able to compete with existing suppliers to these markets on equal terms.

[Serial No. 28 of Appendix IV in 69th Report of Public Accounts Committee (4th Lok Sabha).]

Action taken

The limited production established so far by utilising such surplus capacities as exist in various Ordnance Factories, has not been able to meet fully the demand of the Services. It has therefore not been possible to cater for the demands from civil indentors, save in exceptional cases. So far, supplies to the civil sector (including Border Roads, Border Security Force and the Police) have been made to the extent of 41 Shaktiman, 1361 Nissan 1-Ton and 684 Nissan Patrol vehicles. The question of export and induction on a large scale into the domestic civil market would arise only when the production reaches the maximum capacity and exceeds the requirements of the Services; this is not likely to happen before 1973-74.

2. Nevertheless, the need for effecting reduction in the production cost to make the vehicles competitive with reference to the products of the private sector as well as in the international market is receiving attention. Towards this end, Govt. have sent technical personnel abroad for training in cost control and quality control in vogue in the collaborators' works in West Germany.

3. The collaboration Agreement for Shaktiman vehicles which expired in September, 1969 has been extended for a period of three years. Similarly the Agreement in respect of Nissan 1-Ton and Patrol vehicles expires on 2nd February, 1970 and is being extended further for a period of three years. These Agreements provide for export to a few neighbouring countries; the need to enlarge the field for export is not likely to arise before the extended agreements expire.

4. Government will ensure that the maximum number of vehicles are produced in the new factory now under establishment at the minimum possible cost consistent with quality in order to make the

vehicles competitive for export and for induction into the domestic civil market.

[Ministry of Defence File No. 2/85/69/D(Projects), dated 5-12-1969].

Recommendation

The Committee observe that the factory contracted originally for a demand of 14,000 KVA which was later reduced to 5,000 KVA. Even the reduced demand has turned out to be a gross over-estimation of requirements over a period of four years ending July, 1968, the payments for electricity on the basis of stipulated percentages of contract demand exceeded by Rs. 8.27 lakhs the charges that would have been payable on the basis of actual consumption. The Committee note that this question of excess payment as well as the payment of certain charges demanded by the Electricity Board at the time of reduction of the contract demand of 5,000 KVA are under discussion. They would like to be apprised of the outcome of the efforts in this regard.

[Sl. No. 32, Appendix 'IV', Para No. 2.68 PAC's 69th Report (4th Lok Sabha).]

Action taken

The circumstances under which the factory originally contracted for a demand of 14,000 KVA were explained before the Committee. The present contract demand of 5,000 KVA cannot be considered as unduly high on the only consideration that the actual maximum demand reached so far is much lower. The maximum demand reached has been increasing from year to year and it is expected to approximate to the "billing demand" which is 75 per cent of the contract demand of 5,000 KVA. This expectation is based on the growth of production anticipated in the factory.

2. As regards the "excess payment", the position is as follows:—

The tariff of the Electricity Board consists of two parts:

- (a) the "energy charges" being the cost of units actually consumed; and
- (b) The "demand charges" based in the present case on 75 per cent of the contract demand of 5,000 KVA

So far as (a) is concerned, the question of excess payment does not arise. As regards (b), the payment of "demand charges" on the basis of 3,750 KVA is higher compared to payment on the basis of the actual maximum demand registered, but it cannot be considered as excessive for the following reasons:—

- (i) As stated in para 1, the difference between the actual maximum demand and the billing demand is expected to narrow in the coming years.
- (ii) Secondly, the contract demand has necessarily to be pitched at a higher level than the possible maximum demands from year to year, so as to prevent the risk of interruption to supply on account of the Electricity Board's capacity falling below the actual requirement.
- (iii) The installation and equipment provided by the Electricity Board have to be based on the ultimate demand of the factory, as the Board cannot be expected to lay fresh cables and change their equipment each time the demand registers an increase.
- (iv) There is no provision in the Electricity Board's tariff for "demand charges" being based on the actual maximum demand from year to year. The tariff lays down that the "demand charges" be based on the demand indicated in the contract. The agreement of the Board to restrict the "demand charges" to 75 per cent of the contract demand is in the nature of a concession. The question of "excess payment" does not, therefore, really arise.

3. It has been possible to secure a further concession from the Electricity Board of Rs. 1.13 lakhs for the initial period August, 64 to February, 1965.

4. An agreement has been reached with the Electricity Board that a contract on the basis of a demand for 5,000 KVA would come into effect from 1st March, 1965 and the contract is likely to be executed shortly.

[Ministry of Defence File No. 13(6) 65/D(NF), dated 3-12-1969.]

Recommendation

The Committee observe that due to un-coordinated planning in the matter of provision of housing accommodation for the staff employed in the factory, a Bachelor's Mess constructed at a cost of

about Rs. 3 lakhs has been lying un-occupied since October, 1966. The programme for construction of the Mess, which was intended for housing junior officers, was advanced so that it could be used by officers, foreign technicians and other senior staff posted to the factory for installation purposes. Due to a delay of more than 2 years in construction, this objective could not be realised. The ultimate objective of the Mess being used to house officers employed on production work has also not been realised as there is "surplus accommodation even in residential quarters" that were separately put up and the tempo of production in the factory has been well below the original expectation. The Committee would like it to be examined why the programme for provision of accommodation was not coordinated with the programme of production in the factory. Government should also take steps to ensure that such instances of lack of coordination do not recur.

[S. No. 33, Appendix 'IV', Para No. 2.73, PAC's (1968-69) 69th Report (4th Lok Sabha)].

Action taken

The observations of the Committee are noted. The special circumstances of 1965 under which the scope of this Factory had to be drastically curtailed all of a sudden due to the sudden withdrawal of Foreign Aid were explained to the Committee when Para No. 6 of the Audit Report (Defence Services) 1968 was taken up. The building referred to namely Bachelor Mess has since been re-appropriated as the Apprentice Hostel. As for the general question of co-ordinating the scope of the plant and machinery with the scope of the construction works, this objective is kept in view in respect of each project and every effort will be made to achieve the maximum possible co-ordination.

[Ministry of Defence, File No. 13(1) | 68 | D (NF), dated 3-12-1969.]

Recommendation

The Committee note that action is being taken by Government against the Officer held responsible for not carrying out proper inspection before passing the logs.

[SI. No. 37 (Para 2.113) of Appendix IV to PAC's 69th Report (4th Lok Sabha) 1968-69].

Action taken

It is confirmed that Departmental action has been taken against the delinquent Officer and after due consideration, a penalty of reduction in pay by one stage has been imposed on him.

DADS has seen.

[Ministry of Defence, File No. 1(47) |69|D (Prod), dated 4-12-1969.]

Recommendation

The Committee are surprised that provisioning of uniforms for the National Cadet Corps took place without regard to the fact that there was a consistent shortfall in recruitment every year in relation to the authorised strength. It is also regrettable that, in the course of provisioning, an arbitrary reserve of 20 per cent for "wastage" was provided for without any effort at ascertaining what the actual "wastage data" was. In the result, there has been an accumulation of surplus garments, the value of which amounted to Rs. 1.23 crores allowing for the fact that part of the stock might not be altogether new. The Secretary, Ministry of Defence, himself admitted during evidence that "there had not been a systematic approach to the question of provisioning" in the National Cadet Corps Directorate.

[Sl. No. 38 of Appendix IV, Para 3.17 to the 69th Report of the Public Accounts Committee—1968-69 (4th Lok Sabha)]

Action taken

The observations of the Committee have been noted.

A systematic procedure for provisioning of items of uniforms for the NCC has since been introduced.

This has already been brought to the notice of the PAC *vide* para 3.7 of Chapter 3 of the 69th Report of the PAC (4th Lok Sabha).

DADS has seen.

[Ministry of Defence File. No. 5(1) |69|DGS-II, dated 2-12-1969.]

Recommendation

The Committee note that the Ministry of Defence have since overhauled the system of provisioning to take note of actual enrolments in the National Cadet Corps as also the actual wastage data in respect of uniforms, based on information about their condemnation. The Committee trust that this would help in avoiding the

accumulation of surpluses and that the provisioning procedures will be kept under constant review in the interest of economic inventory management. The Committee hope that the Ministry would also pursue vigorously the question of disposal of the surplus stocks which are not likely to be used by the National Cadet Corps in the near future and arrange to have them transferred to other organisation, e.g., the Civil Defence Organisation, the Home Guards, the Central Reserve Police and the Border Roads Organisation.

[Sl. No. 39 of Appendix IV (Para 3.18) to the 69th Report of the PAC—1968-69 (4th Lok Sabha).]

Action taken

The recommendations of the Committee that the revised provisioning procedure for the NCC should be kept under constant review has been noted.

It was reported to the PAC *vide* para 3.12 of the 69th Report of the PAC (1968-69) (4th Lok Sabha) that the following items of NCC uniforms were transferred to other Organisations:—

Item	Quantity	Value
		Rs.
Trousers Drill Khaki	35,952 prs	3,63,508·00
Shoes Canvas	2,10,422 prs	7,60,371·00
	TOTAL	11,23,879·00

Since then, the following have been sold to other Organisations (Dte. Genl. Central Reserve Police) up-to-date:—

Item	Quantity	Value
		Rs
Trousers Drill Khaki.	6,000 prs	61,812·00

The balance quantity of available NCC clothing are anticipated to be fully utilized by the NCC itself by the 1st April, 1972 in all cases except in respect of Slacks DK, Salwar white, Kamiz white and Bush-shirts Cell Khaki where some surpluses will remain but will be utilized in 1972-73. In case increase in strength of cadets occurs in the intervening period, as is likely, the surpluses are likely to be utilized earlier.

DADS has seen.

[Ministry of Defence File No. 5(1) '69 DGS-II, dated 2-12-1969.]

Recommendation

The Committee further note that when these trousers were issued to troops on a large scale in the winter of 1964-65, it was found that they were 'not very popular with troops'. A decision was, therefore, taken in February, 1966 to reduce the scale of Provisioning from 100 per cent to 5 per cent in pursuance of a suggestion received from the Eastern Command in June, 1965. It is a matter for regret that it took eight months for Army Headquarters to come to a decision after the matter was referred to them by Eastern Command and that in the meanwhile no effort was made to curtail the manufacturing programme for these trousers.

[S. No. 42 (Para No. 3.54), Appendix IV to PAC's 69th Report (4th Lok Sabha).]

Action taken

A chronological statement of events is attached. After the users' views had been obtained on the recommendations made by HQ Eastern Command and the matter had been examined in Army Headquarters, instructions were issued to the DGOF on 8-2-66 to suspend further manufacture of Trousers Parka *vide* Army Headquarters letter No. 86137/2/A3/OS P II, dated 8-2-66 (copy enclosed). It is admitted that the recommendation from the HQ Eastern Command should have been dealt with more expeditiously. Instructions have been issued *vide* M of D note No. 5(2)/69/D(GS-IV), dated 18-9-1969 (copy enclosed) for avoidance of delay in such cases in future.

DADS has seen.

[Ministry of Defence, File No. F. 11(2)/69/D(Budget), dated 28-11-1969.]

Chronological Statement of Events

- 5-7-65 Letter No. 130801/12/GS/WE 2 dated 29th June, 1965 from HQ Eastern Command recommending reduction *inter alia* of scale Trousers Parka 1963 pattern received in AHQ.
- 5-8-65 AHQ letter No. 96990/WE 8 dated 5th August, 1965 sent to HQ Western Command/Central Command inviting their views by 1st October, 1965 on the recommendation made by the Eastern Command.
- 18-9-65 HQ Central Command letter No. 130801/12/GS/WE 2 dated 15th September, 1965 agreeing to the suggestion received by AHQ from HQ Eastern Command.

- 23-9-65 HQ Western Command letter No. 2111|2|GS|(WE) dated 20th September, 1969 regretting their inability to reply by 1st October, 1965 received by AHQ.
- 19-11-65 HQ Western Command letter No. 2111|2|GS|(WE) dated 13th November, 1965 agreeing to the suggestion made by HQ Eastern Command received in AHQ.
- 14-1-66 AHQ submitted to Ministry of Defence the proposal for
11-2-66 reduction of scale.
- 8-2-66 DGOF requested by Army HQ to suspend further manufacture of Trousers Parka.
- 21-2-66 Proposed reduction in scale approved by the Ministry of
22-2-66 Finance (Def) and the Ministry of Defence.

Copy of MGO's letter No. 86137|2|A3|OS P II dated 8 Feb., 66 addressed to DGOF, Calcutta.

SUBJECT: TROUSERS PARKA—DEMANDS SUSPENSION OF

1. During recent review, in consultation with the users, of the scales for provisioning purposes of the subject item, it has transpired that a reduction is feasible and as such a Govt. letter notifying the change in scale is under issue.

2. In order to avoid surpluses as a result of the above proposed reduction in scale, you are requested to suspend further manufacture of Trousers Parka against our all existing demands with immediate effect and confirm that in the event of ultimate cancellation of these outstanding Qtys. no financial implications will be involved.

3. As soon as Govt. letter on the subject is issued, the position will be reviewed in consultation with Ministry of Fin (Def) and you will be informed accordingly of the final position.

4. Please acknowledge.

Sd.-

Director of Ordnance Services.

MINISTRY OF DEFENCE D(GS-IV)

SUBJECT: Scales of authorisation of equipment|clothing etc.

The revision of the scales of authorisation of equipment|clothing etc. is invariably connected with the manufacturing programme of the DGOF or provisioning through other sources. In cases of proposed revision downwards of scales of authorisation at the time

of review the need for speedier action to curtail the manufacturing programmes or slow down provisioning action cannot be over-emphasised.

2. It may please be ensured that in all cases where the revision of the scales of certain items of equipment [clothing etc. is proposed on the basis of recommendations made by users, steps are taken to consult all concerned as soon as possible and recommendations are finalised immediately. It may also please be ensured that in cases of downward revision of the scales steps are taken simultaneously to curtail the manufacturing programme etc. of DGOF without any undue delay.

Sd|—K. RAJAGOPALAN
DEPUTY SECRETARY (JIO).

DWE

DOS

M. of D. U.O. No. 5(2)|69-D(GS-IV), dated 18-9-1969.

Recommendation

The Committee are not happy that staff were posted to two hospitals in excess of requirements and without regard to the fact that adequate facilities had not been developed in these hospitals. It has been stated that the staff were kept fully employed, but the Committee observe that the Ministry of Defence themselves expressed the view that they were "not fully satisfied" in this regard. The Committee hope that as a result of instructions issued, it will be ensured that staff are posted to the units in phases strictly "according to work-load, actual or expected, and the availability of facilities".

[SI. No. 50 of Appendix IV-(Para No. 3.107) to P.A.C's 69th Report (4th Lok Sabha)].

Action taken

The observations made by the P.A.C. have been noted and also conveyed to the concerned authorities.

D.A.D.S. has seen.

[Ministry of Defence File No. 3(5)|69|D (Medical) dated 12-11-1969].

Recommendation

The Committee note that the ultimate requirement of land in this case is not likely to be for various reasons more than 15 acres as
3104 (Aii) LS—7

against 684 now under requisition. The Committee trust that the authorities will take speedy steps to derequisition the remaining land as soon as it becomes surplus.

[S. No. 51—Appendix IV (Para 3.114) 69th Report (4th Lok Sabha) of the Public Accounts Committee (1968-69)].

Action taken

The recommendation is noted. The land under requisition is at present fully utilised. As and when any portion of the land becomes surplus to defence requirements, steps will be taken to derequisition the same.

D.A.D.S. has seen.

[Ministry of Defence File No. 9(5)-69/D(Q&C), dated 23rd September 1969].

Recommendation

“From the information furnished to the Committee, it is seen that a number of plots of land with the Army and with the Navy are lying vacant at various stations. The Committee would like the question of de-hiring/derequisitioning of these plots of land to be speedily settled.”

[S. N. 52—Appdx. IV (Para 3.115) 69th Report (Fourth Lok Sabha) of the Public Accounts Committee 1968-69.]

Action taken

The recommendation of the Public Accounts Committee has been noted for compliance. The Defence Ministry is already seized of the question of de-hiring/derequisitioning or utilising for Defence purposes the cases of vacant plots of land reported as lying vacant for the period—from 1st April, 1968 to 30th September, 1968.

D.A.D.S. has seen.

[Ministry of Defence File No. F. 15(8)69/D(Lands), dated 26-9-1969.]

Recommendation

“In their 15th Report (Fourth Lok Sabha), the Committee had drawn attention to certain cases of uncoordinated planning in requisitioning land. They had suggested that every care should be taken to see that land is requisitioned only after the most careful consideration of requirement and that Government should review the position about utilisation of lands every year. The Committee

note that instructions were issued by the Ministry in March, 1967, for a periodic review at various levels of the properties lying vacant for more than six months. These instructions also provided that all cases where property had been lying vacant for more than a year should be referred to the Ministry for a decision whether it should be released or should continue under requisition/hire. Quarterly statements were also required to be furnished by Army/Navy (Air HQrs. in this regard. The Committee hope that the new procedure adopted by the Ministry of Defence would be implemented in letter and spirit so as to make sure that requisitioned/hired lands which are surplus to Defence requirements are not unnecessarily kept with Government".

[S. No. 53—Appendix IV (Para 3,116) 69th Report (Fourth Lok Sabha) of the Public Accounts Committee—1968].

Action taken

The recommendation of the Public Accounts Committee has been noted for compliance. It may also be added that the instructions contained in letter No. 29(10)|66|D(Lands), dated the 20th March 1967 have been superseded by the instructions contained in letter No. 29(1)|66|D(Lands), dated the 12th November, 1968. A copy thereof is attached (Marked Annexure 'A') and action will be taken in accordance therewith.

Instructions have also been issued on 17th June, 1969 restricting the powers of the competent authorities to accord sanction or requisition under the R.A.I.P. Act, 1952. A copy thereof is attached herewith (marked Annexure 'B'). These instructions are calculated to ensure that requisitioning is resorted to only when absolutely necessary.

D.A.D.S. has seen.

[Ministry of Defence File No. F. 15(5)|A|69D(Lands), dated 9-8-1969].

ANNEXURE A

No. 29(10)|66|D (Lands)
Government of India,
Ministry of Defence,
New Delhi, the 12th November, 1968.

To

The Chief of the Army Staff.
The Chief of the Air Staff.
The Chief of the Naval Staff.

SUBJECT:—Disposal of surplus acquired|requisitioned|hired properties—Submission of Statements for—

Sir,

I am directed to say that cases have come to the notice of the Government where properties both land and buildings—under the management of the Service authorities are not utilised and on which infructuous chowkidari expenditure is incurred. The Audit and Public Accounts Committee have also brought several such cases of lands and buildings to the notice of the Government.

2.1. The matter has been considered by Government and it is felt that a solution lies in two directions:—

- (a) To locate the properties—both lands and buildings—which are not utilised in facts, and to determine whether they should be retained for future requirements of the Defence Services or be disposed of;
- (b) To ensure that properties declared surplus to Defence requirements are expeditiously disposed of either on temporary or permanent basis depending upon the assessment whether the surplus is temporary or long term.

2.2. As regards (a) above, the matter can be considered in two parts. Firstly buildings and flats and secondly lands.

2.3. In so far as buildings and flats are concerned, a quarterly return has already been prescribed by the A.G.'s Branch letter No. A|20093|ASO A&E(d). dated the 9th May, 1967. The quarterly return for the period ending December every year is required to indicate *inter alia* the buildings and flats which have remained vacant for more than six months at a stretch during the year. Para 2 of this

circular letter dated the 9th May, 1967 has been amended on 8th November, 1968 to provide for yearly information in respect of each unit of accommodation outside the Unit lines which has remained continuously vacant for the last six months, i.e. during the period July to December. This return is at present submitted only by the Station Commanders of the Army i.e. in respect of stations which are commanded by the Army Officers. The returns are not submitted in respect of the stations which are commanded by the Naval and Air Force Officers. It has now been decided that the Station Commanders in respect of stations commanded by the Naval and Air Force Officers will likewise submit yearly statement to the army statistical Organisation giving the same information, i.e. the units of accommodation in Station Pool which are outside the Unit lines and have remained vacant continuously for the last six months i.e. during the period July to December and other prescribed particulars thereof. This return will be submitted by the 10th of January each year. The Army Statistical Organisation will compile the information in respect of the Naval and Air Force stations and forward the same respectively to JS(N) and JS(A) for necessary action in the same manner as the compiled information for the stations commanded by the Army Officers is forwarded to JS(Q).

2.4. So far as lands are concerned, it has been decided that the Army|Naval|Air Force Station Commanders will furnish statements by the 10th January each year in the attached proforma showing the lands under their respective management and control which have remained continuously vacant and unutilised for a period of six months immediately prior to 31st December. These statements also will be compiled by the ASO and will be forwarded to JS(Q)|JS(N)|JS(A) as the case may be for further necessary action with a view to see whether any defence owned lands be handed over to the ML&C Dte. for permanent or temporary disposal and whether any requisitioned|hired lands be de-requisitioned|de-hired. One copy of the statement pertaining to the lands will be forwarded by the Station Commander to the Service Headquarters concerned through the normal channels.

3. As regards (b) above, it has been decided that ML&C Dte. will submit a six monthly report to Government as on 30th June and 31st December each year indicating:—

- (i) the list of outstanding defence owned properties declared permanently surplus to defence requirements and the progress made in the disposal thereof.

(ii) the list of outstanding hired and requisitioned lands and buildings sanctioned for de-hiring|de-requisitioning and the progress made in the de-hiring|de-requisitioning thereof.

4. The above will supersede the Government of India letter No. 29 (10)|66|D(Lands), dated the 20th March 1967, issued to the three Services.

Yours faithfully,

Sd|-

(D. Krishnamurthi),

Under Secretary to the Government of India.

Copy for appropriate action:—

JS (A), D(Q&C), Air Hqrs.

JS (N), D(Air-II), Naval Hqrs.

DML&C, D(N-II), ASO, AG's Branch.

Copy to file No. 15 (1) |68|D(Lands).

Appendix to Government of India, Ministry of Defence, Letter No. 29(10)/66/D(Lands) dated 21-11-1968.

Details of Lands under the Control and Management of the Station Commander Lying continuously vacant for a period of over six months ending 31st December, 19....

STATION

Location	Survey No.	Area in acres	Since when lying vacant	Whether Defence owned re-quisitioned or hired	If Defence owned, why land is not handed over to the MEO for management	If requisitioned/hired			Whether in the opinion of the Station Commander, land is likely to be required for Defence purposes	Remarks (including encroachments)
						Whether proposal for de-requisitioning/de-hiring submitted or not	Annual rental/compensation	If assets have been created on the land, the nature & approx value thereof		
1	2	3	4	5	6	7	8	9	10	11

ANNEXURE 'B'

No. F.2 (2) |69|2756-Q|D(Q&L)

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 17th June, 1969|27 Jaistha, 1891 S.E.

To

The Chief of the Army Staff

The Chief of the Air Staff

The Chief of the Naval Staff.

SUBJECT—*Procedure for hiring|requisitioning of immovable properties for Defence Services.*

Sir,

I am directed to refer to this Ministry's letter No. A|25577|Q3(H) |791-S|D(Qtg), dated the 13th December 1962, on the above subject, and to state that since the Defence of India Act and Rules have ceased to be law, it is not longer possible with effect from 10th January, 1968 to accord sanction to the requisitioning of properties thereunder. The Requisitioning and Acquisition of Immovable Property Act, 1952, however, continues and it is permissible to requisition immovable property in accordance with the provisions thereof.

2. Though the Requisitioning and Acquisition of Immovable Property Act, 1952, empowers, immovable property to be requisitioned for any public purpose in the circumstances mentioned in the Act it has been decided by Government that competent administrative authorities empowered to accord sanction for requisition may do so only in connection with the operations or other similar emergent needs which cannot be postponed and for which obtaining of Government sanction may delay matters to such an extent as to defeat the object in view. In the remaining cases where requisitioning of immovable property is desired to be resorted to, prior approval of Government should be obtained.

3. I am further desired to state that when the Administrative Approval for the requisitioning of immovable property is accorded by the competent authority without the prior approval of Government, the case should be reported to Government within a period of two months of the date on which Administrative Approval to the requisitioning has been accorded. The report will *inter alia* indicate the extent of the area sanctioned for requisitioning and the reasons

why requisitioning was resorted to. A copy of the Administrative Approval will also be attached to the report.

Yours faithfully,
Sd/-

(S. P. MADAN)

Under Secretary to the Government of India.

Copy to:—

D (Lands)

D (N-II)

D (A-II)

JS (A)

JS (N)

JS (P&C).

Recommendations

The Committee observe that about 17 tonnes of Walnuts with estimated shelf-life upto 15th September, 1963, were despatched to the consuming units as late as on 4th September, 1963, and 8th September, 1963, i.e. when their shelf-life had practically expired. Consequently, a major portion of these (10.46 tonnes) were found unfit for human consumption. Another consignment of 3.6 tonnes with shelf-life upto October, 1963, was found unfit for human consumption on arrival at Pathankot on 25th September, 1963. This consignment was despatched by goods train from Delhi on 28th August, 1963, and it took practically a month to reach its destination.

(S. No. 54 of Appendix IV to 69th Report Fourth Lok Sabha Para No. 3.124).

Action Taken

Necessary remedial measures have been taken, to which the Public Accounts Committee themselves have made a reference in their recommendation at Sl. No. 56 in Appendix IV of the present (i.e. 69th) Report.

DADS has seen.

(Ministry of Defence File No. MFB/04855/Q/ST-4-Vol. II, dated 12-12-1969).

Recommendations

The Committee are left with the impression that due prudence and vigilance were not exercised by the authorities concerned in

the provisioning, despatch and supply of walnuts which were prone to quick deterioration.

(S. No. 55 of Appendix IV to 69th Report Fourth Lok Sabha Para No. 3.125.)

Action Taken

The observations made by the Committee have been noted. Walnuts have since been deleted from the scale of rations. For other items, which are prone to quick deterioration, necessary remedial measures have already been taken (*vide* Army HQ letter No. A 97408 Q ST6A QI(B), dated the 19th October, 1967—copy attached), to which the P. A. C. have themselves made a reference *vide* their recommendation at Sl. No. 56 in Appendix IV of the present (*i.e.* 69th) Report.

D. A. D. S. has seen.

(Ministry of Defence File No. MFB 04855 Q ST-4-Vol. II, dated 12-12-1969).

No. A 97408 Q ST6A QI(B)
 ARMY HEADQUARTERS
 QUARTERMASTER GENERAL'S BRANCH
 DHQ PO NEW DELHI—11.
 19 October, 1967

To

Headquarters
 Southern Command
 Eastern Command
 Western Command
 Central Command

(50 copies each)

SUBJECT:—*Disposal of surplus foodstuffs*

1. In accordance with the existing procedure outlined *vide* para 13 of this Headquarters letter No. 53114 Q ST6A S, dated 26 July 6 Aug. 58, as amended from time to time, all surpluses of foodstuffs, which cannot be consumed within the Command, are required to be reported to this Headquarters for disposal instructions. In certain

cases, on resampling the estimated storage life given may be so short as to allow very little time for a proper and planned disposal of such stocks. In order to avoid any possible loss to the State from such stocks becoming unfit for human consumption the procedure contained in the above quoted letter will be followed subject to the following modifications:—

- (a) In cases, where the residual shelf-life of an item of food-stuff is so short that GOC-in-C considers that the item cannot be consumed by inter-area or inter-depot transfers against normal authorisations and that a reference to this Headquarters is likely to result in the Item(s) becoming unfit for human consumption, GOC-in-C can issue disposal instructions in respect of such stocks authorising disposal by sale or auction or issue of such stocks in lieu of other items. Full facts of the case will, however, be submitted to this Headquarters.
- (b) In exercising the aforesaid powers, the authorities concerned will—
 - (i) take into account the recommendations of the local medical authorities, the causes leading to the accumulation of stocks and the financial interests of the State;
 - (ii) submit a detailed report to this Headquarters for the information of the Government. The report will *inter alia* indicate reasons for accumulation of such stocks and disciplinary aspect involved, if any.

2. This letter issues with the concurrence of the Ministry of Finance (Defence) Q vide their u.o. No. 5253 QB of 1967.

3. Please acknowledge.

Sd/- QUARTERMASTER GENERAL.

Copy to:—

Ministry of Defence (D (Disposal))—3 copies.

Ministry of Finance (Defence) (Q)—10 copies.

Controller General of Defence Accounts, New Delhi.

Recommendation

Besides, it took practically a year for the Army authorities to dispose of the inedible stock. As such items are prone to rapid deterioration, the delay in disposal naturally resulted in further deterioration and consequent loss to Government. The Committee

note that Government have, in implementation of an earlier recommendation of the Committee, delegated in October, 1967, authority to GOSC-in-C to dispose of stocks by sale or auction or by issue of such stocks in lieu of other authorised items in cases where the storage life of the surplus stocks is so short that consumption of such stocks cannot be arranged by inter-depot or inter-Area transfers against normal authorisation. The Committee hope that such delays in disposal resulting in heavy loss to the State would not recur.

[S. No. 56 of Appendix IV to 69th Report, Fourth Lok Sabha]

Action Taken

The observations made by the Committee have been noted for guidance.

D.A.D.S. has seen.

[Ministry of Defence file No. MF B|O 4855|Q|ST-4—Vol. II, dated 16-12-1969].

Recommendation

The Committee are not convinced by the reasons given by the Ministry for the delay of about four years in ordering an inquiry into the losses. As such inordinate delays are bound to blur the issues, it is necessary that an inquiry, where necessary, should be held promptly to determine the reasons for loss, recommend remedial measures and fix responsibility.

[S. No. 57 Appendix IV to 69th Report Fourth Lok Sabha Para No. of Report 3.127].

Action Taken

With a view to avoiding recurrence of such situations, the form for the declaration of surplus stocks for disposal has been amended in January, 1969 to incorporate the following information to enable Army Headquarters to order Courts of Inquiry promptly, where necessary:—

- (a) whether a Court of Inquiry was held or being held; and
- (b) if a Court of Inquiry was not considered necessary reasons for the same.

2. Again in November, 1969, instructions have been issued (copy enclosed) by Army Headquarters impressing upon all store holders

and other concerned officers, the necessity for strict adherence to the procedure regarding disposal of surplus stores with promptness to avoid any subsequent queries and consequent delays in the finalisation of such cases.

D.A.D.S. has seen.

[Ministry of Defence file No. MF B|O 4855|Q|ST-4—Vol. II dated 16-12-1969].

Copy of Army Headquarters, Quartermaster General's letter No. 53114|Q|ST-4, dated the 28th November, 1969.

To

The BsASC
 Headquarters
 Southern Command (60)
 Eastern Command (60)
 Western Command (70)
 Central Command (60)
 Commandant
 Reserve Grain Depot ASC
 LUCKNOW.

OC
 Reserve Supply Depot ASC
 SHAHJAHANPUR.

Disposal of Surplus Stores : Surplus Packing Material (Other than Pol Containers) and Foodstuffs

Reference this Headquarters letter No. 53114|Q|ST-4 dated 23 Jan. 69.

2.3. The procedure laid down in this Headquarters letter under reference has been devised to avoid delay in disposal of surplus or unfit stocks. It is, therefore, essential that all such cases, which have to be dealt with in accordance with this procedure, are given prompt attention. Please, therefore, impress upon all the store holders and other concerned officers, the necessity for strict adherence of this procedure with promptness to avoid any subsequent

queries and consequent delays in the finalisation of such cases.

3. Please acknowledge.

Sd/- OM PRAKASH,

Major

DADS

for Director of Supplies & Transport.

Copy to:—

Ministry of Defence|D (Disposals)—3 copies.

Ministry of Defence|D (QS).

etc.

etc.

etc.

etc.

Recommendation

The Committee cannot help feeling that the scheme was conceived and executed without a proper determination of requirements or priorities at any stage. The scheme, the cost of which was estimated as Rs. 1.30 crores, was formulated at a meeting of a Board of Officers held between the 9th and 12th June, 1965. The decision at this meeting was that the scheme should cover the development of water resources at station 'X' as well as station 'Y', as the total requirements of water for the Army were estimated to exceed the known resources at station 'X'. However, the investigation of the water resources at station 'X' by the Geologist took place only on 24th June, i.e. after the scheme was formulated. The Superintending Geologist had, after examining this report, suggested that the yield at station 'X' should be tested before proceeding to develop the water resources at station 'Y'. There is, however, nothing on record to indicate the any attempt was made to redetermine the priorities of the work in the light of this suggestion. It is also significant that, after water resources were developed both at station 'X' and station 'Y' for supplying approximately 4 lakhs of gallons a day the actual supply that was made during the four years ending 1967-68 varied from 13,000 gallons a day to 28,500 gallons a day, i.e., about a tenth of the safe yield of three out of five wells at 'X'. It is also significant that "in spite of effort", the Ministry of Defence have not been able to ascertain what the requirements of water for the Army in this region actually were and how they were worked out. Had the scheme been preceded by a survey and been executed on the lines suggested by the Superintending Geologist, an expenditure of Rs. 59 lakhs incurred on the development of water resources at station 'Y' which have largely remained unutilised, could have been avoided

It was stated by a representative of the Ministry of Defence that the work was executed as a matter of operational urgency and that there was no time for a very detailed survey. The Committee are, however, unable to accept this explanation. Between the time the Board recommended the work (June, 1965) and the work commenced (September, 1965), there was an interval of more than three months during which the yields of wells at station 'X' could have been tested. Moreover, as against 8 months during which the work was planned to be executed, the execution was spread over one and a quarter years and during this period also the yield of these wells could have been tested and priorities redetermined. The Committee hope that the Ministry of Defence will issue suitable instructions to ensure that such instances of hasty planning and execution of work do not recur.

The Committee note that over 13 percent of the cement asbestos pipes valued at Rs. 50 lakhs supplied by the contractor for laying the mains for this scheme burst at a pressure far less than that specified in the contract, even though the pipes had been inspected and tested by the Director General, Supplies and Disposals before supply. As the matter is stated to be under police investigation, the Committee reserve their comments pending outcome of the enquiry.

The Committee also note that a claim for Rs. 6.38 lakhs, has been preferred against the suppliers and that the matter is awaiting settlement, pending a joint inspection of the stores by the suppliers and the Department. The Committee would like to be apprised of the findings of this inspection and the progress made in settlement of the claims against the suppliers.

[Sl. Nos. 58 to 61 of Appendix IV—(Paras No. 3.148, 3.149, 3.160 and 3.161) of 69th Report (1968-69)—(4th Lok Sabha) of P.A.C.].

Action Taken

S. Nos. 58 and 59.

The observations of the Committee have been noted.

2. With a view to ensure that the planning and execution of water supply projects is done only after correctly ascertaining the availability of water at local source, necessary instructions have been issued to all concerned by the Army HQs E-in-C's Branch under their letter No. 85775/WS-IS/E2PHE, dated 8th July 1969 (copy enclosed). With the issue of these remedial instructions, it is hoped that such lapses will be avoided in future.

S. Nos. 60 and 61.

A further note will be submitted to the Committee in due course in regard to the outcome of the police investigation and the progress in the settlement of claims against the suppliers.

4. D.A.D.S. has seen.

[Min. of Def. u.o. No. 15(5)|69|1269-S|D|(Work-II) dated 10th Oct. 69]

Telephone : 371194

ARMY HEADQUARTERS
Engineer-in-Chief's Branch
Kashmir House
DHQ PO New Delhi-II
8th July, 1969.

No. 85775|WS-IS|E2 PHE.

To

E-in-C's List 'B'.

Draft Para for Audit Report.

Public Accounts Committee have recently observed in one case that in the planning and execution of water supply project, the availability of water at local source was not correctly ascertained before venturing to bring water from a distance of approximately 50 miles. This resulted in avoidable expenditure in laying pipeline system and pumping installation. Later investigations proved that enough water was available at the site where the water was required and did not necessitate bringing water from long distances. The PAC have adversely commented upon the laxity in the planning and execution of the project without first ascertaining the local date.

It is therefore imperative that adequate investigation must be carried out and checks exercised at all levels while progressing scheme of this nature to ensure that no avoidable expenditure is incurred. Suitable instructions in the matter may please be issued by you to your lower formations.

Sd/- SE|SO I,
for Engineer-in-Chief.

Copy to:—

E-in-C's List 'A'—for information.

Further Information ..

In continuation of this Ministry's u.o. No. 15(5)|69|1269-S|D (Works-II) dated 10th October 1969 forwarded to the Lok Sabha Secretariat under Ministry of Defence O.M. No. F. 11(2)|69|D (Budget) dated* the 18th October 1969.

Sl. Nos. 60 & 61

In order to determine finally whether the pipes supplied by the firm were defective|sub-standard, it was decided at a meeting held in the DGS & D on the 26th September 1967 that the entire pipe line should be retested and its performance observed at full pressure for a period of 14 days. The representatives of the firm, MES and the DGS&D accordingly met on the 26th December, 1968 and the pipe line was jointly tested and its performance under full working pressure was observed for 14 days. As a result of this joint test, the performance of the pipe line was found to be trouble free and satisfactory.

2. Under this contract, the firm was also to supply cast iron detachment joints protected with a metal (Aluminium) mould. The firm, however, actually supplied a certain number of moulds of mild steel coated with aluminium paint. The number of such moulds involved is 8,149. The police investigated only into the supply of this particular item. On the basis of the police report, departmental proceedings have been instituted against the inspectors concerned. These proceedings have not yet been concluded.

3. The claim of consignee amounts to Rs. 7,14,956.51 as per details given below:—

	Rs.
(i) Cost of burst and defective pipes 15,465.53 metres.	4,99,845.93
(ii) Cost of 379 Nos. of C. I. detachable joints.	12,825.36
(iii) Value of M.S. moulds which were wrongly supplied instead of aluminium moulds.	76,835.64
Conveyance charges pertaining to defective supplies.	1,25,449.58
	7,14,956.51

This claim has been preferred against the firm but the firm has contested it on the ground that, on joint inspection, the pipe line has been found to be trouble free and satisfactory. The matter is, however, being examined in consultation with the Ministry of Law.

[Min. of Defence u.o. No. 15(5)|69|8107|D (Works-II) dated 5-12-1969.]

3104 (Aii) LS—8.

Recommendation:

The Committee cannot help expressing surprise over the fact that Government incurred an expenditure of Rs. 8.89 lakhs on the hire charges, repairs and maintenance of a paddle steamer costing Rs. 11.33 lakhs. During the period of three years from September 1964 to September 1967, for which the steamer was hired, it remained under repairs in three spells for a period of one year after it was hired. For the rest of the period it was used to provide training of which as many as 7528 hours constituted "static training with steam on" and only 775 hours training "while plying". The field unit which was using the steamer had, as early as January, 1966, recommended that the vessel should be derequisitioned as it was "inadvisable" to use it "for transporting the infantry personnel". It was also pointed out by the unit that "the cost to the Defence Budget on account of the steamer is considerable". However, on "operational" considerations, it was decided that the vessel should continue with the unit till alternative arrangements were made. Ultimately, Government made arrangements with the Railways in 1968 to have the personnel trained on steam tugs. The Committee fail to understand why arrangements in this regard could not have been made much earlier. The Committee trust that Government will draw upon this experience and ensure that costly lapses of this nature do not recur.

[Sl. No. 62 of Appendix IV—(Para 3.176) of Sixty-ninth Report of the Public Accounts Committee (1968-69) (4th Lok Sabha)].

Action Taken

The observations of the Committee are noted for compliance.

2. It is correct that over a period of three years, Rs. 8.89 lakhs were spent on the hire-charges, repair and maintenance of the paddle steamer which originally cost the owners Rs. 11.33 lakhs in 1946. However, the only alternative, for the Government, other than that of requisitioning of paddle steamer 'hopal', for meeting the operational and training requirements of the Inland Water Transport Operating Companies was to have its own steamer built by the leading manufacturers like M s Garden Reach Workshop Ltd., Mazagaon Docks and M's AFCO Ltd., all of whom regretted their inability to manufacture a vessel of the required type. Even if it had been possible to get a newly built steamer, it would have cost the Government approximately Rs. 50 lakhs. In addition, considerable amount would have still to be spent on its mooring and maintenance. If all these factors including depreciation and interest on the Capital cost are kept in view, the expenditure incurred by Government cannot, it is submitted, be considered as excessive.

3. The arrangement that has been entered into with the Ministry of Railways in 1968 for the training of crew on steam tugs of the Railway Ferry Fleet in Assam, caters only for the refresher training of already trained crew. On the other hand, the requirements in 1964 were different, viz:

- (i) initial training of personnel of newly, raised Unit (236 IWT Operation Company);
- (ii) refresher training of the personnel of an already existing Unit (235 IWT Operating Company), and above all
- (iii) fulfilment of operational requirements and commitments of 235 IWT Operating Company.

The arrangement made with the Ministry of Railways in 1968 could not thus have met the training and operational requirements obtaining in 1964. However, all efforts will be made to ensure that the arrangements are most economical and the observations of the Public Accounts Committee kept in mind.

4. D.A.D.S. has seen.

[Min. of Def. u.o. No. 15(3) 69/1249-S:D (Works-II) dated 10th October, 1969.]

Recommendation

The Committee observe that an Air Force Station paid electricity charges from September, 1965, till January 1967, on the basis of 75 per cent of the maximum contract demand, viz. 500 KVA, though the actual consumption was not more than 100 KVA. It has been stated that the connected load was 250 KVA and a further load of 250 KVA was anticipated. The anticipated load did not, however, materialise due to a change in operational requirements, which was "indicated" by the Command Authorities in January 1967. It is, not however, clear how, when the change in operational requirements was "indicated" only in January, 1967, the Garrison Engineer could have approached the Electricity Board for scaling down the contract demand to 100 KVA even in September, 1966. The Committee would like the Ministry of Defence to examine whether there was a failure to scale down the demand sufficiently in time.

The Committee note that the excess charges for the period June, 1966 to January, 1967, have been refunded or are likely to be adjusted but that the State Electricity Board have not agreed to refund

the excess charges levied for the earlier period, viz. September, 1965 to May, 1966.

The Committee would like the question of refund of excess charges for the period September, 1965, to May 1966 to be pursued vigorously. They would also like the Ministry to impress upon the authorities concerned the need to assess their requirements more realistically.

[Sl. Nos. 64 to 66 (Paras 3.187 to 3.189) of Appendix IV to 69th Report (1968-69) (4th Lok Sabha) of P.A.C.].

Action Taken

It is true that the change in the operational requirements was indicated by the Command Authorities in January, 1967, but the question of scaling down the contract demand had been taken up independently by the Garrison Engineer much earlier. The circumstances in which this action was taken by the Garrison Engineer are explained below.

The electric supply was given to the M.E.S. in pursuance of the letter of the Additional Chief Engineer, Rajasthan State Electricity Board, dated the 17th September, 1965. In accordance with that letter billing had to be done under Schedule HS|ML|LT|3 which applies to loads ranging from 10 KW to 100 KW. In view of this, the M.E.S. considered that the Rajasthan State Electricity Board would charge for the consumption of energy in the manner prescribed under Schedule HS|ML|LT-3. It was only on 27th May 1966 when the Rajasthan State Electricity Board sent the bills for the first time that the M.E.S. came to know that the billing had been done under Schedule HS|ML|HT-2. Immediately on receipt of the bill, the Garrison Engineer took up the matter on 31st May, 1966, with the Additional Chief Engineer, Rajasthan State Electricity Board, pointing out that the demand charges given in the bill were based on 500 KVA whereas the capacity of the MES transformer installed was 100 KVA only. However, in accordance with the rules of Rajasthan State Electricity Board, and with a view to avoiding forfeiture of rebate, the bill was paid in full. On 4th June, 1966, the Garrison Engineer, Jaipur again requested the Additional Chief Engineer, R.S.E.B. to restrict the Contract Demand to 100 KVA. On 10th November 1966, the Additional Chief Engineer, R.S.E.B. conveyed the approval of the Chairman, R.S.E.B. for reducing the contract demand from 500 KVA to 100 KVA with effect from 4th June, 1966.

2. It will be seen from the position stated above that there was no time lag between the receipt of the first bill or revelation of the

incorrect demand charges and application to the Board for scaling down the Contract Demand. There is, thus, no failure on the part of the MES authorities in taking necessary action to scale down the contract demand sufficiently in time.

3. As regards the refund of excess demand charges for the period from 20th September, 1965 to 3rd June, 1966 the Rajasthan State Electricity Board have since agreed to refund the same.

4. With a view to ensuring that the peak load demands of electricity are assessed on realistic requirements, necessary instructions have been issued to all concerned *vide* Army Headquarters, E-in-C's Branch letter No. 29066|68|E4, dated 23rd December, 1967 (copy enclosed).

5. D.A.D.S. has seen.

[Min. of Def. u.o. No. 15(4)|69|1271-S|D (Work-II), dated 27th October, 1969.]

Copy of Army Headquarters, Engineer-in-Chief's Branch letter No. 29066|68|E4, dated 23rd December, 1967, to the Chief Engineers, Southern|Eastern|Central|Western Commands

SUBJECT:—Excess Payment of Demand Charges

1. An instance has come to the notice of this HQ wherein at a certain station the MES obtained supply of electric energy from a State Electricity Board with the stipulation of anticipated Maximum Demand of 500 KVA. Later it was detected that the actual demand was only 100 KVA, based on the capacity of the transformer installed. In accordance with tariff for supply of Electricity of the State Electricity Board, the MES were billed at 75 per cent of the anticipated Maximum Demand with the result that an extra expenditure of Rs. 5,400.00 per month was incurred for Demand Charges.

2. It would be seen from the above that the peak load commitment by the MES was far in excess of actual requirement and this has become the subject matter of Draft Para for Audit Report (DS 1968).

3. To avoid lapses of this nature will you please instruct all concerned to ensure that the peak load requirements are indicated to the Supply Agency in accordance with realistic requirement. Your attention has already been drawn to this *vide* para 14 Section 4 of the Minutes of the Chief Engineers|Commanders Conference 1967.

4. Please also investigate the peak load requirements given to the Supply Agency and as actually existing at all stations so that such objections may not recur.

Sd/- R. N. SEN,
for ENGINEER-IN-CHIEF.

Recommendation

The Committee cannot refrain from expressing the view that this case speaks rather poorly of the state of affairs in the Embarkation Commandant's Organisation at Bombay. The stores were unloaded between the 20th September, 1957 and 30th September, 1957 and could not be located till after a search on 3rd March, 1958. Due, however, to records getting misplaced it could be cleared only on the 16th December, 1962 after which it was found to be badly damaged. The Committee note that the officials directly connected with the case have been released from Army Service. The Committee hope, however, that in the light of experience of this case and the observations made by the Committee in the earlier portion of this report steps will be taken to guard against the recurrence of such nature.

[Serial No. 79 of Appendix IV to PAC's 69th Report (Fourth Lok Sabha) (1968-69).]

Action taken

The steps taken to streamline the procedure for clearance of defence consignments and bringing about greater coordination in the matter of clearance with Port Trust Authorities, have already been indicated in Ministry of Defence's Note bearing U.O. No. 26(2) '68' D (Mov). dated 4-9-1968 sent to the Lok Sabha Secretariat under Min of Def. OM No. F. 11(1) '68' D (Budget), dated 13-9-1968. Further instructions have been issued on 31.8.1968 (copy at Appendix 'A'). According to these instructions, landing operations/clearance of stores are to be suitably supervised. Arrangements are also made for the services representatives to be present at the time of landing/clearance of stores, where considered necessary.

Instructions have also been issued to all the Embarkation Headquarters on 5-12-1968 (copy at Appendix 'B') that if any notification for unclaimed/unconnected consignments is issued by Port Trust Authorities, which is either specifically addressed to the Embarkation Headquarters or is received by them as an addressee in the mailing list, immediate action should be taken to have such

cases opened under the Port Rules for physical inspection to arrive at a definite conclusion as to their ownership. This should greatly reduce the risk of delivery of defence consignments to any other party and also help trace the lost or misplaced consignments.

Progress of clearance|despatch of imported consignments ex the dock is also watched centrally to avoid any hold-up and to ensure that prompt action is taken by Embarkation Headquarters concerned to trace missing consignments and obtain delivery at the earliest.

It is considered that in view of the steps taken, cases of the type in question should not recur.

D.A.D.S. has seen.

[Min. of Def. u.o. No. 36(3)|67|8044|D(Mov), dated 29th September, 1969.]

ANNEXURE 'A'

DELHI TELEPHONE-34559

REGISTERED|ADS

NO A|03806|PC2|Q Mov Shipping
ARMY HEADQUARTERS
Quartermaster General's Branch
DHQ PO NEW DELHI-11
31 Aug. 1968.

To

Embarkation Headquarters
Post Box No. 331
BOMBAY-1. (5)

Embarkation Headquarters
Fort William
CALCUTTA-21. (5)

Embarkation Headquarters
Fort St. George
MADRAS-9. (5)

SUBJECT:—CLAIMS PROCEDURE—IMPORTED STORES

1. The revised procedure in respect of claims for Defence cargo shortlanded|damaged is forwarded herewith for guidance and strict compliance.

2. Please acknowledge.

Sd/- COL. MANOHAR LAL,
for DIRECTOR OF MOVEMENTS.

Copy to:—

Headquarters Southern Command

Headquarters Eastern Command

Headquarters Western Command

Headquarters Central Command

CsDA Southern Command, POONA

Air Force, DEHRA DUN

CDA, PATNA

DGOF, CALCUTTA CGDA

DGAFMS (DG-2E).

DG of Inspection (TD).

Deptt. of Defence Production

R&D Organisation (RD-29)

DTD & P (Air)

DGBR (Dte of Mov)

DSP (N). NASO, BOMBAY—For guidance and compliance.

NHQ (Dte of Stores)

Air HQ (Dte of Eqpt)

MGO Branch (Org Dte)

MG|PPO

E-in-C's Branch (E3).

ST 6A|P

RV Dte (RV-1)

MF Dte (MF-1)

Ministry of Defence|D(Mov); D(O), D(Fy), D(HAL-II),
Finance|Defence-QA.

No. A\03806|PC8|Q Mov Shipping

**CLAIMS PROCEDURE—IMPORTED STORES FOR THE DEFENCE
SERVICES & THE MINISTRY OF DEFENCE**

AIM

1. The aim is to lay down a procedure in respect of claims for Defence Services cargo shortlanded and/or landed in damaged condition or landed but missing.

) **Scope**

2. This procedure will apply to cargo intended for all the **THREE SERVICES** and **MINISTRY OF DEFENCE** and shipped as under:—

- (a) Stores shipped on commercial vessels by various Government of India's sponsored agencies (e.g. India Supply Missions LONDON|WASHINGTON) on which freight is normally payable in the country of shipment.
- (b) Stores shipped on commercial vessels on which freight is payable or adjusted in INDIA.
- (c) War Department stores shipped from the UK on which freight is payable by **WAR OFFICE|AIR MINISTRY, LONDON.**

Responsibility—Handling of Claims

3. (a) The responsibility for handling claims for damages and shortlanded items including losses|damages sustained to stores shipped commercially insured, will be that of the Embarkation Commandant concerned, who will deal with them from the time of initiation to the time of their payment or final rejection.

In the case of claims for losses|damages for commercially insured stores, which are not settled within 6 months from the date of landing, the responsibility to finalise such claims will be entrusted to the Insurers with whom the stores are insured. All relevant correspondence|documents will be forwarded to the Insurance Coy concerned or their representative, at the earliest under intimation to Army HQ (Mov Dte) and the consignee concerned.

(b) Explosives belonging to all the **THREE SERVICES** will be handled by NASO, Bombay when imported through the port of Bombay. Responsibility for off-loading, marine survey, lodging of claims on account of discrepancies|damages of these stores and to progress these till finalisation will be that of the NASO, Bombay.

Landing of Stores

4. As far as physically possible and practicable, landing operations|clearance of stores will be suitably supervised. Arrangements will also be made for the Services representative to be present at the time of landing|clearance of stores, where considered necessary. It will be ensured that the damages are suitably remarked in the ports' remarks list.

Survey

5. Immediate action will be taken to conduct necessary surveys, within the time limit prescribed for such surveys by law or local usage, on stores landed in damaged/suspected to be damaged condition. Embarkation Commandant/NASO, Bombay are responsible to ensure that surveys are completed within the time limit prescribed by law or local usage and are not allowed to become time barred on any account. An extract from Article III of the Indian Carriage of Goods by Sea Act, 1925, is reproduced below:—

“6. Unless notice of loss or damage and the general nature of such loss or damage be given in writing to the carriers or his agents at the port of discharge before or at the time of removal of the goods into the custody of the person entitled to delivery thereof under the contract of the Carriage, or, of the loss or damage be not apparent, WITHIN THREE DAYS, such removal shall be *prima facie* evidence of the delivery by the Carriers of the goods as described in the bill of lading.”

Survey Report

6. (a) Immediately a survey is completed, the Embarkation Commandant/NASO concerned will obtain reports of the survey and issue, in writing, a notice of liability as in Appendix 'A' (Form I) for the loss/damage established against the Carriers/Port authorities, as the case may be. Where stores are not discharged from the vessel concerned, the fact should be got confirmed and certified by port authorities and a shortlanding certificate obtained, where necessary.

As soon as liability for loss/damage is established, a claim (in quadruplicate) will accordingly be submitted against the party concerned along with the supporting documents as mentioned in para 8 below.

(b) Stores which, though landed, do not become available for clearance along with other consignments and when located (after expiry of period prescribed for Marine Survey) are found in damaged condition will be cleared after Regimental Survey in case Steamer Agents Port authorities refuse to arrange and attend Marine Survey. However, timely legal action to recover losses from the Port Trust concerned will be taken as contemplated *vide* paras 11 and 12 below.

(c) Bills of Lading/Invoices show details of the stores expected to be discharged ex-particular vessels. The Bills of Entries for the purpose of assessment of customs duty are normally prepared from

the relevant documents viz. Bills of Lading|Invoices and customs duty is levied|charged accordingly. Embarkation Commandants will ensure that claims for refund of customs duty charged on stores as are finally declared shortlanded are lodged against Customs Authorities as soon as the fact of shortlanding is confirmed by port authorities and pursued till finalisation. Such of the claims will invariably be supported with the Port Trust|Port Commissioners' shortlanding confirmation|shortlanding certificate.

(d) Necessary entries will be made in the Import Transit Ledger.

Claims—Value

7. Claims against shipping company or its agents on account of stores shortlanded or landed in damaged condition, will be preferred at the actual invoice rate, including the authorised percentage for freight, packing and landing charges, but in respect of stores landed in damaged condition, proportionate customs duty will also be added in addition to other charges. In respect of claims against Port Trust Authorities, on account of stores landed but missing, wharfage charges and customs duty will invariably be added to other charges. In respect of stores damaged while in the custody of Port Trust customs duty only will be added to other charges.

Supporting Evidence

8. Claims will be submitted with all available supporting evidence viz. Bill of Lading, Survey Report, Shortlanding Confirmation, Shortlanding Certificate, Note of protest and proof of value of stores etc. as the case may be to the Shipping Company or its agents. The value of missing stores will be assessed on the basis of Invoices|Packing Accounts available with Embarkation Commandant. However, where it is not possible to do so, the same will be ascertained from the consignee concerned or failing that from the Director General, India Supply Mission, LONDON, for cargo shipped in the UK and from consignors in case of other countries of origin under intimation to the Consignees|Services Hqrs|Branches for suitable action at their level. The value so collected will be substantiated by supporting vouchers. In all cases of damages, the value will be obtained from the consignees concerned.

In case complete information is not available, it is sufficient to notify the shipping coy or its agents, of the claim with as many details as are available at that time, and to follow it up with the remaining documents as soon as they are obtained. In cases of difficulty a report will be made to **ARMY HEADQUARTERS**

(MOVEMENTS DTE) sufficiently in advance of the expiry of the period of one year so that such lapses on the part of consignees are brought to the notice of Services Headquarters for immediate action in the matter. Extension of time limit will invariably be obtained before expiry of the period of one year in all appropriate cases.

Time Limit

9. Claims against carriers

(a) The Embarkation Commandant|NASO Bombay will ensure that claims are submitted and finalised at the earliest opportunity but within the prescribed period of ONE YEAR. Relevant extract from Article III of the Indian Carriage of Goods by Sea Act, 1925 is reproduced below:—

“In any event the Carrier and the ship will be discharged from all liability in respect of loss or damage unless SUIT is brought within ONE YEAR after delivery of the goods or the date when the goods should have been delivered”.

(b) Notwithstanding the above, in respect of ship governed by the *Gold Clause Agreement, the shipowners will, upon the request of the Landing Officers, extend the time-limit of one year for a further period of 12 months subject to the condition that a notice of claims, with the best particulars available, is given within 12 months from date of landing of stores and there is no undue delay in giving information and confirming the claim. In no case the claims will be permitted to become time-barred.

10. A report on claims, which are not settled by the 8th month (stores shipped in ships not covered under Gold Clause Agreement)| 20th month (ships governed under Gold Clause Agreement) from the date of landing of stores will be made to ARMY HEADQUARTERS (MOVEMENTS DTE), giving full details of loss|damage together with copies of correspondence exchanged with the Carriers,

NOTE: The Agreement covers stores shipped to India by Director General, India Supply Mission, LONDON, in all ships under the British Flag and almost all the ships under the Commonwealth Flags. The arrangement does not cover stores shipped in foreign owned ships and a few ships under the Commonwealth Flags. Doubtful cases will be referred to Director General, India Supply Mission, LONDON, for clarification.

Survey report, Note of Protest, where required and a self contained statement of case containing positive recommendations of the Embarkation Commandant concerned, for consideration of legal action or otherwise.

Claims (for amounts exceeding Rs. 200/- in each case) which are finally rejected by Carriers|Port authorities and where no further action, legal or otherwise, is called for will be submitted immediately to ARMY HEADQUARTERS (MOV DTE) for consideration through CDA concerned for his audit remarks. Claims for a nett loss (to the actually written off) up to and for Rs. 200/- will be dealt with by the Embarkation Commandant concerned under his administrative powers as set forth in para 19 below, in consultation with the CDA concerned.

Claims against port authority

11. Claims for loss|damage which takes place in port custody will be preferred against port Authorities as soon as possible. Suitable steps will be taken to initiate timely legal action against the port authorities where so advised by the Legal Advisers.

12. Embarkation authorities will be responsible to obtain timely local legal advice so as to justify issue of legal notice in the first instance and followed by a suit subsequently. Where legal action is recommended by Legal Advisers, the proposed draft legal notice, duly approved by them will be forwarded to ARMY HEADQUARTERS (MOVEMENT DTE) with the recommendations by the Embarkation Commandant concerned for issue.

Intimation to the Controller of Defence Accounts—Adjustment of Recoveries|Losses.

13. A copy of the claim on account of stores shortlanded|damaged preferred against the Shipping Companies or their Agents|Port authorities, will simultaneously be forwarded to the consignee concerned and to the Controller of Defence Accounts in whose area the port is located for watching the progress of the claim. Progress in respect of stores (explosives) handled by NASO, Bombay, will be watched by CDA (Navy) to whom the copy of the claim will be forwarded by NASO, Bombay. The amounts recovered from the shipping companies will be credited into the Bank|Treasury on IAFA 507 (Military Receivable Order in duplicate). The deposition copies of Military Receivable Order (*viz.* original copies) duly received by the bank will be forwarded to the Controller of

Defence Accounts concerned in whose area the port is located. In the case of credit on account of Naval and Air Force stores also, the treasury receipt will be forwarded to the Controller of Defence Accounts in whose area the port is located, who will finally compile the recoveries to the appropriate receipt Read under Major Head LXII Sub-Major Heads 1-ARMY|2-NAVY|3-AF according to the nature of stores.

Losses—Insufficiency of Packing

14. Under Articles 3 & 4 of the Indian Carriage of Goods by Sea Act, 1925, the Carrier is required to issue a Bill of Lading, showing among other things, the apparent good order and condition of the goods. The Bill of Lading is a *prima facie* evidence of the receipt by the Carriers of the goods as *therein described*. The fact that the holder of the bill of lading containing the statement that the goods were shipped in apparent good order and condition, takes it without objection as a clean Bill of Lading is sufficient evidence that he relied upon it.

15. When a clean Bill of Lading is issued, the Carrier undertakes an obligation to deliver goods at the destination in the like good order and condition unless he can prove facts bringing him within an exception excluding his liability or can show that damage was occasioned through some cause which was not apparent on a reasonable examination of the goods when shipped. In the case of goods shipped under such a Bill of Lading the ONUS will obviously be upon the Carrier to prove that the goods were insufficiently packed and that such insufficient packing was not apparent on a reasonable examination of goods when shipped.

16. Claims for losses in respect of stores packed in cartons, crates, bags, bundles and unprotected stores shipped in apparent good order and condition and shown as such in the covering Bill of Lading will be properly pressed against the Shipping Companies or their agents. Rejection of claims on grounds of 'insufficient packing' not fully compatible with terms and conditions of the covering Bill of Lading will not be accepted as a matter of routine. Local legal advice in all doubtful cases will be obtained sufficiently in advance to facilitate legal action, where so advised by Legal Advisers. Maximum efforts, both formal and informal, will be made to ensure that claims are settled amicably reducing legal action to the barest minimum. Embarkation Commandant/NASO, Bombay will be held responsible if such cases are not properly

pressed against Shipping companies and are allowed to drag on indefinitely permitting them to become time-barred.

Irrecoverable Claims

17. Losses on account of stores shortlanded/damaged which remain irrecoverable from Carriers/Port authorities will be dealt with at the consignee's end as CASH LOSS in accordance with relevant Rules of FRI (Part I) 1963 Edition without holding a Court of Inquiry. Compensation from Marine Insurance Fund held by the Director General, India Store Department LONDON (now ISM, LONDON) will be obtained in respect of stores shipped upto 31 March 1963 subject to the following conditions:—

- (a) Stores are shipped by/through ISD (Now ISM) LONDON.
- (b) Loss/damage occurring during sea transit (while stores are on board the vessel).
- (c) Claims for loss/damage has been finally rejected by shipping companies.

18. Claims on Marine Insurance Fund are to be lodged against DG, ISD LONDON (now ISM, LONDON) *within 6 months from the date of final rejection by the Carriers* and there is no chance at all of recovering compensation from them through legal action or otherwise. Embarkation Commandant concerned/NASO will ensure that consignees are advised to claim compensation of the loss involved from Marine Insurance within the period of 6 months from the date of final rejection of claim by the Carriers, where admissible. Necessary correspondence exchanged with the Carriers, other documents viz. shortlanding certificates, Note of Protest, copy of survey report etc. together with orders issued by ARMY HEADQUARTERS will be furnished to the consignees without loss of time.

19. Government of India, Ministry of Defence letters No. 89570/Q Mov S2/11724-Md (mov) dated 2 January 60 and 89570/Q Mov S2/3666C/D(Mov) dated 8 May 64 confer on Embarkation Commandants administrative powers to drop claim to the extent of Rs. 200.00 (per claim). The foregoing limit refers to the actual amount of loss to be finally dropped and not the amount of the original claim. Irrecoverable claims for losses exceeding Rs. 200 will be submitted to Army Headquarters (Q Mov Shipping) for concurrence of the Government.

It will be the personal responsibility of the Embarkation Commandant concerned to ensure that all possible avenues are explored to settle the claims favourably before final resort is made to drop them. Action to regularise the loss consequent on dropping of claims will be taken by the consignee concerned in the normal manner.

A half yearly report in respect of claims dropped in exercise of the above administrative powers will be submitted by the Embarkation Commandant concerned to ARMY HEADQUARTERS (MOV DTE), giving reasons justifying such an action.

PROGRESS REGISTER

20. A Register will be maintained showing progress made in all claims submitted in accordance with the foregoing procedure. The Register will be open for inspection any time by the Local Audit Officers.

GENERAL

21. In addition to action outlined in the foregoing paras, any serious case of shortage|damage will be dealt with on its merits and reported to ARMY HEADQUARTERS immediately.

CANCELLATION PREVIOUS INSTRUCTIONS

22. The procedure will be operative with immediate effect cancelling all previous instructions on the subject. The above procedure does not cover losses|damages sustained to consignments shipped ex USSR.

ANNEXURE 'B'

DELHI TELEPHONE: 374559

No. A/36946|Q Mov Shipping
 ARMY HEADQUARTERS
 Quartermaster General's Branch
 DHQ PO NEW DELHI-11

5 Dec. 68

To

Embarkation Headquarters
 Post Box No. 331
 BOMBAY-1
 Embarkation Headquarters
 Fort William
 CALCUTTA-21

**NOTIFICATION ISSUED BY PORT TRUST AUTHORITIES FOR
AUCTIONS**

It is observed that notifications for auction of unclaimed/unconnected consignments issued by port authorities are casually attended to. In the past a costly consignment of aero-engines was auctioned by Madras Port Trust to a private firm, as its contents could not be identified.

2. The Govt. have, therefore, decided that in future if any such notification is either specifically addressed by the Port Trust Authorities to Embarkation Headquarters or is received by them as an addressee in the mailing list, immediately action will be taken to have such cases opened under the port rules for physical inspection to arrive at a definite conclusion as to their ownership. These instructions will be strictly complied with.

3. Please acknowledge.

Sd|—————

for DIRECTOR OF MOVEMENTS

Copy to:—

Emb HQ MADRAS.

FORM 1

To.

..... (Name of Agent)

Subject :—SHORTAGES[DAMAGES EX SS.
OF (DATE OF BERTHING)

Dear Sirs,

I have to advise that stores as per particulars given below have been short received/received damaged by us:—

B/L No.	Description of Stores	Quantity as per B/L	Quantity actually received	Quantity short received	Report on damages
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A claim bill in quadruplicate with supporting vouchers will be submitted to you in due course.

Yours faithfully,

Copy to :—

The Controller Officer.

3104 (Aii) LS—9.

Recommendation

The Committee note that 585 out of 600 tyres procured for an aircraft at a cost of Rs. 1.14 lakhs turned out to be surplus and had to be auctioned for Rs. 61,000. These tyres were procured on an urgent demand raised after a review of requirements carried out in December, 1963, but were found to be surplus as a result of another review carried out a year thereafter. A further surplus of another lot of 228 tyres has also come to light as a result of subsequent review of the stock position conducted in January, 1968. All these suggest that the procurement of these items was not done on a realistic assessment of requirements. It was explained during evidence that assessments of requirements of spares for aircraft are based on past consumption data as modified by a 'forecast factor' determined with reference to the future plans for flying operations. The recurring surplus disclosed in this case coupled with the erratic consumption of this item over the last five years varying from 600 to 21 indicate that either no systematic plan for flying operations was drawn up for this aircraft or that procurement was undertaken without regard to such plans. The Secretary, Ministry of Defence, himself stated during evidence that results of various provisioning reviews carried out in this case were "somewhat confusing" and that "if the provisioning is more systematic these confusing results would not have arisen." The Committee would like Government to examine how best the existing system of provisioning in respect of aircraft can be systematised by evolving realistic 'forecast factor' so that costly and wasteful accumulation of inventories does not occur.

[Sl. No. 80 of Appendix IV to PAC's (1968-69) 69th Report (4th Lok Sabha)].

Action taken

Requirements of aircraft spares broadly fall into two categories i.e. 1st and 2nd line spares required by the operating units and 3rd and 4th line spares required by repair and overhaul agencies. The requirements of 3rd and 4th line spares are assessed by the repair agency concerned on the basis of repair and overhaul tasks assigned to the repair agencies.

2. The requirements of 1st and 2nd line spares for the authorised provisioning period are worked out by the application of forecast factors. A forecast factor may be defined as "a multiplying factor

which is applied to past consumption data of spares and equipment in order to estimate the rate of consumption during the ensuing production period".

3. The system of provisioning in the IAF has been reviewed from time to time and necessary changes are made to streamline the system. The following steps have now been taken:—

- (i) It has been decided that forecast factor may be calculated on different percentages of actual authorised flying efforts depending upon future utilisation plans, actual flying achieved etc. by different aircraft;
- (ii) under the Forward Supply System introduced in the IAF, the supply points have been brought nearer the consumer thus relieving the consumer of holding an inventory of stores. The operating units are required to maintain the actual utilisation of spares at the point of use. Replenishment demands are based on this consumption;
- (iii) with a view to minimising the demanding of stores which may ultimately become surplus at consumer units, a policy has been laid down that no surplus stores at units will be backloaded to Equipment Depots without the concurrence of Air Headquarters. This will inhibit indiscriminate demanding by the consumer units and focus their attention to the need for correct forecasting of requirements;
- (iv) to assist in realistic provisioning of aircraft spares and to help analysis of the trends of consumption based on environmental and operating conditions, instructions on the maintenance of consumption data of aircraft spares, components and materials by Technical staff at the flying units have been issued; and
- (v) the stores holding in the IAF has been rationalised as a result of which the requirements of overhaul spares for each repair agency will be held in a depot adjacent to it known as Overhaul Spares Dept. The review of requirements is also to be undertaken by them. In the case of 30 Equipment Depot, Santa Cruz, the Air India system of provisioning with certain restrictions is also introduced for the Super Constellation aircraft spares. Based on the success of the system, the question of extending it to other Overhaul-Spares Depots will be considered.

[M of D. u.o. No. F. 4(18) 69/D (Air-I), dated 5-12-1969]

Recommendation

The Committee observe that over-provisioning to the tune of Rs. 1.45 lakhs occurred in this case due to omission on the part of the staff entrusted with the maintenance of stores records. A Court of Inquiry which investigated the case found "Very important provisioning documents" for certain periods to be not available and some of the entries in the available records "to be fake". The Court of Inquiry also pointed out that the staff did not have adequate training or experience in provisioning procedures and that adequate supervision was lacking. They suggested that the question of improving the system of stores records should be considered and adequate training provided to the staff. The Committee trusts that Government will examine the situation in regard to the state of stores accounts in other depots having large holdings, to ascertain whether there are similar shortcomings in those depots and how best they could be remedied through better training, closer supervision and rationalisation of the system of accounts and procedures for provisioning. The Committee have in their 15th Report (Fourth Lok Sabha) already emphasised the importance to the Air Force of modern technique of stores control and inventory management. The Committee hope these techniques will progressively be adopted in all stores depots.

[Serial No. 81 of Appendix IV to 69th Report of P.A.C. (Fourth Lok Sabha)].

Action Taken

The various measures taken to improve the stores accounting and to introduce modern techniques of stores control and inventory management in the IAF are enumerated below:—

Introduction of Revised Provision Control Cards at Air Hqs.

2. Provision Control Record Card form (Q) 507 is the main document on which essential provisioning data for every item of equipment are maintained. This card in its present form contain complete information regarding item particulars, dues-in, stock record and dues-out. It was found by experience that information contained on P.C.R. Card was required at the same time by different staff dealing with various aspects of provisioning i.e. posting of transaction, recording of dues-in and dues-out and their clearance, for carrying out periodical|special reviews, pricing of indent etc. The P.C.R. Cards, therefore, remain constantly in circulation for one job or another with the result that while the consumption data is in the process of being up-dated, the progression

and clearance of dues-in and dues-out tends to be held up. Excessive handling also results in the mutilation of cards. To overcome these difficulties Government sanction has been accorded for the introduction of separate dues-in and dues-out record cards and also the revision of existing PCR Cards. Action for procurement of the new Cards is in hand.

Decentralisation of Tally Cards at Depots.

3. The Tally Cards at the Equipment Depots are now held alongside the concerned sites, although control of cards still rests with the Demand Control Officer.

Rotables and Hi-Value Control

4. Under this system the quantum of holdings for each type of aircraft for each Wing|Station|Repair Agency is scaled to form the basis for demand and supply. In the case of certain aircraft, the issues are controlled by Air Headquarters. Units are required to return the repairable rotables promptly to the repair agencies while the replacement issues are made from the Overhaul Spares Depots established alongside such repair agencies.

Maintenance of accurate consumption data

5. In a centralised provisioning system followed in the IAF, issues out of Equipment Depots to consumer units are treated as consumption while carrying out provisioning reviews. To ensure that demands raised by the consumer units reflect realistic requirements the following measures have been taken:—

- (a) A Forward Supply System has been introduced under which the supply points have been brought nearer the consumer thus relieving the consumer of holding an inventory of spares. This also has resulted in the availability of more reliable data regarding actual consumption and in turn making provisioning more realistic.
- (b) With a view to minimise the demanding of stores which may ultimately become surplus at consumer units, a policy has now been laid down that no surplus stores at units will be backloaded to Equipment Depots without the concurrence of Air Headquarters. This will inhibit indiscriminate demanding by the consumer units and focus their attention to the need for correct forecasting of requirements.

- (c) To assist in realistic provisioning of aircraft spares and to help analyse the trend of consumption based on environmental and operating conditions, instructions on the maintenance of consumption data of aircraft spares, components and materials by Technical Staff at the flying units, have been issued by Air Hqrs. recently vide A.F.O. 128/69

Similarly to improve accuracy of provisioning of repair/overhaul requirements, overhaul spares depots (O.S.Ds) have been/are being formed alongside repair agencies for holding 3rd and 4th line spares and undertaking reviews of their requirements on the basis of the approved repair task. These reviews are to be forwarded to Air Headquarters for provisioning.

Re-organisation of Provisioning Sections

6. In order to streamline the provisioning work, the provisioning sections in the Directorate of Equipment at Air Headquarters, have been re-organised. Under the old organisational set up of provisioning sections, an Assistant Director constituted a composite provisioning cell for specific range of spares and was responsible for the policy, stock recording, reviews, preparation and raising of indents, allocation of inabilities and progression of deliveries. In addition, the Assistant Director had to deal with day to day supply problems and attend to correspondence pertaining to stores under his charge. He also deals with allotment of aircraft and enquiries, issue of repair task, write-off and strike-off, audit objections and issue out of the Air Force. He also used to undertake analysis of A.O.G. demands exercise control of rotables and Hi-Value items, deal with Audit paras and put up briefs and statement of cases for meeting and discussions held at the level of DOE/AOM. Supply of breakdown spares required by the repair agencies for the repair/overhaul tasks was also arranged by him. The duties assigned to the Assistant Director, therefore, covered not only policy and planning, but also detailed work connected with the supply and various provisioning processes.

7. To obviate the above mentioned difficulties and to achieve better supervision uniformity and coordination of provisioning activities, it was decided that the provisioning sections should be reorganised on a functioning basis by forming distinct cells dealing with provisioning, policy and AOGs under each Deputy Director and that provisioning and policy cells should be further split into groups based on functions and type of work involved. It was felt that such set up would help to achieve effective administrative control and maximum functional efficiency without allowing the supply and

other problems to disrupt the timely execution of provisioning work. The revised organisation of provisioning sections was accordingly introduced in Air HQrs. in May 1968.

Computerisation of Provisioning system

8. The provisioning of aircraft spares which involves a large amount of foreign exchange is gradually being computerised. The progress in this regard is outlined below:—

- (a) Stock recording and preparation of mechanically tabulated provisioning reviews in respect of about 1.35 lakhs items comprising of Hunter, Canberra, Gnat spares together with instruments, electrical and airframe/aero-engine accessories for British and American aircraft were taken on the punch card machines installed in the Equipment Directorate. Due to limitations of machines, all provisioning aspects could not be taken over and recording and progression of indents/inabilities had to be continued manually.
- (b) With the setting up of a Computer Centre (under Cabinet Sectt.) at R. K. Puram to operate on an 'Open Shop' basis for the requirements of Government Departments and organisation in Delhi, sanction for the use of Honeywell Computers by the Directorate of Equipment to the extent of 92 hours (since increased to 150 hours) per month was accorded vide Government of India letter No. Air HQ/29596/6/E19/3154/3/D (Air. IV) dated 23th August 1968. By utilising these computers, it is envisaged that records of over 5 lakhs items will be completely mechanised. The system will also cover all the various aspects of provisioning work including recording and progression of indents/inabilities.
- (c) For the effective control over inventory, a phased programme for the introduction of the computer system in suitable areas has been framed as follows:

Phase I—Transfer to the computer system, provisioning aspects for all ranges mechanised earlier on punch card machines.

Phase II—Extension of computerisation to provisioning aspects of all remaining ranges of 1st and 2nd line spares for all aircraft which are not likely to be phased out in the immediate future.

Phase III—Computerisation of 3rd and 4th line spares of Overhaul Spares Depots and linking up of E. Ds and O.S.Ds with central computer system in Delhi.

Phase IV—Extension of computer system to maintain upto-date consumption and stock position in respect of user units|wings etc.

To start with phases I and II above are being implemented.

Provisioning Instructions

9. Formerly the Air Force did not have any systematic book|manual covering various activities related to provisioning. A manual of provisioning (IAP-1541) codifying provisioning instructions issued from time to time has been prepared.

10. Similarly, based on the existing instructions and the Manual of Provisioning detailed instructions for the guidance of the staff employed on the various provisioning processes have been issued as provisioning Job Guidelines (IAP-1542).

11. Government sanction has been accorded in March, 1969 to the formation of a team comprising of a Group Captain (Equipment) and a C.G.O. II at Air Headquarters for a period of one year to review and re-write I.A.F. Supply manual including a system of accounting in war.

Training

12. The position on steps taken to improve training of Equipment Staff is as follows:—

- (a) Action has been taken to include instructions on provisioning system and procedures in *ab-initio* courses for Equipment Officers and equipment Assistants, advance Equipment officers course and centralised training for Civilian Storekeepers.
- (b) *Stores Organisation and Inventory Control Courses run by Delhi Productivity Council.*

Some officers have been trained in these courses.

- (c) *Material Management Course conducted by the Material Management Journal of India, New Delhi.*

The Material Management Journal of India, New Delhi have been inviting Equipment Officers since 1965 on 3 days course and one day Seminar on Material Management. 15 Equipment Officers have so far attended these courses|Seminars.

(d) Management Training Course run by the National Institute for Training Industrial Engineering (NITIE), Bombay.

Some IAF officers have attended the course on stores and Inventory Control conducted by this institute.

(e) Action has also been initiated to include instructions on Materials Management and inventory control in the *ab-initio* course for Equipment Officers and also in Advance Equipment Officers Course. Headquarters Maintenance Command under whose arrangements centralised training of Civilian Store Keepers is being carried out have been also advised to cover these topics.

(f) Management Training

The question of imparting 'in-Service' training is under examination in Air HQrs.

(g) Computer Programming Course

For ensuring proper and speedy implementation of computerisation scheme, a number of Equipment Officers are being trained on the computer Programming Course run by the Cabinet Secretariat Computer Centre at R. K. Puram, New Delhi.

[Min. of Def. u.o. No. 37(3) |69|D (Air-IV), dated 5-12-1969.]

Recommendation

The Committee are not happy that the Military authorities should have continued to retain land measuring 1,676 acres acquired in 1942-44 which had ceased to be of use to them as far back as 1946. It was only in January, 1968, that it was decided to dispose of these lands. Even after that no action was taken in the matter. Apparently, after the issue was raised by Audit, it was decided to hand the lands over to Military Farms.

[Sl. No. 83 in Appendix IV to Sixty-Ninth Report of PAC (1968-69) (Fourth Lok Sabha)].

Action Taken

Newali is an abandoned airfield which has been decided to be disposed of in the best interest of the State. The State Government has been requested in January 1969 to instruct the District Collector to revoke the licences/permits granted by them at this airfield and place it at the disposal of the MEO concerned. The Army and the Navy have been asked in April 1969 to indicate their requirements, if any, at this airfield. After the requirements, are known, the sur-

plus land and assets at this airfield will be disposed of in the best interest of the State, in accordance with the procedure.

2. The procedure involved in this process is time-consuming and will be completed in due course.

3. D.A.D.S. has seen.

[M. of D. u.o. No. F. 2(12)/67/D(Air-II), dated 8-8-1968.]

Recommendation

The Committee would like in this connection to draw attention to their observations in para 1.103 of their Fifteenth Report (Fourth Lok Sabha) where they had stressed the need for a periodical review of the position in regard to acquired lands. The Committee hope that such a review will be made and that land which is not required for Defence purposes will be speedily disposed of.

[Sl. No. 84 in Appendix IV to P.A.Cs (1968-69) Sixty-ninth Report (Fourth Lok Sabha)].

Action Taken

Government have reviewed the abandoned airfields of the Indian Air Force and decided to retain only three of such airfields and dispose of the remaining airfields to the best advantage of the State. At present lands held under requisition/hire for the Air Force in the Assam and Punjab Sectors are under review. Such reviews in respect of the other Sectors will be taken up in due course.

2. D.A.D.S. has seen.

[Ministry of Defence u.o. No. F.22(1) 69 D(Air-II), dated the 18th September 1969.]

Recommendation

The Committee note that the Court of Inquiry have held the servicing personnel of Hindustan Aeronautics Limited directly responsible for the accident to an aircraft entrusted to them for servicing which resulted in a loss of as much as Rs. 8.33 lakhs to the exchequer. They further observe that in the absence of any contract with the Government undertaking defining their responsibility in cases of such accidents, it may not be possible for Government, to claim compensation for the loss. The Committee note that Government are now in the process of finalising the standard form of agreement to govern the execution of servicing and repair jobs to be entrusted to Hindustan Aeronautics, hereafter. While finalising the

proposed standard form of agreement with the Hindustan Aeronautics, the Committee would like Government to lay down in precise terms the responsibility of the Hindustan Aeronautics in case of damage to aircraft due to negligence or default on the part of the Undertaking.

[S. No. 85 of Appendix IV (Para No. 5.73) of P.A.C.'s 69th Report (Fourth Lok Sabha).]

Action Taken

The recommendation of the Committee has been noted for compliance.

2. D.A.D.S. has seen.

[Min. of Def. u.o. No. 4 (19) 69/D (Air-I), dated 10-10-69.]

Recommendation

Another point calling for comment is the delay in release of foreign exchange for this work. The proposal for release of foreign exchange was initiated "almost one year" after administrative approval of the work and it took another "six to seven months" to get release for foreign exchange. It is surprising that the Ministry of Defence should consider this time-lag to be "just normal" for work which, on their own assessment, constituted "the nerve centre of the air defence system." The Committee would like Government to consider what procedures should be devised for eliminating such delays in the release of foreign exchange for emergency operational works.

[Sl. No. 87 in Appendix IV to Sixty-Ninth Report (Fourth Lok Sabha) 1968-69.]

Action Taken

The existing procedure laid down for the release of foreign exchange has been re-examined in the light of the above Recommendation but it was found that there is no lacuna in the present procedure. There are two pre-requisites to the release of foreign exchange i.e., the clearance from indigenous non-availability angle and clearance by the Ministry of Finance (Defence) from expenditure angle, unless the case is covered under delegated powers. Once these two requirements are fulfilled, there is no delay in the release of foreign exchange. However, necessary instructions have been issued to handle such cases properly and expeditiously and to give priority

and special attention to avoid recurrence of such delays, in future. A copy of the instructions issued is enclosed.

2. D.A.D.S. has seen.

[Min. of Def. u.o. No. 22|2|69|D (Air-II), dated 19-11-69.]

MINISTRY OF DEFENCE D (BUDGET)

Subject: *Release of Foreign Exchange.*

A case has come to notice where six to seven months have been taken for the release of foreign exchange required for emergency operational works. The files moved for more than six months between E-in-C's Branch, DGTD, Ministry of Finance (Defence), Ministry of Defence, and Air HQ. The entire matter was dealt with in the routine manner and nobody brought it out to bear on anyone the urgency of the projects for which foreign exchange was required. This has been adversely commented by the Public Accounts Committee. The existing procedure laid down for the release of foreign exchange has been re-examined and it has been found that there is no lacuna in it. However, in order to avoid recurrence of such instances of delay in the release of foreign exchange required for emergency operational works, the cases should be processed on priority basis and every endeavour should be made to get the foreign exchange released as expeditiously as possible.

Sd|- J. K. SARMA,

Under Secretary.

All Sections of Ministry of Defence including Deptts. of Defence Production & Defence Supply M of D. u.o. No. F. 22 (2) |69|D (Air-II) |7377|D (Budget) dated 18-10-69.

Copy to:—

Army HQrs, (All Branches)

Naval HQrs (NS|Coord)

Air HQrs. (B&C)

All Inter-Services Organisations.

DGOF, Calcutta.

DFA(B)—20 copies for distribution to DFAs concerned.

Recommendation

The Committee note that the shortfall in expenditure in relation to the total voted Grants amounted to 2.9 per cent during the year 1966-67 as against 0.1 per cent in the previous year. The shortfall under charged items was 68.2 per cent as against 61.9 per cent in the previous year. The Committee note that, in pursuance of the observations made by them in their 19th Report (4th Lok Sabha), instructions have been issued by the Ministry for processing expeditiously all works accepted for inclusion in the Budget Estimates and avoiding delays in according Government sanction at all levels as also in payment of bills. The Committee hope that these instructions will be implemented, so that the expenditure approximates more closely to the allotment.

[Serial No. 88 of Appendix IV Para No. 6.11 of 69th Report (4th Lok Sabha).]

Action Taken

Recommendation of the Committee has been noted.

2. The instructions issued vide this Ministry's u.o. No. 11(5)68/D(Budget), dated 8-4-68 have once again been brought to the notice of all concerned for guidance and strict compliance (copy attached).

3. DADS has seen.

[Ministry of Defence, File No. F. 11(10)69/D(Budget), dated 19-7-1969.]

MINISTRY OF DEFENCE D(BUDGET)

Subject:—Public Accounts Committee—69th Report (4th Lok Sabha)—Recommendation No. 88.

In Ministry of Defence U.O. No. 11(5)68/D(Budget), dt. 8-4-68, it was impressed upon all concerned that all works accepted for inclusion in the Budget Estimates should be processed expeditiously and delays in according Government sanction should be avoided at all levels. They were also requested to ensure receipts and early payment of bills and debit of stores to avoid shortfall in Capital Outlay. The Public Accounts Committee in recommendation contained at Serial No. 88 of their 69th Report (4th Lok Sabha) have observed that the above instructions will be implemented so that the expenditure approximate more closely to the allotment.

2. It is, therefore, requested that the above instructions may be brought to notice of all concerned once again for guidance and strict compliance.

Sd.-

J. K. SHARMA,

Under Secretary.

JS (Q) JS (A) JS (N) DS (W) DS (N) DS (A.I)
 D (W.I) D (W.II) D D (N.II) D (Air.II) (D (O.II)
 D (Prod)/Admin)—10 copies.

[Ministry of Defence U.O. No. 11(10)|89|D(Budget), dated 30-6-1969.]

Copy also to:—

Air HQrs (B&C),

Naval HQrs (Budget),

E-in-C's Branch (Coord).

OMG's Branch/Dte of Qtg.

DGOF. Calcutta.

All Inter Services Organisations.

Min. of Fin. (Def/Budget)—20 copies.

Recommendation

The Committee find that the Ministry of Defence surrendered savings amounting to Rs. 5.58 crores in February, 1967, and further savings of Rs. 13.75 crores on the last day of the financial year. The Committee would like to impress upon the Ministry of Defence Ministry of Finance (Defence) the need to ensure that funds which are not required are not surrendered so late as to preclude their utilisation elsewhere. A careful watch on the progress of expenditure during the course of the year should be kept so that the amounts which are not likely to be utilised during the year are surrendered well in time.

[Sl. No. 89, Appendix IV, Para No. 6.12 of 69th Report (4th Lok Sabha).]

Action Taken

The recommendation of the Committee has been noted by the Government.

DADS has seen.

[Ministry of Defence, File No. F. 11(11)|69|D(Budget), dated 31-7-1969.]

Recommendation

The Committee are glad to learn that the Ministry of Defence, have, in consultation with the Ministry of Finance undertaken to recast the Supplementary Demands in case a review made at the

Modified Appropriation stage indicates the possibility of substantial ensuring that Supplementary Demands reflect the correct requirements of funds.

[Serial No. 90 of Appendix IV (Para No. 6.20) of 69th Report (4th Lok Sabha).]

Action Taken

As indicated to the Public Accounts Committee earlier, if, before the Supplementary Demands are taken up for discussion in the Lok Sabha, a re-appraisal indicates the possibility of substantial savings that would materially affect the quantum of the Supplementary Demand, it will be considered whether the Supplementary Demand already presented should be modified. It may be pointed out, however, that the last review at the Modified Appropriation stage, intended primarily to assist Government in determining the extent of re-appropriation and surrenders, does not always take place in sufficient time for this purpose, as by that time, ordinarily Supplementary Demands would have been passed by the Lok Sabha. Every effort will however, be made to conduct an urgent review, before the Supplementary Demands are taken up for discussions in the Lok Sabha, of the proposals earlier submitted and the question of modifying the Supplementary Demands will also be considered where the review mentioned above suggests important and substantial modifications to the Supplementary Demands.

2. DADS has seen.

[Ministry of Defence File No. F. 11(12)|69|D(Budget), dated 20-11-1969.]

CHAPTER III

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

Recommendation

The Committee note with regret that the Director General, Supplies and Disposals placed an order with a firm for supply of a large-sized gas plant without adequately verifying the firm's capacity to execute the work. What is surprising is the fact that a printed brochure given by the firm about various institutions to whom they had supplied gas holders and gas plants on a "laboratory scale" was considered as adequate proof of their capacity to fulfil their contractual commitment.

[Sl. No. 29, Appendix IV, Para 2.58, PAC's (68-69) 69th Report (4th Lok Sabha).]

Action Taken

The information received from the Department of Supply is reproduced below:—

"An indent was received from the Ministry of Defence for the erection and installation of gas plant at Varangaon. The indenter, while forwarding his indent, stated that while he was not aware of all indigenous manufacturers and suppliers of such plants, it was to his knowledge that M/s. Mansfield Oil Gas Co., had given very satisfactory service in this direction to several industrial undertakings in the country, including government installations and had the necessary and adequate background and resources for supply, installation and commissioning of the plant within the required period. He, therefore, recommended that the supply should be arranged on the basis of limited single negotiated tender as considered appropriate in the circumstances, and an opportunity should be given to M/s Mansfield Oil Gas Co. to quote. A limited tender enquiry was issued to 13 registered suppliers including M/s Mansfield Oil Gas Co. Only one quotation was received from M/s Mansfield Oil Gas Co. and the order was accordingly placed on this firm whose offer was

technically acceptable. The order was placed on this for the following reasons:—

- (a) they were specifically recommended by the Ministry of Defence;
- (b) theirs was the only quotation received against the tender enquiry issued to 13 parties and was technically acceptable;
- (c) the firm had supplied gas plants earlier to various laboratories, educational institutions, refineries, private undertakings and defence establishments like Cordite Factory; and
- (d) had the DGS&D not accepted this offer, DGS&D would have had to go in for the importation of the whole plant which would have meant a considerable amount of foreign exchange, it would also have been difficult to obtain clearance from DGTD for the importation of the whole plant when there was indigenous supplier in the country.

In view of the above, calling for a capacity report was not considered necessary and was not discussed in the purchase proposals.

[Ministry of Defence File No. 2(2)69D(NF), dated 3-12-1969.]

Recommendation

One point arising out of the information furnished to the Committee needs mention. Due to non-commissioning of the gas plant, Government have been forced to buy gas from the market. While the cost of production of gas from the gas plant as originally estimated was lower than the price at which gas is being purchased in the market, these estimates were based on certain data regarding the cost of furnace oil and diesel oil which are no longer valid. In view of the substantial increase in the prices of these oils, it needs examination whether the Plant would be able to produce gas at rates comparable with the market rates.

[Sl. No. 31, Appendix 'IV' Para 2.60, PAC's (68-69) 9th Report (4th Lok Sabha).]

Action Taken

The excise and other governmental duties have increased and due to this reason the cost of generation of oil gas works out to higher than the comparable cost of commercial gas. This difference in cost has, however, to be considered alongwith the following

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technical aspects relevant to the optimum performance of the plants consuming the gas. These plants are designed for a gas having a calorific value per cubic foot, much lower than that of the commercial gas. The use of commercial gas with its *high calorific value* would require the automatic temperature control system to work at a very high sensitivity range which is not technically desirable. Further the gas burners, valves, pipes and other fittings are designed for an optimum gas velocity with reference to the oil gas and not with reference to commercial gas. Apart from this, commercial gas was not available to the factory in sufficient quantities or in time to cope up even with the existing scale of production; a dependable source of gas supply was, therefore, inescapable. With the facility for storage of diesel oil and furnace oil, adequate for production at the factory's peak capacity, the ammunition plant would be in a position to continue production for at least 3 months, even if there is a break-down in the supply of oil.

[Ministry of Defence File No. 2(2)|69|D(NF), dated 3-12-1969.]

Recommendation

The Committee fail to understand why when the Air Force authorities had clearly indicated in January, 1965 that unheat-treated bombs would not be acceptable to them beyond March, 1965, the Ordnance Factory producing these bombs continued to supply them till April, 1966. It is regrettable that this should have occurred, particularly as the Factory had by then (December 1964) developed facilities for heat-treatment of bombs which were capable of meeting 'the actual requirements of the Air Force almost fully.' The Air Force finally decided in March, 1968, not to accept these bombs in view of the "very large stock" that had by that time accumulated. By that time bomb bodies components valued at Rs. 12.20 lakhs had also accumulated with the Factory. The Committee consider that if prompt action had been taken to stop production of unheat-treated bombs after the requisite capacity for heat-treatment was established, it might have been possible to reduce substantially the accumulation of unheat-treated bombs with the Air Force as well as the factory. The Committee trust that the Deptt. of Defence Production will issue instructions to ensure that such instances do not recur. The Committee also hope that the available bomb bodies will be put to the best possible use.

[Sl. No. 34 (Para 2.88) of Appendix IV of 69th Report (1968-69) (4th Lok Sabha).]

Action Taken

The programme for the supply of the bomb bodies in question for the year 1965-66 was 400 Nos. per month. To meet this require-

ment a large number of bodies|castings was in the line of production. The Air Force authorities indicated in the Armament Committee held in January, 1965 that they would not accept unheat-treated bodies, beyond March, 1965. A considerable number of these bodies were converted to heat-treated bodies as facilities had been established for heat-treatment of bomb bodies by them. The balance bodies had already been machined to a stage that they could not be heat-treated. It may be stated that not a single new unheat-treated bodies was made after 1|65 and all the supplies of unheat-treated bomb bodies made between 1|65 and 3|66 were out of 'semi's' only. It would, therefore, be observed that the production of unheat-treated bodies had been discontinued promptly on hearing from the Air Force that they would not accept unheat-treated bodies.

As regards the utilisation of available unheat-treated bomb bodies, certain trials have been successfully completed by the Air Headquarters for use of unheat-treated bombs for training purposes and indents for utilisation of the unheat-treated bomb bodies are awaited from the Air Headquarters.

DADS has seen.

[Ministry of Defence File No. 4|15|69|D(Prod), dated 18-12-1969.]

Recommendation

The Committee note that till 1961 Parka trousers were being issued on a very restricted scale, i.e. to troops on static duties in extremely cold regions. The decision taken in November, 1962 to issue them on a large scale to troops on operational duties at high altitudes, therefore, involved a major change in the policy of provisioning warm clothing. While the Committee are prepared to concede that in the situation then obtaining there was not much time for trials, they are not able to appreciate why adequate follow-up action was not taken to curtail the manufacturing programme when the field trials carried out as early as January-February, 1963, revealed that the trousers were 'too heavy and cumbersome for all active duties.'

[Sl. No. 40 of (Para No. 3.52) Appendix IV to PAC's 69th Report (4th Lok Sabha).]

Action Taken

It is true that technical trials carried out in January-February, 1963, revealed that trousers were considered 'too heavy and cumbersome for all active duties' but the modifications in the design suggested by the trial team were carried out and the improved version

called Trousers Parka "1963 Pattern" was cleared for production in May 1963, by Army Headquarters. In this connection reply to PAC Question No. 10 (d) & (e) given *vide* Ministry of Defence note dated the 9th October, 1968, also refers.

The modifications suggested had been carried out and the design improved. Since the trials related to the assessment of suitability of the trousers for use by troops operating at high altitude under extreme cold climatic conditions and the modifications suggested were carried out to the satisfaction of the Army Headquarters, the question of curtailment of manufacturing programme was not considered. Efforts were, however, made to get the improved version for the outstanding quantity of trousers Parka against the demand for quantity 2.51 lakh pairs placed on DGOF in November, 1962. As many as 1,39,412 pairs obtained from DGOF against the aforesaid indent were of the improved pattern.

DADS has seen.

[Ministry of Defence File No. F. 11(2)69/D(Budget), dated 28-11-1969.]

Recommendation

The Committee further observe that soon after the supplies against the first order were completed (November, 1964) another order for supply of 1.40 lakh pairs of Parka Trousers, 1963 pattern was placed on the Director General Ordnance Factories in December, 1964. The Ministry have not been able to furnish to the Committee information regarding the number of trousers actually issued to troops till December, 1964. It is, therefore, evident that this order was placed without taking into account the actual number of trousers issued to troops till then and without ascertaining the position about their actual utilisation.

[S. No. 41 (Para No. 3.53) Appendix IV to PAC's 69th Report (4th Lok Sabha).]

Action Taken

In the case of Trouser Parka, as in any other item of Extreme Cold Clothing, requirements were not calculated on actual issues but were worked out on the basis as laid down by Government (i.e. initially at 100 per cent for all troops and maintenance at 25 per cent for the troops actually deployed). Under this formula, the actual issues are not to be taken into account for calculating requirements.

2. When the order for 2.51 lakh pairs of Trousers Parka was placed on DGOF in November, 1962, the scale adopted was one Trouser Parka per man to be deployed in Cold regions plus a yearly wastage

rate of 25 per cent. Later, it was decided to increase the number of troops earmarked for deployment in colder regions. Accordingly, for meeting the requirements of additional troops, liabilities of Trousers Parka were calculated on the above basis i.e. 100 per cent for initial requirements plus 25 per cent for wastages and additional order for 1.40 lakh Trousers placed in December, 1964, on DGOF.

DADS has seen.

[Ministry of Defence File No. F. 11(2)|69|D(Budget), dated 28-11-1969.]

Recommendation

The Committee hope that the Ministry of Defence will make all possible efforts to put the surplus stock of Parka Trousers to the best possible use and to dispose of raw materials which are no longer required. They hope that this case will serve as an eye opener and the Ministry will ensure that in future such instances of gross over-provisioning do not recur.

[S. No. 43 (Para No. 3.55) Appendix IV of 69th Report of PAC (4th Lok Sabha).]

Action Taken

After the issue of AHQ letter No. 96990|TP|WE-8, dated the 29th November, 1967, it has been stressed on the commands again in October, 1968 that every effort should be made for maximum possible utilisation of the stocks of Trousers Parka.

As regards surplus materials, the final position is as under:—

	Rs.
(i) Value of materials rendered surplus due to cancellation of orders for Trousers Parka.	146.34 lakhs
(ii) Value of surplus materials already utilised alternatively.	136.86 lakhs
(iii) Value of surplus material now left with DGOF.	9.48 lakhs

The question of utilisation of the surplus materials is under examination.

The concluding sentence of the recommendation is noted.

DADS has seen.

[Ministry of Defence File No. F. 11(2)|69|D(Budget) dated 28-11-1969.]

Recommendation

The Committee observe with concern that a large number of parachutes valued at about Rs. 7 crores were held in stock in January, 1968. Even after providing for reserves and requirements during the next 2-3 years, it is obvious that there is ample stock of parachutes which is surplus to requirements.

[S. No. 44 (Para No. 3.76) Appendix IV to PAC's 69th Report (4th Lok Sabha).]

Action Taken

A review of parachutes was carried out as on 1st April, 1969. This showed considerable deficiencies for meeting the requirements of the next three years ending March, 1973. An order for manufacturing 17,000 parachutes has been placed on the DGOF on the 26th September, 1969. The question of placing further orders for manufacture of parachutes is also being reviewed by the Ministry of Defence. Therefore, the present position is that we do not hold a stock of parachutes surplus to requirements.

DADS has seen.

[Ministry of Defence File No. F. 11(2)/69/D (Budget), dated 29-11-1969.]

Recommendation

In the Committee's opinion, this situation was caused by the unscientific provisioning policy that was followed. While assessing the requirements in 1962 and 1963, retrievals were taken as 25 per cent of parachutes dropped without testing the accuracy of this assumption with reference to empirical data about retrievals. Even after it became clear in 1964 that retrievals were on a larger scale than assumed, steps to curtail production in the ordnance factories were taken only half-heartedly in stages between July, 1964 and February, 1967. The over-riding consideration apparently was to keep the ordnance factories busy, but this was hardly the best way of doing it. The consequences of the policy followed would be evident from the fact that apart from surplus parachutes that have accumulated, the ordnance factories had acquired stocks of materials worth Rs. 72.12 lakhs for the production of these parachutes which were rendered surplus to their requirements in May, 1968. Of these, stocks valued at Rs. 28.63 lakhs only have been 'earmarked for utilisation or are likely to be utilised.' Part of this material (the value of which is yet to be intimated to the Committee) was imported. Apart from the money expended on these stores, the money

expended on the staff employed on the production of these parachutes has also largely turned out to be avoidable.

[S. No. 45 (Para No. 3.77) Appendix IV of PAC's 69th Report (4th Lok Sabha).]

Action Taken

As already stated in Ministry of Defence note dated the 20th December, 1968 in reply to question No. 35(c), all materials used for manufacture of parachutes except Nylon Cordage were indigenous. The total value of Cordage procured was Rs. 6.11 crores. Foreign Exchange of Rs. 52.85 lakhs only was released to DGS&D during 1962-63 towards purchase of Nylon Cordage worth Rs. 1.85 crores. Further an amount of Rs. 11,815 only was released in Foreign Exchange for Dyes and Chemicals for processing of fabric cotton OGWR 30.

Out of surplus stores worth Rs. 72.12 lakhs as on 25-5-1968 material worth Rs. 29.63 lakhs (not Rs. 28.63 lakhs) had been earmarked for utilisation leaving a net surplus of Rs. 42.40 lakhs (including Nylon Cordage worth Rs. 22.55 lakhs). On 26th September 1969 an order of 17,000 parachutes was placed on DGOF. All the raw materials except the following will be utilised against that order:

Name of Raw Material	Value Rs.
1. Cordage Nylon 400 Lbs	6.69 lakhs
2. Triangular 'D' Rings	1.59 lakhs
3. Printed cloth size label 4½" × 2" (Canopy)	0.29 lakhs
4. Printed Cloth size label 5" × 3" (for pack only)	0.25 lakhs
5. Printed cloth SA Size 5" × 3" (Canopy complete with pack)	0.25 lakhs
TOTAL	9.07 lakhs

The question of placing further order for manufacture of parachutes on DGOF is under consideration. If a further order for about 8600 parachutes is placed, these materials would be substantially consumed. Where these raw materials will not be used for manufacture of parachutes, they will be disposed of to civil users within their shelf life. Instructions to this effect have been issued.

With reference to the concluding sentence of the recommendation, it was stated in reply to question No. 37 (a&b) *vide* Ministry of Defence note dated the 10th January, 1969 that the labour force

engaged in the manufacture of parachutes was diverted towards manufacture of other textile|clothing items. Some workers were also transferred to other Ordnance factories against latter's requirements. No idle time payment had been made to workers as a direct result of suspension of manufacture of parachutes.

DADS has seen.

[Ministry of Defence File No. F. 11(2)/69/D (Budget), dated 29-11-1969.]

Recommendation

The Committee would like the Ministry of Defence to assess realistically the number of parachutes rendered surplus and to take expeditious steps for their disposal to civil users before the shelf-life of these parachutes expires. Raw materials which have turned out to be surplus to requirements should also be speedily disposed of. Government should also take the lesson from this case of the need to put provisioning procedures on a scientific basis to avoid costly and wasteful accumulation of stocks.

[S. N. 46 (Para No. 3.78) Appendix IV of PAC's 69th Report (4th Lok Sabha).]

Action Taken

As explained in replies to Recommendations No. 44 and 45, the manufacture of parachutes by DGOF is now being resumed to meet the additional order for 17,000 parachutes. The question of placing further orders on DGOF for these parachutes is under consideration. The question of disposal of parachutes to civil users therefor may not arise.

Regarding the raw materials instructions have been issued to use them for manufacture of parachutes, and if that is not possible, to dispose them of within their shelf life.

The observation of the PAC has, however, been noted. D.A.D.S. has seen.

[Ministry of Defence File No. F. 11(2)/69/D (Budget), dated 29-11-1969.]

Recommendation

The Committee note that the local officer in this case departed from the authorised general specifications for certain work without requisite approval. In the result, an extra expenditure of Rs. 1.12 lakhs was incurred. The Committee would like the

Ministry of Defence to examine in the light of all the circumstances of the case whether any further action is called for.

[Sl. No. 63 of Appendix IV—(Para No. 3.180) of 69th Report (1968-69) (4th Lok Sabha).]

Action Taken

The change in the specification has been done under a misapprehension of the provisions of Para 26 of Normal Works Procedure which authorises a Commander Works Engineer to make such changes under certain conditions. To make the position clear, necessary instructions have been issued under Army Headquarters/E-in-C's Branch letter No. 61593/E2-Plg, dated 17th October, 1969 (copy enclosed) to all Chief Engineers/Commander Works Engineers etc., that the use of precast PCC edging for road/road berms should be stopped and only brick/stone edging adopted for roads. With the issue of these remedial instructions, it is hoped that such cases will not recur in future.

In the present case, the Chief Engineer has been asked to warn the Commander Works Engineer to be more careful in future.

2. D.A.D.S. has seen.

[M. of D. UO No. 15 (6) 69/8016/D(W-II), dated 1-12-1969.]

Copy of Army Headquarters, Engineer-in-Chief's Branch letter No. 61593 E2 Plg. dated 17th October, 1969, addressed to all Chief Engineers/Commander Works Engineers, etc. etc.

SUBJECT:—*Provision of Precast PCC Edging Instead of Stone Edging in Laying in New Roads/Widening of Existing Roads.*

1. It has been brought to the notice of this HQ that in certain stations precast PCC blocks have been used as edging 'stone' for new roads/widening of existing roads/repairs to roads. The extra expenditure due to use of precast concrete blocks instead of stone for edging of roads has become a draft para for audit report.

2. Further, the precast PCC edging is also being laid at the end of moorum berms on both sides of the road, which it is considered, is not the normal engineering practice. Generally, edging/kerbing is always laid at the end of soling to prevent any lateral movement of soling. It is, therefore, felt that laying of precast PCC edging at the end of moorum berms does not serve any purpose at all.

3. Considering the present recovery rate of cement under Schedule 'B' of the Contract Agreement and its shortage and high cost

all over the country, it is felt that use of precast PCC edging is a waste of money and can be easily avoided by adopting the use of brick/stone edging depending on its availability.

4. E-in-C directs that use of precast PCC edging for roads/road berms should be stopped forthwith, and only brick/stone edging adopted for roads.

5. This instruction should be circulated to all lower formations under your command/zone.

Sd./- K. P. GHOSH
SE

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for ENGINEER-IN-CHIEF.

CHAPTER IV

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

Recommendations

The Committee feel that appreciable progress has not been made in Off-loading to the trade items available in the market at a cheaper price. If production for Defence requirement is to be 'indigenised' speedily, it is essential that sustained efforts should be made to tap the industrial capacity available in the civil sector, more so when that sector has been able to supply successfully critical and sophisticated items required by Defence.

In this connection, the Committee would like to recall their observations made in their 16th Report (Fourth Lok Sabha) that Government may consider seriously whether items which are available at a comparatively cheap price from trade and where there is no risk of the supplies failing at a crucial time, may not be obtained from the civil sector. The Committee had then also pointed out that procurement of defence supplies from civil industries in peace time had the added advantage of providing a cushion for increasing the supplies at short notice during an emergency.

The Committee note that a Department of Defence Supplies has been in existence since 1965 and has been charged with the task of encouraging indigenous production of defence items which are being imported. That Department should pay sustained attention to the question how best the resources available in the civil sector could be tapped in an increasing measure.

[Serial Nos. 8, 9, 10 of Appendix IV—Para Nos. 1:32, 1:33 and 1.34 of 69th Report (Fourth Lok Sabha.)]

Action Taken

The policy governing the projection of items to the Civil Sector is broadly as follows:

Where capacity exists in the Defence sector, orders are not to be diverted to the Civil Sector without first fully utilising the capacity in Defence Sector or at the cost of

rendering Defence Sector capacity idle; nor is it the policy not to undertake production of items in the defence Sector which can be produced in the private sector. However, the capacity in the Civil Sector would be utilised to the maximum extent possible by encouraging the civil industries by giving them technical guidance and special assistance. In respect of more difficult items, capacity has necessarily to be set up in the Defence Sector itself. Where items are comparatively easier and available at cheaper prices in the market without risk of failure of supplies at crucial times, reliance is increasingly being placed on the civil sector. In respect of certain new projects under consideration the project reports are based on availability of suitable and reliable capacity in civil sector and its utilisation for the production of maximum possible number of components, the Defence Sector confining its role to the manufacture of sophisticated and more complicated items and the final assembly.

The success of the policy enunciated above, would depend on the ability of the civil sector to come up to the required standards of Defence specifications.

2. Within the framework of above guide-lines, the Department of Defence Supplies is paying sustained attention to the question as to how best the resources available in the Civil Sector could be tapped in an increasing measure so as to avoid imports, as far as possible. In this connection, the following steps have been taken by the Department:—

- (i) Sample Rooms have been opened in the important cities of India, *viz.*, Bombay, Calcutta, New Delhi and Madras, where samples of all items required by Defence Services, which are hitherto imported or which the DGOF is not producing are displayed. The Trade Associations and the Chambers of Commerce have been requested to advise their manufacturers to visit these Samples Rooms with a view to examining as to which of the items they could take up for indigenous production.
- (ii) To maintain a direct liaison with Industries, periodical meetings are held with the representatives of industry.
- (iii) The Department of Defence Supplies has set up seven Technical Committees to handle the work relating to indigenous production of different types of Defence stores in civil sector (i) Armaments (ii) Vehicles (iii)

Engineering (iv) Electrical and Electronics (v) Marine (vi) Medical and (vii) General Stores. The Director General of Technical Development, Ministry of Industrial Development and Company Affairs, Development Commissioner Small Scale Industries, Ministry of Finance, Electrical and Mechanical Engineering and users are also represented on all these Technical Committees.

- (iv) The Director General, Technical Development and other members of the Committee keep the Committees informed about the production resources in the private sector as well as in the public sector. Assistance in this regard is also sought from the Development Commissioner, Small Scale Industries.
- (v) Technical Officers visit the likely manufacturers with a view not only to inspecting their capacity and capability but also to give them useful suggestions to take up manufacture of Defence items.
- (vi) Necessary guidance is provided to the manufacturers by the Defence Inspectorate.
- (vii) Special assistance is rendered in procurement of scarce raw materials.
- (viii) Special assistance is also rendered for importing balancing plant and equipment required for production of Defence items.
- (ix) Financial assistance is given to the firms on the merits of each case by grant of 'on account' payment against the purchase of raw materials for items ordered on them.
- (x) Directors of Inspection, Ministry of Defence, are already compiling lists of reliable and capable firms for the manufacture of Defence stores.
- (xi) Industries entrusted with some of the difficult and sophisticated defence items are, where considered necessary and consistent with security consideration, provided with opportunity to visit the Ordnance Factories so as to make themselves familiar with the latest production techniques. This has helped to overcome the problems of industry of high rejection of Defence stores and has resulted in improvement in quality.

3. It may be mentioned that orders worth Rs. 35 crores have been placed by the Department of Defence Supplies on civil firms

during the period 1966—69. The target in the fourth plan is to place orders worth Rs. 200 crores.

4. This issues with the concurrence of the Ministry of Finance (Defence).

[Ministry of Defence File No. F. 9(35)/69/D.S. dated 5-12-1969].

Recommendation

The Committee are not at all happy about the situation that has developed concerning Shaktiman Trucks. They note that there has been a consistent shortfall in the production of Shaktiman trucks in relation to targets fixed. It was stated by the Secretary, Department of Defence Production, that the "practice" has been to fix the targets on the high side, but the Committee observe that, even after the annual target of production was scaled down in 1967-68 from 1,500 to 1,200 trucks, production has continued to lag behind the target.

[S. No. 22 of Appendix IV in 69th Report of P.A.C. (Fourth Lok Sabha)].

Action taken

The Scaling down of the production target, which originally was fixed at an optimum figure, was due to the following reasons which may not get eliminated altogether until such time as the New Vehicles Factory which is an independent and integrated factory starts production at Jabalpur.

- (a) The manufacture of vehicles was undertaken on the basis of available spare capacity existing in various ordnance factories. To an extent, this capacity dwindled or became fluctuating consequent on Chinese Aggression in 1962 and thereafter again after the Indo-Pak Conflict in 1965 when more stress was laid on the manufacture of armament items.
- (b) The capacity sanctioned for the manufacture of Nissan 1-Ton vehicles was for 100 vehicles per month in 2×10 four shifts but the DGOF has been producing much more vehicles (19927 vehicles were produced from 1960-61 to 1968-69) thereby to some extent affecting utilisation of spare capacity for the manufacture of Shaktiman vehicles.
- (c) No plant and machinery were sanctioned for production of Nissan Patrol but the DGOF has been producing these

vehicles (production for 1962-63 to 1968-69 being 6545 vehicles) which in turn reduced further the available capacity for the manufacture of Shaktiman vehicles.

- (d) While considering the output of Shaktiman vehicles against various targets fixed, the combined production of all the three types of vehicles referred to above, will have to be taken into account with reference to the sanctioned capacity.

3. Another major reason for production targets being upset has been the frequent failure on the part of trade firms to come up as expected.

4. Simultaneously with the establishment of an integrated vehicle factory, and the progressive shift of production lines to this factory, the existing provisioning and procurement procedures are being revised with a view to leave sufficient discretion and latitude with the General Manager to take decisions on the spot to overcome production bottlenecks.

[Ministry of Defence File No. 2/79/69/D(Projects) dated 5-12-1969.]

Further Information

(i) Please state the programme for indigenous manufacture of components for Nissan Trucks.

(ii) Please state the present indigenous content in the production of Nissan Trucks and whether this is according to schedule.

(iii) Steps taken to step-up indigenous production of components.

Reply

(i) The planned achievement of indigenous content for Nissan Truck is as follows:—

1969-70	47.46 %
1970-71	54.96 %
1971-72	70.96 %
1972-73	90.00 %
1973-74	90.00 %

The above targets are intended to be the optimum to be achieved during each year but are conditional on the orders on indigenous trade sources, materialising as expected.

(ii) The indigenous content at the end of October 1969 is 45.46% for Nissan Trucks. It was expected earlier that the indigenous

content would be 50 per cent. for 1969-70, 65 per cent. for 1970-71 and 70 per cent. for 1971-72. There has been a slight set-back on account of indigenous sources not coming up as expected. However, as the New Vehicle Factory goes into progressive production, the process of indigenisation would be speeded up.

(iii) The following are the two major steps taken for stepping up indigenous production of components:—

- (a) With the commissioning of the integrated Vehicle Factory, which is in an advanced stage of establishment, more components and assemblies than at present will progressively be produced in the factory.
- (b) A concerted and systematic effort is being made by the Department of Defence Supplies to locate or establish indigenous sources for the components which are being imported and for which no provision is made in the New Vehicle Factory.

[Ministry of Defence (Deptt. of Defence Production) O. M. No. PC-I 2/79/69/D (Projects) dated 16-12-1969.]

Recommendations

The Committee also observe that the pace of indigenous production of components has been rather slow. The imported components used per truck (Rs. 13,466) in 1967-68, about eight years after production was started accounted for over a fifth of its total cost (Rs. 62,642). In fact, due to periodical setbacks in the programme for indigenous manufacture of components, Government have been obliged to fall back upon imports which, during seven years ending 1967-68, amounted to Rs. 1.31 crores. The Committee would like it to be examined how import substitution can best be speeded up, consistently with the maintenance of quality of the trucks.

[Serial No. 24, Appendix IV, of 69 in Report of P.A.C. (Fourth Lok Sabha.)

Action taken

The present indigenous content of the Shaktiman vehicles is about 77%. In order to speed up import substitution, a comprehensive list of imported components has been projected to the Department of Defence Supplies. The Department of Defence Supplies has already initiated action to approach trade firms, in a systematic way, with a view to locate or develop indigenous sources.

2. It may be mentioned in this connection that it has since been possible to overcome the difficulties in the establishment of indigenous manufacture of items like Connecting Rod, Universal Joint, Micro Oil Filter and Gear Box (excluding certain Ball and Rollar Bearing). [Ministry of Defence File No. 2|81|69|D (Projects) dated 5-12-1969.]

Recommendations

There has been particular delay in the establishment of indigenous production in the Ordnance Factories of some major components of the trucks like universal joints, crank case and cylinder heads. The Committee observe that a collaboration agreement was executed as early as June, 1962, for the production of universal joints and production was planned from May, 1965 onwards. However, due to various reasons, production was not started till 1967-68 and the components produced are still to be fitted to the trucks. In respect of crank case and cylinder heads, for which collaboration agreements were executed in September, 1958, production is yet to be established, more than three years after the planned dated i.e. May, 1965.

[Serial No. 25, Appendix IV, 69th Report of P.A.C. (Fourth Lok Sabha.)]

Action taken

Manufacture of universal joint has been established at Machine Tool Prototype Factory, Ambernath. Production commenced in April 68 and the target production of 125 per month was achieved by March, 69. It is expected that the manufacture of the remaining items will be established in the coming year.

[Ministry of Defence, File No. 2|88|69|D (Project), dated 5-12-1969.]

Recommendation

Apart from quality control, there is also a compelling need to enforce strict cost control. The cost of a Shaktiman truck as on 18 July 67, was Rs. 62·642 as against which the cost of a civil truck produced for the Army was Rs. 51,000. It was stated by the Department of Defence Production that certain of its features make the Shaktiman truck 'superior'. The Committee would like the Department of Defence Production to examine how best the cost of the Shaktiman truck could be brought down through systematic cost control at every stage of production.

[Serial No. 27, Appendix IV 69th Report of P.A.C. (Fourth Lok Sabha)].

Action taken

Government have sent a batch of technical personnel to the Collaborators Works in West Germany for training in Cost Control and Quality Control at each stage of production. With the implementation of proper Cost Control, the shifting of the present dispersed production from various Ordnance Factories to the integrated unit under establishment at Jabalpur and large-scale production of vehicles, the production cost is expected to come down from the present levels.

[Ministry of Defence (File No. 2/84/69/D (Projects) dated 5-12-1969.)]

Recommendations

The Committee feel that procurement of defective stores that occurred in this case could have been avoided had the India Supply Mission Washington as well as Army Headquarters exercised due care. The indent for the stores was raised on an urgency basis by Army Headquarters in February, 1964 and a contract was placed by the India Supply Mission with a firm in July, 1964. The India Supply Mission were aware, at the time the contract was placed, that similar stores supplied by this firm against an earlier contract had been reported by Army Headquarters to be defective and that the question of acceptability of those stores was under consideration. The India Supply Mission themselves had, in fact, drawn the attention of Army Headquarters to this position in a communication they sent in February, 1964, on another ordinary indent for these stores on which they had for this reason suspended procurement action. It is, therefore, not clear why the Mission chose to place a contract without specific clearance from Army Headquarters. The fact that the indent in question was "urgent", whereas the one on which procurement action was suspended had been categorised as "ordinary" should have made no difference as the question involved was whether or not the earlier supplies were defective.

The Committee are also at a loss to understand why Army Headquarters failed to give appropriate instructions to the India Supply Mission, even after the latter had specifically addressed them in the matter in February 1964. Army Headquarters became aware of the defects in the supplies in December 1963, i.e. even before the indent for the subsequent lot was placed. They could, therefore, have well instructed the India Supply Mission not to place the orders with the firm till the question of the acceptability of the earlier supplies was settled. In fact, it took Army Headquarters eight months to reply to India Supply Mission's communication on this point and by that time India Supply Mission had already placed the contract.

The Committee would like both the Ministry of Defence and the Department of Supply to investigate the various lapses that occurred at various stages in this case and to fix responsibility for these.

[S. Nos. 48 and 49 (Paras 3.95 and 3.96) of 69th Report of P.A.C. (Fourth Lok Sabha)].

Action taken

1. On receipt of letter dated 5th February, 1964 from I.S.M., Washington, Army Headquarters referred the matter to EME Directorate on 7th March, 1964 because the original discrepancy report was raised by EME workshop. The EME Directorate suggested on 21st March, 1964 that the views of the AHSP should be obtained and further action taken accordingly. The matter was, therefore, referred to AHSP viz. Chief Superintendent Development (Veh.), Technical Development Establishment (V), Ahmednagar, on 31st March, 1964. Simultaneously, I.S.M., Washington, was informed that the matter was under examination by the technical authorities and that a further communication would follow. I.S.M. were kept informed by letters dated 24-6-1964 and 1-7-1964 that the matter was under consideration of the technical authorities. The report was received from technical authorities on 7th August, 1964 and I.S.M., Washington, were accordingly informed on 31st October 1964 that the stores supplied by the firm against their contract dated 18th April, 1963 were not acceptable. It will thus be seen that there was no avoidable delay on the part of Army Headquarters in replying to India Supply Mission, Washington.

2. According to the normal procedure, an indenter is not required to indicate the source of procurement while projecting the indent to the Central Procurement Agency. At the time of placing the indent, it was, therefore, not required of the Army Headquarters to indicate that procurement should or should not be made from any particular source. Unless a proprietary article certificate is issued by the indenter, which was not done in this case, it is entirely for the I.S.M. Washington to decide on whom the order be placed. Further, the indent for Qty. 2,015 was placed on 26th February 1964 i.e. after the I.S.M., Washington's letter dated 5th February 1964 had been received. In the said letter of 5th February 1964, the I.S.M. had stated that they were not in a position to place an order for the same material for which a discrepancy existed and had further suggested that identical stores should not be purchased from that firm and on these grounds had requested that they may be permitted to suspend procurement action on the indent for 600 Nos. In these circumstances Army Headquarters could not expect that

I.S.M. Washington, would be placing a contract for qty. 2,015 on the same firm for identical stores. In the circumstances, it is considered that there is no lapse on the part of the Army Headquarters.

3. The circumstances under which I.S.M. Washington placed the contract dated 7th July 1964 for 2015 Nos. of Sleeves Crankshaft Driven Clutch on the same supplier firm have been intimated to the Public Accounts Committee vide para 9 of the Defence Ministry's note No. PC.3(16)/67/D(O.I.) dated 15th November, 1968. Taking into account the circumstances under which the contract dated 7th July, 1964 was placed with the same supplier firm, Department of Supply are of the view that no action is called for against any official of I.S.M. Washington.

4. As indicated in para 8 of the Defence Ministry's note No. PC.3(16)/67/D(O.I.) dated 15th November 1968 the Public Accounts Committee were informed that instructions were issued by the Defence Ministry on 18th October 1968 to I.S.M. Washington to pursue and settle the Government's claim against the supplier firm on the most advantageous terms obtainable. I.S.M. Washington have informed the Department of Supply that a compromise settlement has since been effected with the supplier firm whereby they have refunded a sum of US \$8,798.15 representing 40 per cent of the value of the stores against the two contracts dated 18th April 1963 and 7th July 1964 placed with the supplier firm. This amount has been credited to the Government account.

5. This note has been seen and concurred in by the Department of Supply.

[Ministry of Defence File No. 12(3)69/D(O.I.) dated 4th December, 1969.]

Recommendations

The Committee observe that a jetty built for the Naval authorities at a cost of Rs. 1.75 crores has not become fully operative as a result of siltation. In the Committee's view, this situation arose because of inadequate attention to the location and design of the jetty. Government were aware that the silt in the basin where the jetty was constructed 'is in nascent stage' and had not stabilised. Besides, experiments conducted by the Central Water and Power Research Station with different models for the purpose of deciding on the most suitable alignment for the jetty had indicated that siltation occurred with all the alignments and that the most advantageous course was to have an open jetty below low water which

would, however, 'be more expensive'. The Naval authorities could have, in the light of these observations, reconsidered their scheme.

It is also surprising that after having consulted the Central Water and Power Research Station on the most suitable design for the jetty, the Naval authorities did not take their clearance before agreeing to the construction of a temporary bund by the contractor for the purpose of execution of the work. It is significant that, after this bund was put up, siltation increased reducing the depth from 12 feet to 8 feet in four years.

The Committee note that experiments conducted in 1968 show that the basin is getting desilted and that at present the jetty is being used for loading and unloading of barges. The Committee consider that before incurring heavy capital expenditure in providing handling and other facilities at the jetty, Government should make sure that the jetty will have a draught of 20 feet at the pier to permit direct loading and unloading by destroyers and frigates.

[Sl. Nos. 67, 68 & 69 (paras 4.24, 4.25 & 4.26) of Appendix IV of P.A.C's 69th Report (4th Lok Sabha)]

Action taken

The jetty at Karanja is being used for loading and unloading barges. The fact that the jetty is not fully operative in that it cannot be used by Destroyers and Frigates is because the capital dredging provided for in the administrative approval has yet to be carried out for which the recommendations of the C.W. & P.R.S. on the dredging pattern to be adopted are awaited.

2. So far as the location of the jetty is concerned, consequent on the selection of Karanja as a site for the establishment of a permanent Naval Armament Depot, the jetty had to be located close to the Depot.

As regards the design, the one incorporated in the recommendations of the C.W. & P.R.S. which provided for an open construction for the first 2,000' from the shore line in order to have the least interference with the currents in the area, the rest being rubble mound was adopted. The design of the jetty is, therefore, such that the sitting would be kept to the minimum possible level. But this jetty, like any other similar project, will require periodic maintenance dredging.

3. The construction of the bund was not in the form of a major work necessitating any change in the design or alignment of the jetty but was only required to assist the process of construction of

the closed portion of the jetty. The temporary bund was constructed for the same purpose as scaffoldings are put up when buildings are constructed and it was removed as scaffoldings are removed after construction. Because of the temporary nature of the bund, C.W. & P.R.S. was not consulted regarding its provision and removal. Engineers who were associated with the planning and execution of the works were trained in marine engineering works. It was visualised by these engineers that slight siltation would take place due to the construction of the temporary bund, but it was also expected that the silt would be gradually flushed out after its removal. This has been borne out by actual observations by survey of the basin in the years 1966, 1968 and 1969 and observations by C.W. & P.R.S. In fact the findings of January 1968 surveys were:—

- (i) a depth of 8' to 12' continues to be available;
- (ii) the accumulation of silt is on the decrease;
- (iii) there is a noticeable movement of the silt deposited near the shore towards the sea;
- (iv) the area where the limited dredging was carried out for the construction of berthing pier has not shown any appreciable siltation.

As desired by C.W. & P.R.S., a survey of the Karanja Basin was carried out from 27th December 1968 to 3rd January 1969 and the report was sent to them. The matter was further discussed with the C.W. & P.R.S. on the 28th March 1969. The C.W. & P.R.S., however, had requested that near shore surveys should be carried out and soundings made available to them before they can make their recommendations. These surveys have since been completed and the report forwarded to C.W. & P.R.S. Dredging of the area will be undertaken as soon as the pattern of dredging is evolved by C.W. & P.R.S. C.W. & P.R.S. have already been requested to expedite their recommendations keeping in view the minimum maintenance dredging.

4. No heavy capital expenditure is expected to be incurred in future on the provision of requisite loading and unloading facilities on the jetty. However, the recommendations of the P.A.C. will be borne in mind before further works are undertaken.

It is confirmed that the jetty will be put to full use, for which it has been designed, once the capital dredging of the basin is completed. As stated above, the C.W. & P.R.S. are already working on the dredging pattern to be adopted. Provision of capital dredging

is included in the administrative approval of the project which will be carried out on receipt of the recommendations of the C.W. & P.R.S.

D.A.D.S. has seen.

[Ministry of Defence File No. 11(2)69/D (Budget) dated, 3-10-1969].

Recommendations

70. The Committee observe that the three Seaward Defence Boats which were expected to be delivered to the Navy between August—December, 1964, will now be available only in the middle of 1969 i.e., after a delay of about 4½ years. This delay was, in the main, due to the time taken in the revision of specifications and in importing steel of the required specifications.

71. The Committee note that, within two months of sanctioning the scheme, the Naval Headquarters undertook a major revision of specifications which took as much as 1½ years to complete. The Committee can only conclude that due note was not taken by Naval Headquarters|Ministry of Defence at the time of sanctioning the project in March, 1960 of the advances made by the ship-building industry in India and of their own experience with the Seaward Defence Boats built earlier in the country.

72. The Committee further note that, though the Garden Reach Workshops were issued a licence for import of steel through the Iron and Steel Controller in October, 1963, supplied were actually received only towards the end of 1965. Thus, a further delay of more than two years was caused.

73. The Committee are constrained to observe that, as a result of delays due to various factors and at various stages, machinery, equipment and certain weapons costing Rs. 41 lakhs acquired for installation in the boats, are lying unused. The warranty period for these items of supply has already expired. Even when it became obvious in May, 1963, that there would be delay in construction due to steel having to be imported, Naval Headquarters|Government did not take any measures to reschedule the delivery period of these stores.

74. The project thus appears to the Committee to have been conceived in a hurry and executed at leisure. The Committee would like Government to analyse in detail the reasons for delays of this nature and take suitable remedial measures. They would impress

upon Government the need for more careful planning and coordination between the various agencies so as to avoid recurrence of cases of this nature.

[Sl. Nos. 70 to 74 (Paras 4.36 to 4.40) of Appendix IV to the PAC's 69th Report (4th Lok Sabha)].

Action taken

In March, 1960 Government sanctioned the construction of three Seaward Defence Boats by Shipbuilders in India through the Director General of Supplies & Disposals at an estimated total cost of Rs. 60.00 lakhs including Rs. 27.00 lakhs in Foreign Exchange to be incurred on the procurement of machinery and equipment.

2. In April, 1960 the Government acquired Messrs. Garden Reach Workshops Limited and Messrs Mazagon Dock Limited, and a policy decision was taken in May, 1960 to the effect that all orders for Naval Works are to be entrusted to these two companies. Even prior to the policy decision, Naval Headquarters had floated preliminary enquiries with Garden Reach Workshops in view of the fact that Garden Reach Workshops had experience of building a Seaward Defence Boat, Garden Reach Workshops informed Naval Headquarters in November, 1960, that due to heavy pressure of work in their Estimating Section, they would not be able to submit their estimates before the end of December, 1960. Meanwhile, NHQ undertook a revision of specifications of the Seaward Defence Boats taking into account the various advances made by the ship-building industry in India and on the basis of their experience of the earlier Seaward Defence Boats built in India. This revision of specifications which involved a complete change of electrical equipment and the substitution of indigenous equipment for imported ones, was intimated to Garden Reach Workshops as and when modifications were decided upon. They also ensured that obsolete equipment was not fitted on the vessel.

3. The first quotation from Garden Reach Workshops was received in July 1961. Various technical and costing details of the firm's offer had to be obtained and further correspondence entered into with Garden Reach Workshops. The final quotation was received from the firm in January, 1962. This was considered in detail by Government and the revised Government sanction accordingly issued in December, 1962 revising the total cost of Rs. 60.00 lakhs to Rs. 78,42,860.00 including Rs. 27.00 lakhs in foreign exchange. The firm was to deliver the first vessel for trial in approximately 20

months followed by one vessel every two months thereafter, subject to the following conditions being satisfied:—

- (a) that all the free supply items were made available to the Company at least 12 months prior to the delivery date;
- (b) that Import Licence for importing Aluminium material and water cooler was issued within four months from the date of order and imported materials were received in the Yard within 8 months thereafter;
- (c) that there was no delay in inspection|approval and|or progress payments;
- (d) that all steel material remained, or were made, available within 5 months from the date of receipt of order.

4. As stated above, Messrs. Garden Reach Workshops Limited had earlier constructed a Seaward Defence Boat for the Navy which was built using only indigenous steel. The original Seaward Defence Boats were designed according to British Navy's specifications and the use of indigenous steel had resulted in an increase of Hull weight by 15 tons over the British design figure. This was the maximum permissible increase acceptable to Naval Headquarters. When Messrs. Garden Reach Workshops Limited got the order in December, 1962 they projected their requirements of steel to the Iron and Steel Controller in accordance with the specifications of the scantlings used by them for the earlier construction. In the meantime, an important development had taken place. The specifications for the Seaward Defence Boats were obtained from the U.K. Ministry of Defence (Navy) and were based on the foot pound system. The Indian Steel Industry was originally producing steel in accordance with the foot pound system and Naval Headquarters did not, therefore, anticipate any difficulty in regard to indigenous availability, particularly because steel of the required specifications had been made available by the Indian steel producers for the Seaward Defence Boats previously constructed for the Indian Navy. However, by the time the order was communicated to the builder, the steel rolling mills in India had switched over to the metric system and due to further rationalisation of sizes by the steel industry, the steel requirements for the Seaward Defence Boats which satisfied the weight specification could not be met indigenously. In January, 1963, Naval Headquarters were accordingly informed by Garden Reach Workshops that certain sections were not available indigenously.

ly and substitutes offered by the Iron and Steel Controller would cause a further increase in Hull weight by approximately 4.5 tons. This increase in weight was not acceptable to Naval Headquarters in view of design considerations.

5. The matter was then taken up by Naval Headquarters with the Iron and Steel Controller in February 1963. In April, 1963 the Iron and Steel Controller informed M/s Garden Reach Workshops that steel of the requisite specifications was not available indigenously. Thereupon in May 1963 Naval Headquarters requested M/s. Garden Reach Workshops to forward their complete requirements to the Iron and Steel Controller for grant of an import licence, and this was done by the firm in July, 1963. The Iron and Steel Controller, however, intimated Garden Reach Workshops in end July 1963 to provide the requisite foreign exchange as the foreign exchange could not be spared from his allocation. The firm projected this requirement to Naval Headquarters in end August, 1963. Naval Headquarters then requested the Iron and Steel Controller to reconsider his stand regarding the provision of the Foreign Exchange from his quota. This was agreed to by Iron and Steel Controller on 1st October, 1963. Necessary import licence was issued and M/s Garden Reach Workshops invited offers from abroad for the required steel. However, in January, 1964, M/s. Garden Reach Workshops informed Naval Headquarters to explore the possibility of having the requirements cross-mandated to the Indian Supply Department, London through the Director General of Supplies & Disposals. This position was brought to the notice of the Department of Defence Production in early February, 1964, whereupon they advised the firm in March, 1964, that the indent should be placed on the Director General of Supplies and Disposals who could cross-mandate it to the Indian Supply Department, London/Indian Supply Mission, Washington. Accordingly indents were raised on 27th March, 1964 by M/s. Garden Reach Workshops which were, however, returned by Director General of Supplies and Disposals (end April 1964) to the firm for rectification of some mistakes and also for payment of an advance deposit. The corrected indent along with the deposit money was forwarded to Director General of Supplies and Disposals in middle May, 1964, subsequent to which the indent was cross-mandated to Indian Supply Department, London by Director General of Supplies and Disposals. Thereafter further exchange of correspondence was necessary with D.G.I.S.M., London as certain sections were not available even in U.K. The matter was finally resolved and shipment of steel commenced in early 1965 and continued upto middle 1966.

6. The construction of the Vessels has been further delayed due to the delay that occurred in the supply of some of the items which the Navy was required to supply to the builder. This delay occurred as a result of difficulties experienced in identifying and checking the serviceability of the stores to be sent to the builder from time to time as well as difficulties in regard to the availability of suitable rail transport.

7. In addition to the delay in the procurement of suitable steel, the following factors also contributed to the Craft not being completed and delivered in time:—

- (i) *Non-availability of non-magnetic bullet proof steel.* Non-magnetic Bullet Proof steel was not available from indigenous sources although enquiries were made from a wide range of supplying sources. Ultimately, an acceptable alternative viz., aluminium plating was located and order placed in December, 1966. However, there was a serious breakdown in the Aluminium Rolling Mill as a result of which there was further delay in the delivery of aluminium Plating. This was received only in December, 1967.
- (ii) *Indigenous substitution of Imported materials.* A number of items like light fittings, junction boxes, distribution box and board, switches and cables were being substituted from indigenous sources. Due to the small quantities involved considerable effort was required to persuade manufacturers to supply these items. Besides this, these items were required to meet Naval specifications and thus contributed to the delay in establishing indigenous sources of supply. However, whatever little could be achieved by indigenous substitution was considered to be worthwhile in the larger interests of selfsufficiency.

8. The original sanction issued in March 1960 listed certain machinery and equipment which were to be supplied by the Navy to the shipbuilder at an estimated cost of Rs. 27.00 lakhs. In 1960 Naval Headquarters had not anticipated any difficulty in regard to the construction of these boats and therefore initiated immediate action for the procurement of these items in view of the fact that the lead time required for such imports would be considerable. The processing of the procurement of the machinery which continued even upto 1964 i.e., even after Naval Headquarters knew that there would be delay in the construction of the vessel consequent on the

non-availability of steel, was deliberate as Naval Headquarters did not expect the difficulty in the procurement of steel to last so long. Further, the items required are not perishable and should be available for installation in the craft as soon as required. The supply of these items commenced in 1962 and continued upto 1967. The equipment received had not deteriorated during storage and was being issued to the shipbuilder as required for the installation on the Seaward Defence Boats.

9. The Bofor Guns were not required to be fitted by the Builder as this is not his contractual commitment. The purchase of these guns was authorised *vide* Government of India, Ministry of Defence letter No. WM/1407/NHQ/3164/S/D(N-1) dated 30th November, 1964 at a cost of Rs. 15 lakhs and these were received in September 1967. The Guns would have to be installed by the Naval Dockyard, Bombay after the Seaward Defence Boats had been delivered complete in other respects to the Indian Navy.

10. Although the delay in construction was primarily due to the non-availability of steel, it should be pointed out that the total cost of steel utilised in Naval ships account for less than 2 per cent of the total cost of the construction of the vessel. However, the use of the correct quality of steel was extremely important from the point of view of design and operational considerations and unless the correct quality of steel was utilised, however, low its cost, no progress could have been achieved in construction. In the present case, there was no delay in taking the basic decision to import the steel when it was discovered that the steel according to the necessary specifications was not available indigenously. It may also be pointed out that the requirement of machinery/equipment was inescapable. Since its procurement in 1962 the prices of the imported machinery had escalated considerably and had, therefore, the machinery and equipment not been procured at that time. Naval Headquarters would have to pay a considerably greater amount for its procurement at later date. There had been no deterioration in the machinery procured and therefore, its procurement earlier had not resulted in any financial loss to the Government.

11. It is evident from the position explained above, that the revision of specifications only did not cause any delay in regard to the order placed on Garden Reach Workshops in December 1962, as referred to in the observation at Sl. No. 70, and these were taken into consideration for the stipulated delivery date of August-December, 1964. The delay caused was also due to the reasons given in

para 7 above. The delay in the construction of the vessel after the placement of the order thus was due to:—

- (a) Non-availability of suitable steel indigenously consequent to the steel rolling mills in India having switched to metric system and consequential procurement of the required specifications of steel from abroad.
- (b) Delay in the Navy supply items due to the problem of identification and transport arising out of lapse of time from the receipt of the stores.

It may be stated that one of Seaward Defence Boats had already been delivered in August 1969 and Second and Third Seaward Defence Boats are expected to be delivered by end of December 1969 and January 1970 respectively.

12. With reference to the observation at Sl. No. 71, it is pointed out that the revision in the specifications was undertaken by the Naval authorities to take into account the various advances in ship-building being made around this period. The change mainly involved the complete electrical equipment which was brought in line with developments in the indigenous Marine Electrical Industry which was concentrating on the development of only A.C. equipment in conformity with the world trend as A. C. electrical system had better performance in ships. The revision was also undertaken with a view to conserving foreign exchange and utilising Indian equipment to the maximum extent possible. It is further pointed out that the Naval authorities would have made these changes in electrical equipment irrespective of the delay by Garden Reach Workshops in quoting for this work. This is so as the installation of electrical generating machinery and fitting out of the vessel does not start until some time after the fabrication of hull is completed. Thus supply of revised specification in this respect to Garden Reach Workshops even after the placement of order would not have by itself delayed the construction of the ship as long as the change was intimated to the yard sufficiently in advance of completing the fabrication of the hull. This was in fact the case as the changes were duly intimated to Garden Reach Workshops by end 1962. On the other hand, the fabrication of the hull did not commence till July 1966 due to delay in procurement of steel. Thus it would not be correct to relate any element of delay in completion of these crafts to the change of specifications undertaken by the Naval authorities in the interest of ensuring more upto-date and efficient electrical system for these ships.

13. As regards the delay in the receipt of the steel after the grant of the import licence in October, 1963 (mentioned in the observation at Sl. No. 72), it is quite evident from the position explained in detail in para 5 above that it was due to:—

- (1) Non-availability of certain sections of steel, even in U.K.
- (2) Non-receipt of suitable officers to the enquiries floated by M|S Garden Reach Workshops to the Trade.
- (3) Procedural delays involved in the placement of orders on DGISM, London. Thus even though the steel was received only in end of December, 1965 and the last consignment was received only in August 1966, it might be appreciated that peculiar combination of circumstances led to the delay of the shipment of steel of required specifications.

14. In regard to the non-utilisation of equipment and weapons worth Rs. 41 lakhs (referred to in Sl. No. 73), it will be observed that this amount of Rs. 41 lakhs includes a sum of Rs. 15 lakhs for guns. Government sanction for these was accorded only on 30th November, 1964. The indent was raised in February, 1965 and the delivery made only in September, 1967. Thus, their receipt has not been inadvertently long before the completion of the vessels. Regarding the balance of Rs. 26 lakhs, indents worth Rs. 22 lakhs in foreign exchange were raised in 1960-61 and these items had already been received by May 1963 or were already under inspection and despatch and their delivery could not be rescheduled. Further as explained already, at the time of placing of orders in some cases, it was realised that the Project would be subject to some delay but the extent of the delay could not be anticipated. Moreover, the Naval authorities considered that it was not advisable to delay the supply of these imported items, which were not perishable and should be available for installation in the craft, but such delays might eventually be more injurious to the construction schedule.

15. In regard to the observations of the method of planning and executing the project (Cf Sl. No. 74), it is evident that the delay in the construction has occurred due to a combination of various factors which could not reasonably be foreseen and were beyond the control of Naval Headquarters or M|S Garden Reach Workshops Ltd. Such cases, are exceptional in nature. It may, however, be mentioned that design and production of Naval ships and other crafts is now being carried out on more systematic methods with a view to avoiding delays.

(Ministry of Defence u.o. No. F. 5(10)69'D(N-1) dated 5-12-1969.)

Recommendations

The Committee observe that a series of lapses on the part of different authorities led to a valuable Defence consignment passing into unauthorised hands and Government sustaining a loss of Rs. 7 lakhs. The stores were consigned to Bombay in April, 1962, but were apparently not off-loaded there. The Port Trust authorities at Madras who got this consignment some time in 1962 allowed it to remain in an 'Iron dump' "where uncleared packages are stored", for the best part of two years, before deciding to put them up for auction in May, 1964, as unidentified and unconnected stores. According to the procedure, they were required to check the "out-turn" from every ship by the end of the month from the date of completion of discharge. This they failed to do and the consignment also "missed the outturn", resulting in its being dumped in their premises for about two years. The customs authorities, who cleared the consignment prior to its auction, appraised its value as Rs. 4,000 but did not apparently even open the consignment. Had the consignment been properly examined, it would have been identified at least at that stage.

One aspect of the case in particular needs close investigation by Government. It was stated before the Committee that the consignment got off-loaded at Madras instead of Bombay "by accident." The Committee, however, observe from the information furnished by the Ministry of Defence that the ship by which the consignment was sent "did not call at Madras". The Ministry of Defence have, however, added that "confirmation/clarification" in this regard is being obtained from the Ministry of Transport and Port Trust authorities. The Committee would like the matter to be followed up. In case it is established that the ship did not touch Madras, it should be thoroughly investigated how a Defence consignment meant for Bombay found its way to Madras without the knowledge of any of the authorities concerned.

The Committee also find that it took over one year for the Bombay Port Trust authorities to issue a short-landing certificate for the goods. Such a delay argues poorly of the state of efficiency of the Port Trust and may result in claims against shippers becoming time barred. The Committee desire that concerted action should be taken to ensure that such delays are eliminated. The Committee stress that Port authorities should arrange for speedy identification of all unclaimed/unconnected consignments.

In their 15th Report (Fourth Lok Sabha) the Committee have comprehensively reviewed the position in regard to the clearance of

defence consignments by the Defence Embarkation authorities and have stressed the need to ensure that Defence stores are expeditiously cleared through proper liaison with Port Trust authorities. The present case highlights the need for such action. The Committee note that pursuant to their observations Government have issued instructions to the organisations concerned. The Committee would like to watch the implementation of these instructions through future Audit Reports.

[Sl. Nos. 75 to 78 of Appendix IV to PAC 1968-69) 69th Report (4th Lok Sabha)].

Action taken

An Officer on Special Duty was appointed to investigate into and report on the circumstances leading to the loss of the consignment in consultation with the Ministry of Transport and Shipping and the Ministry of Finance. On receipt of the report of the Officer on Special Duty, a reply to the Recommendations will be sent.

[M of Defence u.o. No. 4(14)'69'D(Air-I), dated 5-12-1969.]

Recommendation

The Committee observe that work costing Rs. 14.25 lakhs was sanctioned between July-November, 1963 under the Emergency Works Procedure for improving the operational efficiency of three signal centres. The work, which commenced between May and September, 1964 was abandoned between August-November, 1965 in view of new radar installations in the vicinity sanctioned in the mean while. The new radar installations were sanctioned in June-October, 1964 by which time work on these three signal centres had either not started or, having started was in the preliminary stages. Besides, the proposal for these new installations would have been under consideration for some time before these were actually sanctioned. The Committee fail to understand why in the circumstances, instructions could not be issued for immediate cessation of work on these signal centres. The failure to do so rendered an expenditure of Rs. 1.39 lakhs incurred on these centres on purchase of air-conditioning and other equipment Rs. (86,000) Civil work (Rs. 20,000) construction certain buildings (Rs. 27,000) infructuous; avoidable. The Committee would like Government to investigate whether there was any failure by the authorities concerned in effecting coordination.

[Sl. No. 86 in Appendix IV of 69th Report (Fourth Lok Sabha) of the PAC (1968-69).]

Action taken

The Sector Operational Centres at A....., B.....and C.....were already in existence at the time new radar stations were sanctioned. Air-conditioning to these sets had to be provided because it was an essential item for their operation. Augmentation of air-conditioning was necessary as the existing air-conditioning plants were in use for more than seven years during which period they had to undergo extensive repairs or overhauls. The new radar stations were not likely to be operational till the third quarter of 1965 and it was, therefore, necessary to keep these SOCs fully operational till the radar stations came up. Accordingly, sanctions for augmentation of air-conditioning of these SOCs were issued in 1963. The work services at A.....commenced on 20th July 1964, at B.....on 15th June 1964 and at C.....on 18th May 1964. The work services relating to alterations and additions to the buildings were soon completed and then the installation of the air-conditioning was to be done. It was expected that the entire work services including airconditioning would be completed within 3-7 months i.e., within the first quarter of 1965 after the commencement of the works. On scrutiny of the tenders it transpired that foreign exchange would be required for air-conditioning plants as the indigenous equipments were much more expensive than the imported ones. It was, therefore, decided to import the foreign equipment for the purpose and hence the question of release of foreign exchange arose. However, by the time the question of the release of foreign exchange required for these SOCs was sorted out, the new radar stations had come up satisfactorily. It was, therefore, decided to foreclose the works services sanctioned at these Sector Operational Centres in 1963 as these were no longer required to operate in the vicinity of the new radar stations which would in addition discharge the functions done by these SOCs.

2. The matter has been thoroughly investigated and excepting that the case was dealt with in a routine way, no evidence of any failure by the authorities concerned in effecting coordination has come to notice.

3. D.A.D.S. has seen.

[M of D.U.O. No. F.2(11) 67D(Air-II) dated 3-12-69.]

CHAPTER V

RECOMMENDATION'S OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Recommendation

The Committee note that substantial economies by way of curtailment in the strength of the gazetted and non-gazetted staff in the Office of the Director General, Ordnance Factories, have been suggested by the Staff Inspection Unit of the Ministry of Finance, but their recommendations have not been found to be workable by the Director General, Ordnance Factories. The question of implementation of the suggestions is, however, stated to be under active consideration in consultation with the Director General, Ordnance Factories, and the Staff Inspection Unit.

The Committee would like Government to finalise the matter at an early date and effect maximum economy consistently with requirements.

The Committee further suggest that there should be a standing arrangement whereby the requirements of staff at the Headquarters of the Director General, Ordnance Factories as well as the production units (mainly Ordnance Factories) which have not been examined by the Staff Inspection Unit, are periodically examined at a high level to effect all possible economies consistently with the need for maintaining efficient production.

[Sl. Nos. 19, 20 and 21 of Appendix IV to the sixty-ninth report of the Public Accounts Committee—1968-69 (Fourth Lok Sabha)]

Action taken

Following are the economies suggested by the Staff Inspection Unit in the various cadres of the Headquarters office of the Director General, Ordnance Factories:—

Posts	Sanc- tioned strength	Strength assessed by SIU	Economy suggested
Non-gazetted technical staff (Superintendents etc.)	191	152	39
Non-gazetted clerical posts (LDCs etc.)	628	517	111

2. The Director General, Ordnance Factories did not find the recommendations of the Staff Inspection Unit workable. He had pointed out that the study made by the Unit related to the period from June, 1966 to May, 1967 and had not taken into account the increase in the work-load, both qualitative and quantitative, which was anticipated even at the time of the study. He was also of the opinion that the norms adopted by the Unit to determine the strength of the technical staff had not taken into account the complexity of work. The Director General, Ordnance Factories also got work-study carried out by his staff in respect of two Sections, one dealing with administrative work and the other with technical work and had come to the conclusion that the actual staff required was far in excess of that recommended by the Unit.

3. In order to finalise the case early, the matter was discussed by Secretary (DP) with Finance Secretary on the 1st July, 1969. It was agreed that so far as the clerical staff was concerned, a *de novo* study of a few Sections and review of non-standard work which was not directly relatable to the number of receipts would be carried out by the Staff Inspection Unit. As regards the technical staff, it was decided that the matter would be examined further by the Staff Inspection Unit in consultation with the Directorate General, Ordnance Factories. A further report from the Unit is awaited in the light of their further examination.

4. The Staff Inspection Unit did not submit a final report on the strength of Gazetted Officers in the D.G.O.F. Headquarters. A note containing their suggestions was received for consideration of the Ministry. *The recommendations contained in that note were not found to be acceptable.* The matter is under consideration in consultation with the Unit.

5. The suggestion of the Public Accounts Committee that there should be a standing arrangement whereby the requirements of staff are periodically examined, is under examination. A further note will be submitted as soon as the examination is complete.

6. The Ministry of Finance (Defence) have seen.

7. D.A.D.S. has also seen.

[Ministry of Defence File No. 111691D(Fy) dated 3-12-1969.]

Recommendation

The Committee note that the gas plant is still to be commissioned over four years after the scheduled date of its commissioning. Preliminary trials with the Plant have brought to light defects which

the firm has been asked to rectify and Government is, therefore, not in a position to say when the plant is likely to be put into operation. The Committee would like to be apprised of the progress in this regard as also the action taken against the firm.

[Sl. No. 30, Appendix IV, Para 2.59, PAC's (68-69) ' 69th Report (4th Lok Sabha).]

Action taken

Though the Plant has not officially been taken over by the Ordnance Factory and certain defects are under rectification by the firm, trial runs have been in progress for the past few months. The gas generated during these trials has been utilised by the factory and it has been possible to reduce, if not altogether eliminate, the purchase of commercially bottled gas which has almost been discontinued.

According to the firm, the measures already taken by them regarding the soundness of foundation structures for the gas holders are adequate. But according to the consignee, these foundations are defective and need further strengthening. In order to settle the issue, DGS&D have entered into an agreement with the firm for the appointment of two arbitrators one from the firm's side and the other from the Government's side, in order to have their independent finding in the matter. In case of any difference of opinion, the matter would be referred to an umpire, whose verdict would be final and binding on both the parties. This agreement was signed on 29-8-69. The firm appointed their arbitrator on 22-8-69 and the Government their arbitrator on 1-9-69. The outcome of the arbitration is awaited.

[Ministry of Defence File No. 2|(2)|69|D(FN) dated 3-12-1969].

Recommendation

The Committee observe that a deficiency in stores to the tune of Rs. 5 lakhs came to light in one of the Ordnance Factories as a result of stock verification. It is regrettable that physical verification of the stock in the factory was not carried out for two consecutive years i.e. 1964 and 1965 and that a false report was sent to the Director General, Ordnance Factories that the verification for the year 1964-65 had been done. The Committee note that, though a Court of Enquiry which investigated the case found the deficiencies to be attributable to wrong book-keeping and held no specific individual to be responsible, a fresh Board of Enquiry has since been constituted by Government to investigate the case and pinpoint individual/

individuals responsible for the shortage. The Committee would like to be apprised for their findings.

[Sl. No. 35 (Para 2.101) of Appendix IV—69th Report of PAC. (4th Lok Sabha)].

Action taken

The proceedings of the fresh Board of Enquiry appointed to investigate the case fully are under examination. DGOF has been expedited to finalise the same. This is submitted as interim information to the PAC.

DADS has seen.

[Ministry of Defence F. No. 1(16)|69|D(Prod) dated 18-12-1969].

Recommendation

The Committee desire that in the light of the advice given by the Ministry of Law, the Department of Supply should take measures, without further delay, to recover the loss caused to Government through the default of the contractor.

[Sl. No. 36 (Para 2.112) of Appendix IV—69th Report (4th Lok Sabha) of the Public Accounts Committee (1968-69)].

Action taken

The above recommendation is for Ministry of Foreign Trade and Supply to take action. A copy of the same has already been forwarded to that Ministry for necessary action.

DADS has seen.

[Ministry of Defence F. No. 1(46)|69|D(Prod) dated 22-12-1969].

Recommendation

The Committee are not happy that it took nearly two years in this case to settle the question of foreign exchange required for certain items of stores indented for by the Air Headquarters. The delay resulted in an extra expenditure of Rs. 56,000. The Committee note that the delay arose mainly because the firm with whom the orders were placed was reluctant to provide the foreign exchange out of its commercial quota though the quota was intended to cover Defence requirements also. This suggests the need for evolving satisfactory arrangements to ensure that where a quota is intended to cover Defence orders also, it is effectively made available for the execution of such orders. The Committee suggest that the matter be considered by the Ministry of Defence in consultation with the

Department of Supply and Director General, Technical Development and a satisfactory procedure worked out in this regard.

[Sl. No. 82 of Appendix IV to Public Accounts Committee's 69th Report (Fourth Lok Sabha) 1968-69].

Action taken

The foreign exchange released to the Commercial Sector for common user items is intended to cover also the supplies against Defence orders. The supplier should, therefore, comply with Defence order without seeking extra foreign exchange allocation. In accordance with that decision when the Director General, Supply & disposal negotiates an order on the Civil Sector on behalf of Defence Ministry the assistance of Director General, Technical Development official concerned, or of the representative of the authority in-charge of import licencing where necessary is to be obtained so that the supplier complies with the Defence order without release of an additional exchange. Where, however, the firm is not agreeable to meet the foreign exchange requirement from out of its own quota for purpose of supply of stores against Defence orders, an enforcement machinery has to be devised to ensure that the firm is compelled to do so. This question is under consideration, as suggested by the Public Accounts Committee, in consultation with the Department of Supply, Ministry of Finance, the Ministry of Industrial Development and Company Affairs, the Director General, Supplies & Disposals and the Director General, Technical Development and further progress on this case will be reported to the Committee shortly.

[Ministry of Defence File No. F. 11(12)69D(Budget) dated the 4th December, 1969].

NEW DELHI;
January 24, 1970.
Magha 4, 1891 (S).

ATAL BIHARI VAJPAYEE,
Chairman,
Public Accounts Committee.

APPENDIX

Summary of main Conclusions/Recommendations

S. No.	Para No. of Report	Ministry/Department concerned	Conclusions/Recommendations
1	2	3	4
1	1'6	Ministry of Defence Finance (Defence)	The Committee trust that the Work Study Cells already set up in Army and being set up in Air Headquarters will be suitably strengthened with trained personnel so that they could serve as useful tools for securing cost reduction consistent with the need to maintain effectiveness. The data furnished to the Committee shows that the Works Study Cell has so far by and large been studying staffing patterns and structures. While this is no doubt of importance, the Committee would like to point out that cost effectiveness or Systems Analysis techniques have been used elsewhere in the world to solve broad-based policy and programme questions covering specific evaluation of particular programme elements and weapons system. The Committee would like Government to examine how best the scope for application of cost effectiveness techniques could be widened to cover bigger areas of management.
2	1.12	Ministry of Defence, Deptt. of Defence Production	The experience of the country in 1965, when there was a stoppage of military supplies from some countries, underscores the need

for greater self-reliance in respect of materials and hardware required by the Defence Services. This calls for a mobilisation plan covering not only the public but also private sector units: only such a plan would help to establish a broad production base in the country, which can successfully meet any requirements during emergency. The Committee note that the Department of Defence Production and Defence Supplies are making a continuous assessment of the extent and manner in which the civil capacity in the public and private sectors can be mobilised. The efforts in this direction have so far established sources of indigenous supply for items valued at Rs. 33.87 crores. However, the efforts will need further intensification, if import substitution is to be achieved to the extent of Rs. 200 crores over the next five years, as Government are reported to be planning.*

178

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I.13

Ministry of Defence/
Dept. of Defence
Production

The Committee note that the Imported Stores and Raw Materials Screening Committee which used to function in the Ministry of Defence had compiled a Master List of Imported Stores to help Government to locate indigenous sources of supply for imported items. It would be of distinct advantage in fixing an appropriate scheme of priorities for indigenous production if the Technical Committees constituted in the Department of Defence Supplies could draw up similar Master Lists in their respective fields of work.

4

I.14

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Any programme for establishing indigenous production would in the Committee's opinion also have to take note of the need to provide adequate incentives to indigenous producers, by way of

assistance in procurement of critical raw materials needed for production and design and engineering expertise that might be needed for production of acceptable indigenous substitutes. The Committee have already drawn attention to this matter in para 1.20 of the Sixty-Ninth Report (Fourth Lok Sabha).

5 1.15 Deptt. of Defence
Production/Deptt. of
Defence Supplies

The Committee would also like to stress that ordnance factories should, consistent with the need to secure economic utilisation of capacity, concentrate on production of vital and critical items. Common user items should as far as possible be procured from Trade, if reliable and economic sources of supply are established. This arrangement would be in the interests of Government, as such items are likely to be produced cheaply and efficiently in the civil sector where competition is likely to prevail and large-scale output would help to bring down prices.

6 1.20 Ministry of Defence/
Deptt. of Defence
Production

In the Committee's opinion, a substantial step-up of research and development effort in the defence field is called for. The assessment referred to at page 14 of this Report indicates that the country will be called upon to undertake a number of schemes for the development of missiles. In the field of aeronautics, the country has to attain self-sufficiency in the design and development of advanced types of aircraft and helicopters. The Aeronautics Committee have called for the production of a "new aircraft incorporating a more advanced technology" and the need for design and deve-

*Economic Times dated 22nd October, 1969.

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lopment of "an advanced technology engine" for this aircraft. All these are pointers of the need for intensification of research and development efforts and the fields of activity which should receive emphasis. The priorities will have to be worked out by Government on the basis of a "long-term assessment of threats".

7

1.21

-do-

Another point arising out of the recommendations of the Aeronautics Committee which needs to be mentioned is the necessity for involvement of research institutions outside the Defence field with studies that are proposed to be conducted in order to avail of the services of a larger number of scientists. This will have to be done after adequate safeguards from the security angle are provided.

8

1.27

Ministry of Defence

The issues of stores and equipment to the Defence Services are now of the order of about Rs. 350 crores and constitute about a third of the Defence expenditure. It is therefore imperative that provisioning procedures are streamlined, to avoid recurrence of instances of over provisioning of the type pointed out by the Committee in their Sixty-Ninth Report (Fourth Lok Sabha). The Committee observe that a number of committees or other agencies have been asked to undertake reviews of the existing provisioning procedures in the different services. The Committee hope that these studies will be expeditiously completed and would help Government to lay down sound guidelines which would secure economical provisioning consistent with the need to keep the Services efficiently equipped.

9

1.28

-do-

A crucial factor in provisioning is the determination of reserve stocks to be built up. It is obvious that reliance on overseas sour-

ces of supply will necessitate larger reserves. It would, therefore, be necessary to build up indigenous production, if reserves are to be economically regulated.

10 1.29 Ministry of Defence

Another factor to be reckoned in provisioning is the possibility of equipment becoming obsolete with advances in technology. The Committee note that there is a standing machinery in Government entrusted with the work of standardising equipment to be provided to the Services. The Committee hope that as recommended by the Aeronautics Committee, "a rolling plan" for equipping the services, based on a long-term assessment of threats would be drawn up periodically.

11 1.32 Deptt. of Defence
Production/Ministry
of Finance (Defence)

The Committee note that the recommendations made by the Staff Inspection Unit regarding reduction in staff in the Office of the Director General, Ordnance Factories were not considered "workable" by the Director General, Ordnance Factories and that the matter is under discussion between the Ministries of Defence and Finance. The Committee hope that with reference to further studies on a mutually acceptable basis, the matter would be expeditiously finalised and maximum possible economies effected.

12 1.33 -do-

The Committee would like action to be taken on their suggestion that there should be a standing arrangement whereby the requirements of staff at the Headquarters of the Director General, Ordnance Factories as well as the production units (mainly Ordnance

1	2	3	4
			Factories) which have not been examined by the Staff Inspection Unit are periodically examined at a high level to effect all possible economies consistently with the need for maintaining efficient production.
13	1.37	Deptt. of Defence Production	The Committee are not able to subscribe to the view that the shortfall in production of Shaktiman Trucks was made up through increased production of Nissan Vehicles. The data furnished by Government shows that in respect of Nissan Vehicles, the planned programme for import substitution has not been achieved. The production of these vehicles was, therefore, comparatively an easier matter than the production of Shaktiman Trucks.
14	1.38	-do-	Now that a full-fledged unit for production of vehicles is being set up in the public sector and Government will no longer be dependent for production of vehicles on availability of spare capacity in ordnance factories, the Committee hope that targets for production would be attained. The Committee would like Government to keep a close watch on the position.
15	1.39	-do-	The Committee also trust that Government will make sustained efforts to accelerate the pace of import substitution in respect of components etc. required for Nissan Vehicles.
16	1.40	-do-	The Committee note that in regard to items to be supplied by Trade for the production of these vehicles, there has been a "frequent failure". The automobile industry in the country is now

1	2	3	4
20	1.50	Ministry of Defence/ Deptt. of Supply	The Committee observe that there is a dispute between Government and the firm which undertook the supply and erection of the gas plant. The matter has now been referred for arbitration. The Committee suggest that the arbitration proceedings be expedited so that the gas plant is commissioned at the earliest possible opportunity.
21	1.55	Ministry of Defence	The Committee hope that, on the basis of Government's experience in these two cases, they would ensure that assessment of peak load demands of electricity is most carefully made, keeping in view a realistic picture of operational requirements.
22	1.58	Deptt. of Supply	The Committee trust that necessary action to effect recovery from the contractor for supply of substandard timber has been taken by Ministry of Foreign Trade and Supply. The Committee would like to be informed of the progress in the matter.
23	1.61	Ministry of Defence/ Deptt. of Supply	The Committee are unable to accept Government's view that there was no lapse in this case. Supplies made by the firm against a contract placed in April, 1963 were found defective by the Army Authorities soon after the stores were received in December, 1963. The Army authorities had also reported the matter immediately to the India Supply Mission, Washington, which had placed the contract. Under the circumstances, it was the duty of the Army authorities, when they placed a fresh indent for similar stores in February, 1964. to have alerted the purchasing agency suitably. The argument that the indenting authority is not required to indicate

the source of procurement while placing the indent is clearly untenable in this context. It is no doubt true that, as a matter of normal procedure, it is the procuring agency which decides the source of supply. But when the indenting authority is aware that similar stores procured from a particular source have proved unacceptable, it is surely its responsibility to draw attention to this fact. In any case, under the existing practice, indenting authorities do normally indicate the previous sources of supply in their indent. The Army authorities could have well, therefore, pointed out to the India Supply Mission that the previous source of supply in this case could not be relied upon to supply acceptable stores.

24 1.62 Ministry of Defence/
 Deptt. of Supply

Another point that the Committee notice is that, even after the India Supply Mission themselves had drawn the attention of Army authorities in February, 1964 to their complaint about the previous lot of supplies, it took about 8 months for the Army authorities to investigate the position and inform the Supply Mission that the stores were not acceptable.

25 1.63 -do-

The part played by the India Supply Mission also calls for comment. The Mission have taken the plea that they procured the stores against the indent placed in February, 1964, because the indent contained no indication that the previous lot of supplies was not acceptable to the Army authorities. The Committee see little force in this plea, because the Supply Mission were aware, even in the

1	2	3	4
26	1.64	Ministry of Defence/ Deptt. of Supply.	<p>absence of any indication to that effect in the indent, that the previous lot of stores had not been accepted by the Army authorities. Besides, as the Committee have themselves pointed out in para 3.95 of their Sixty-Ninth Report (Fourth Lok Sabha) the Supply Mission had themselves suspended for this reason procurement action on another indent for similar stores received at the same time.</p> <p>For the foregoing reasons, the Committee wish to reiterate their recommendation in para 3.96 of their Sixty-Ninth Report that responsibility for the lapses that occurred at various stages of the case should be fixed.</p>
27	1.67	Ministry of Defence	<p>The Committee note that the jetty built at a cost of Rs. 1.75 crores will be put to full use "once the capital dredging of the basin is completed". The Committee would like Government to settle, after consultation with the Central Water and Power Research Station, the pattern of dredging and draw up a programme for the purpose so that the jetty can be used by Destroyers and Frigates also.</p>
28	1.70	Ministry of Defence	<p>The Committee cannot help expressing their disapproval of the manner in which this project has been handled. The scheme for construction of the seaward defence boats was sanctioned by Government early in 1960 in the anticipation that they would be supplied by end of 1964. Nine years after the sanction two of the three boats still remain to be delivered. The Committee note the explanation of Government that delay was caused by "a combination of various factors which could not reasonably be foreseen" and that</p>

cases of this kind are "exceptional in nature". The Committee however feel that a sense of urgency or some imagination on the part of those who handled the project in the Naval Head-quarters Garden Reach Workshop and the Steel Controllers Office could have substantially reduced the procedural bottlenecks which have led to 6 years of delay in the schedule of delivery. The Committee hope that Government would ensure that procedural delays of the kind that occurred in this case do not dog the implementation of defence projects hereafter.

- 29 1.73 Ministry of Defence The Committee observe that Government have instituted an enquiry into the circumstances that led to a valuable consignment of aero-engines passing into unauthorised hands. The Committee would like the enquiry to be expeditiously completed and appropriate procedures to be devised, on the basis of the findings, to avoid recurrence of such instances.
- 30 1.76 Ministry of Defence/
Finance. In the opinion of the Committee, when a foreign exchange quota given to the Commercial Sector is intended also to cover exchange requirements arising out of Defence orders, it is important to ensure that such orders are executed forthwith. If there are any negotiations to be conducted about release of additional foreign exchange these should be done after complying with the order. The Committee note that the question of devising suitable procedures in this regard is engaging the attention of Government. The Committee would like the matter to be finalised expeditiously.

1	2	3	4
31	1.79	Ministry of Defence	<p>While Government have admitted that this case "was dealt with in a routine way", they have stated that there was no failure by the authorities concerned in effecting co-ordination. The Committee are not able to accept this view. The work on the Signal Centres was abandoned in August-November, 1965, about a year after it was started, in view of new radar installations which were sanctioned in the vicinity. According to Government's expectations the new installations were expected to become "operational" in "the third quarter of 1965." Instructions were also issued in August November, 1965 to stop further work on the Signal Centres. In view of this position, there was no justification at all for Government to have released foreign exchange for the requirements of the Signal Centres and proceeded with the acquisition of imported equipment indented for the Centres. The data given in paras 5.77 and 5.81 of the Sixty-Ninth Report (Fourth Lok Sabha) would show that the foreign exchange for the equipment required for these Signal Centres was released between May, 1965 and November, 1965 and that the imported equipments obtained were not utilised for the works. Clearly all this could not have occurred, unless there had been lack of co-ordination.</p>
32	1.80	Ministry of Defence	<p>The Committee would like Government in the light of this position to re-examine the case for fixing responsibility for the failures that occurred. Expeditious action should also be taken to put the equipment to use.</p>

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
DELHI					
24.	Jain Book Agency Connaught Palace, New Delhi.	11	33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	68
25.	Sat Narain & Sons, 3141, Mond. Ali Bazar, Mori Gate, Delhi.	3	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	36.	Hind Book House, 82, Janpath, New Delhi.	95
28.	The Central News Agency, 23190, Connaught Palace, New Delhi.	15	37.	Bookwell 4, Sant Naran-kari Colony, Kingsway Camp, Delhi-9.	96
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20	MANIPUR		
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
AGENTS IN FOREIGN COUNTRIES					
31.	Bahree Brothers, 188 Lajpatrai Market, Delhi-6.	27	39.	The Secretary, Establishment Department, The High Commission of India India House, Aldwych, LONDON, W.C.—2.	59
32.	Jayana Book Depot, Chaparwala Kuan, Karol Bagh, New Delhi.	66			

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