

PUBLIC ACCOUNTS COMMITTEE
1957-58

THIRD REPORT
(Second Lok Sabha)

[**Audit Reports on the Accounts of the Damodar Valley Corporation for the years 1954-55 and 1955-56**]

Vol.—II Appendices.



सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI
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C O R R I G E N D A

Third Report of the Public Accounts Committee, 1957-58, on Audit Reports on the Accounts of the Damodar Valley Corporation for the years 1954-55 and 1955-56 - Vol. II - Appendices.

Cover Page. for 'P A C 22' read 'P A C. 22-II'.

Page 6, Para 2, last line. for '1009' read '100 49'.

Page 19, line 13, for 'Rs 13.50 lakhs' read 'Rs 13.50 lakhs'.

Page 23, Para 4, line 8, for 'definitness' read 'definiteness'.

Page 24, Para 6, line 6, for 'urgent' read 'urged'.

Page 27, 2nd line from bottom, for 'ly' read 'by'.

Page 34, 2nd line from bottom, for 'cc to' read 'cc to'.

L. S. R. P. 364 1600-31 5 58

CORRIGENDA

No. 2

Third Report of the Public Accounts Committee, 1957-58, on Audit Reports on the Accounts of the Damodar Valley Corporation for the years 1954-55 and 1955-56 - Vol. II Appendices.

- 1 Page 2 Table below Item (ii) Serial No 1 col 5. for '17.510/-' read '17.510/
- 2 Page 6, Para 2 Line 17. for '87 44' read '78 44'
- 3 Page 10, Penultimate line. for 'tenders' read 'tenderers'
- 4 Page 11, Item (v), Line 7. add at the end '(not printed)'
- 5 Page 12, Item (vii), Para 4 Line 3. for 'come' read 'came'
- 6 Page 13, Heading, Line 1 for 'Available' read 'avoidable'
- 7 Page 13, Para 1, Line 26. for 'and' read 'have'
- 8 Page 18, Para 11, Line 4. for 'of one' read 'or one'
- 9 Page 22, Statement of Working hours, Item 4, Col 5. for '367' read '3673'
- 10 Page 23, Para 4, Line 6. insert 'of' between 'analysis' and 'cost'.

11. Page 29, Item (iv), Line 4, after 'list' add '(not printed)'.
12. Page 49, Line 12, for 'has', read 'was'.
13. Page 62, Para 5, Line 10, for 'laid' read 'land'.
14. Page 65, Recommendation 12, Line 14, for 'be' read 'the'.

CONTENTS

APPENDICES	PAGES	
I	Note regarding-para 6(ii) of the Audit Report, 1954-55—Purchase of Unsuitable Wagon Drills	1—3
II	Note regarding-para 7(i) of the Audit Report, 1954-55—Purchase of Black Making Machines	4
III	Note regarding-para 11 of the Audit Report, 1954-55—Excess Collection of Materials at Maithon	55
IV	Note regarding-para 6(iii) of the Audit Report, 1954-55—Acquisition of Stores in Excess of requirements	6—7
V	Note regarding-para 5 of Audit Report, 1954-55—Purchase of Transmission of Towers	8—12
VI	Note regarding para 8 of Audit Report, 1955-56—Avoidable Expenditure in Constructing Ranchi-Patna Diversion Road	13—24
VII	Note regarding para 5 of Audit Report, 1955-56—Appointment of Deputy Project Manager and Chief Construction Engineer	25—34
VIII	Statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee made in their earlier Reports relating to the D.V.C. (with Annexure I to XII)	35—71

APPENDICES

APPENDIX I

Para 6(ii) of the Audit Report, 1954-55—Purchase of unsuitable Wagon Drills.

- (i) *A note stating the circumstances which led to the purchase of these drills may be furnished. Also whether the responsibility for this purchase has since been fixed. If so, with what result? Why no technical advice was taken before deciding to purchase those drills?*

The drills were ordered in November-December, 1951 for excavation of the Diversion Channel of the Maithon Dam. The total requirement was 20 of which 8 were indented for in October, 1951 and 12 in December, 1951. The matter was discussed by the Purchase Department with the Chief Engineer on the basis of quotations received and it was decided on the 4th November, 1951 that immediate orders should be placed for 7 drills which were available ex-stock. Out of the 7 drills 4 were of CPT make, 1 Ingersoll-Rand FM-3 and 2 Joy Drills. Quotations were then called for the balance of 13 drills. The CPT offered to supply only 8 drills @ Rs. 13,991 each and the balance were available from Ingersoll-Rand @ Rs. 14,100 each. Both CPT and Ingersoll Drills are standard Drills and the specifications of the Drills offered by them were more or less the same. In view, however, of the CPT's price being lower, it was decided in consultation with the Construction Plant Engineer and the Construction Superintendent, Maithon on 22nd December, 1951 to purchase all the 8 drills offered by CPT and the balance of 5 from Ingersoll-Rand. The Audit Department has drawn attention to a letter of the Construction Superintendent, Maithon, dated 4th January, 1952 in which he suggested cancellation of the orders for 8 drills as the light wagon drills manufactured by Ingersoll-Rand were, in Chief Engineer's opinion, the best and that it was preferable for all the drills to be of one make. There seems to have been some misunderstanding in the matter as evidenced from the endorsement of the P.A. to the Chief Engineer dated 5th January, 1952 which stated that in Chief Engineer's opinion the Purchase Orders previously placed need not be disturbed. Copy of the Construction Superintendent's letter dated 4th January, 1952 and Chief Engineer's endorsement thereon dated 5th January, 1952 is enclosed to this note.

2. The question of responsibility for the purchase was fully investigated by the Corporation. Orders were placed with the concurrence of the Construction Superintendent who left the service of the Corporation on 28th July, 1953. The Corporation, however, feels that he should not be particularly blamed for the transaction. It was a bonafide purchase of standard quality drills and all that could be said is that an honest anticipation with regard to the performance of the drills has not materialised due to difficult rock conditions which could not be visualised at the time the indent was placed.

3. The drills were despatched by the suppliers in four instalments, the last date of despatch being 29th October, 1952. They were received in four batches of 3, 4, 4 and 1 on 21st May, 1952, 23rd July, 1952, 11th November, 1952 and 1st December, 1952 respectively. It was only during the course of operations in October, 1952 that the rock conditions in the Diversion Channel where the drills were to be used were found unsuitable for this type of machines. The boulder formations required a much sturdier type of wagon drills and Ingersoll-Rand FM-3 were more suitable. As the drills in question were standard machines of reputed manufacture and Engineers of and above the rank of Superintending Engineer approved of the purchase, no special technical advice was sought for.

- (ii) *At what price are the 5 drills being sold to the private Company? Does it bear any relationship to the prevailing market price? How does the present depreciated book value of these machines compare to the actual market value?*

The situation has changed since our last report that 5 surplus drills would be taken over by a private Company. They have now intimated that they are no longer interested in these drills.

The Corporation intends to dispose of the surplus drills at the prevailing market price less depreciation.

The following table would indicate the depreciated value based on the cost price vis-a-vis the present price.

Drill No.	Original Value		Market Price	
	Booked cost	Depreciated value	Price for new Drills	Depreciated value
G-300-Sl. 995 .	14,720/-	13,003/-	19,822/-	17,510/-
„ -Sl. 996 .	14,720/-	12,267/-	19,822/-	16,519/-
„ -Sl. 1011 .	14,720/-	13,984/-	19,822/-	18,831/-
„ -Sl. 1012 .	14,720/-	12,267/-	19,822/-	16,519/-
„ -Sl. 1013 .	14,720/-	13,739/-	19,822/-	18,501/-
„ -Sl. 1015 .	14,720/-	11,531/-	19,822/-	15,528/-
„ -Sl. 1020 .	14,720/-	13,248/-	19,822/-	17,840/-
G-150-Sl. 287 .	9,701/-	9,580/-	Not known	Not known

(K. L. DUTTA)
Deputy Secretary.

DAMODAR VALLEY CORPORATION

Office of the Construction Superintendent, Maithon Project.

No. SE/T/4-39.

The Purchase Officer,
 Damodar Valley Corporation,
 Calcutta 27.

(Attention: Mr. N. R. Dutta)

Dear Sir,

I am in receipt of your letter No. PF/1281/1/34126, dated 3rd January, 1952. I discussed about the Wagon Drills with the Chief Engineer yesterday while he was here. The Chief Engineer is of the opinion that Light Wagon Drills of JHM Type manufactured by Ingersoll-Rand are the best as compared with Heavy Wagon Drills. In addition the Chief Engineer is of the opinion that it is desirable that all Wagon Drills should be of one make and that another 20 Drills may be required for Panchet. I therefore request you to cancel the orders placed with other firms and place a consolidated order for the entire Wagon Drills with necessary roads etc., with the Ingersoll-Rand Co.

I enclose herewith an indent for these Wagon Drills with necessary drill rods, and I request that purchase orders may be placed for supply.

Yours faithfully,

Enco: Indent in } will follow.
 duplicate. }

(Sd) A. K. CHAR,
 4/1

Construction Superintendent,
 Maithon Project.

The case was put up before C.E. He has agreed that the purchase orders already placed need not be disturbed.

For the next Panchet Hill requirement we may consider lighter machines of I.R. make preferably.

(Sd) K. C. MAZUMDER,
 5-1-52.

P.O.

True copy.

(K. L. DUTTA)
 Deputy Secretary.

APPENDIX II

Para 7(i) of the Audit Report, 1954-55—Bokaro Thermal Power Station—Purchase of Block-making machine.

Was any technical advice taken before deciding to purchase the Hollow Concrete Block machine? If not, why not?

Corporation's Reply

The Resident Engineer, Bokaro who ordered this machine left the service of the Corporation on 28th July 1953. He was a qualified Engineer possessing considerable experience. No records are available to indicate whether any further special technical advice was taken before placing the orders. An Officer above the rank of Superintending Engineer may be considered technically competent to decide whether a machine of the type selected was in the interest of the work and take purchase action accordingly.

(K. L. DUTTA)
Deputy Secretary

APPENDIX III

Para. 11 of the Audit Report, 1954-55—Excess collection of materials at Maithon.

Was the Financial Adviser consulted before the DVC decided to purchase R.S. Joists referred to in this para? If so, what was his advise?

The purchase was made in consultation with the then Financial Adviser who concurred in the proposal in his note of 27th September, 1949. Audit has observed that the Purchase Officer's anticipation that the entire quantity would be required for our construction works at different dam sites has not however materialised. This is true but we expect not only no financial loss but large profit on the disposal of this surplus store.

(K. L. DUTTA)
Deputy Secretary.

APPENDIX IV

Para 6(iii) of the Audit Report, 1954-55—Acquisition of Stores in excess of requirements.

What procedure do the DVC propose to adopt to dispose of the surplus stores and spares? What is the present book value thereof (to be given separately for surplus stores and spares)?

There was no surplus in this particular account. The sum of Rs. 15.46 lakhs referred to in the Audit Report represents the accounts value of stores as at the 31st March, 1954, actually issued to the Projects prior to the 31st March, 1954, in respect of which financial adjustments could not be carried out in the accounts of that year due to delay in the receipt of issue returns. Final adjustment was carried out in the accounts for 1954/55.

2. There are, however, surplus stores in other Formations of the Corporation. The book value of stores already declared as absolute surplus which await disposal as on 31st July, 1957, was approximately as follows:

	Rs.
Plant and Machinery	50.00 lakhs
Spares	17.15 ..
Other stores	14.41 ..
Scrap, empties and unserviceable stores . . . . .	.50 lakh
	Rs. 82.06 lakhs

The book values and sale proceeds of surplus stores disposed of by the Disposal Department upto end of 30th September, 1957 are as follows:

	Book value (approx). Rs. (in lakhs)	Sale value Rs. (in lakhs)
Machinery & Plant	87.44	79.45
Spares	1.42	1.34
Other stores	15.98	17.30
Scrap empties and unserviceable stores . . . . .	..	2.40
	95.84	100.9

3. Stores surplus to the requirements of a particular Project are in the first instance circulated to other Projects of the Corporation.

The balance of stores after reserving the requirements of other Projects, if any, is declared as absolute surplus and dealt with by the Disposal Department of the Corporation in the following manner:

Plant and Machinery.—The surplus list is in the first instance circulated to all River Valley Projects, other Government sponsored Projects and Departments with the request to intimate their requirements. Plant and Machinery not required by any of them are disposed of by means of tenders—failing which by auction. We do not anticipate much difficulty in disposing of plant and equipment except in respect of some obsolete types of equipment purchased during the earlier days and of certain agricultural machinery which are not yet in popular use in the country.

Spare.—Some difficulty is being experienced in disposing of surplus spares as purchasers are seldom agreeable to take over all the spare attached to a machine. This has been a common problem for all the River Valley Projects and causing a headache as how best to utilise spares lying surplus in the Projects. In March last, this question was discussed at a conference held in Calcutta in which representatives of the Corporation, the CW&PC and the Hirakud Dam Project participated. The representative of CW&PC who was the convenor of the conference also called in one Mr. Patel of Associated Export Import Corporation. The question of inter-changeability of spare between machines was discussed and Mr. Patel agreed to furnish a list of component parts of the important items of different makes. Meanwhile, the Corporation's Screening Committee was also trying to prepare a similar list and has in fact prepared a list of inter-changeable bearings available in our surplus stock and forwarded the same to the CW & PC. The Corporation's Screening Committee is also trying to explore the possibility of interchanging spares between machines of different makes at present held by the various Projects of the Corporation.

Other stores.—They are disposed of by calling for tenders—failing which they are sold by auction except in respect of steel which is disposed of through the Iron and Steel Controller.

The question of disposal of surplus spares to the best advantage of the state is a pressing problem for all River Valley Projects. A reference is invited in this connection to Chapter VII of the Plant and Machinery Committee's Report in which they deal with the overstocking of spare parts. It is stated in para 7.01 that on all the Projects they visited, the stores carried large stock of spare parts but many of the parts in regular and frequent demand were out of stock.

(K. L. DUTTA)
Deputy Secretary.

APPENDIX V

Para 5 of Audit Report, 1954-55—Purchase of Transmission Towers.

- (i) *Whether there was a specific policy decision of the Government at that time and whether any quantum of price preference had been specified. A copy of the Government's directions in the matter was desired by the Committee.*

In December 1929, Government of India prescribed rules for the supply of Articles required for public service. These rules have been incorporated as appendix 9 to the Central Government compilation of General Financial Rules Vol. II. The policy of Government relating to price preference as stated in these rules is as follows:

“Departments of the Central Government or officers specially authorised in this behalf, may, when they are satisfied that such a measure is justified, allow a limited degree of preference in respect of price to articles produced or manufactured in India either wholly or in part.”

No specific orders regarding the quantum of price preference had been issued prior to 25th July, 1955 when the Government accepted the recommendation of the Stores Purchase Committee. In the O.M. dated 25 July 1955 issued by the Ministry of W. H. & S., it was stated that the recommendation in regard to the preference in favour of indigenous stores was in accord with the Government's policy relating to the store purchases. A copy of the O.M. is enclosed.

Copy of Office Memorandum No. Pur-19/Recom.15/55, dated the 25th July, 1955 from the Ministry of Works, Housing and Supply to The Director General, Supplies and Disposals, New Delhi and copy endorsed to All the Ministries of the Government of India, etc., etc.

SUBJECT:—*Price preference for indigenous products over imported stores.*

The Stores Purchase Committee appointed by the Government to examine the working, organisation, policy and procedure of the Central Purchase Organisation, has in its Report, made the following recommendation:—

“Government's purchase policy should, in our view, admit generally a price preference upto 15 per cent. to indigenous products over the imported goods including customs duty. We have also carefully considered whether industries protected through tariff or otherwise should enjoy this preference and have come to the conclusion that such industries should not be excluded from the

purview of this policy. The preference margin should be increased to 25 per cent. for certain specified classes of stores where admittedly the indigenous industry is not in a position to compete with foreign manufacturers within the general limit of 15 per cent. because of low import duties or components etc. A list of such items should be specified. Price preference even in excess of 25 per cent. should not be ruled out for lines of manufacture where unfair competition is feared, or where special development is required if the Government is convinced of its justification. However, in respect of lines of manufacture which are the small turnover, or higher costs of raw materials and monopoly of a single firm, or a group of firms, the degree of price preference to be given may be subject to examination of costs of manufacture by Government, where considered necessary."

2. This recommendation of the Committee is in accord with the Government's policy relating to stores purchases and the Government of India have accordingly accepted it. They, however, consider that the procedure suggested by the Committee should be adopted in a manner so as not to encourage inflation of existing prices of indigenous goods or result in inducing a sense of complacency in regard to the need for improvement of efficiency and in economy in production. The quantum of price preference will vary from store to store and each case will have to be decided on its merits in consultation with the Ministry of Finance.

3. Purchase officers will decide cases of price preference falling within their purchase powers in consultation with associated Finance within the general limit of 15 per cent. or 25 per cent. in respect of specified items, as the case may be. The list of specified items is being drawn up in consultation with the Development Wing of the Commerce and Industry Ministry. All cases involving price preference above these limits will require the approval of the Ministry.

4. In respect of lines of manufacture which are the monopoly of a single firm or a group of firms, or where a significant increase over the last purchase price not explained by a corresponding increase in price of material or labour charges is being asked for, it would be necessary that before allowing any price preference, the reasonableness of the offer is determined with reference to the actual cost of production plus a reasonable margin of profit. In such cases the indigenous manufacturer should be asked to accept the order on the basis of actual cost plus a reasonable fixed margin of profit; but to avoid delay in the placement of the order and supply of stores the price quoted by the manufacturer may be accepted as ceiling subject to adjustment after necessary cost check.

5. The fact that the price preference has been given should be so specified in the Acceptance of Tender and the inspector should be required to certify that the stores offered and inspected are of indigenous origin.

6. In order to ensure that cases of price preference receive due consideration, before an indigenous offer is passed over in favour

of an imported article, the approval of the head of the **Purchase Organisation** will be necessary, who will satisfy himself that purchase of an imported store is inescapable having regard to the need to develop indigenous manufacturing capacity.

7. As the exact degree of price preference required for the development of various industries must necessarily depend on the progress made by each towards establishing regular production on an economic basis, the margin of price preference allowed to various industries should be kept in constant review having regard to the period during which such industry has been in existence and the level of efficiency it has attained. Further, as recommended by the Stores Purchase Committee, the whole policy of price preference should be reviewed in the light of experience gained after a period of five years.

(ii) *The date on which the Stores Purchase Committee made its recommendations and the date on which these were accepted by Government.*

The interim report of the Stores Purchase Committee was submitted to the Government on 12th May, 1954 and the final report on 15th March, 1955. The recommendations were accepted on different dates. The recommendation No. 15 relating to the price preference was accepted on 25th July, 1955.

(iii) *What were the special circumstances which justified in this case a price preference beyond the limit of 15 per cent. recommended by the Stores Purchase Committee.*

The Stores Purchase Committee had recommended a price preference up to 15 per cent. for indigenous products over imported stores in Government purchases and had suggested that in appropriate cases even a higher margin of preference up to 25 per cent. or even more may also be allowed.

2. The price differential of the tenders of the lowest three indigenous manufacturers over the lowest tender of M/s. S. A. E. was as follows:—

M/s. E. M. C., Calcutta 21.5 percent. including sales tax.

M/s. B. B., Calcutta 23.7 per cent. including sales tax.

M/s. Kamanis, Bombay 31.9 per cent. including sales tax.

(price subject to negotiation).

3. In view of considerable price difference, this Ministry agreed with the D. V. C. that the order may be placed on M/s. S. A. E. of Italy. Towards the end of July, 1954, however, M/s. Kamani Engineering Corporation intimated that on reconsideration, they were agreeable to readjust the price so that the total cost of their towers delivered to the D. V. C. would be only 15 per cent. higher than those of Messrs S. A. E. of Italy, exclusive of Sales Tax, subject to their getting an order for 50 per cent. of the towers required. M/s. Kamanis were thus the lowest indigenous tenders. As the Government of India had laid down a policy to give preference to indigen-

ous manufacturers, provided the difference in price was reasonable, the matter was discussed at an inter-Ministry meeting with the C. & I. Ministry. The difference in the terms offered was carefully considered. The price difference was largely due to the following factors:—

- (a) High tensile steel was not available in the country.
- (b) More mild steel per tower was required and the indigenous fabricators had to use a larger quantity of steel for fabricating the same number of towers by using mild steel.
- (c) Import duty on imported towers was low;
- (d) The indigenous fabricators were required to pay Sales Tax.

It was felt that if the price difference were to be the sole criterion, all the orders for the transmission towers would have to be placed on foreign firms and the indigenous industry would face complete closure. In order to utilise the indigenous capacity in the country for fabrication, and in consonance with the Policy of the Government to give preference to indigenous manufacturers, it was decided to accept the quotation of M/s. Kamanis at a price differential of 15 per cent. excluding Sales Tax which did not accrue to the firm and was to be made over to Government. In the circumstances mentioned above, Government considered that the price differential of 15 per cent. was reasonable and justified.

- (iv) *Whether the firm had taken advantage of the price variation clause in the agreement and whether the price variation was admissible in the case of deliveries made after the stipulated date.*

The firm has claimed a sum of Rs. 1,21,106 under price variation clause in respect of steel drawn up to 15th June, 1956. The D. V. C. have made a provisional payment of Rs. 1,08,828 pending detailed scrutiny of the claim. A further claim in respect of bolts and nuts is expected. As the guaranteed delivery date was 30th June, 1956, no increase in price will be admitted in respect of material if any drawn by the firm after this date.

- (v) *Whether the price preference of 20 per cent. given to the Indian firms included payment of sales tax. The Committee also desired to be furnished with a copy of the agreement with the firm.*

The price preference which was allowed was 15 per cent. excluding sales tax. Including sales tax it works to about 20 per cent. A copy of the agreement entered into between M/s. Kamani and the D. V. C. is enclosed.

- (vi) *What proportion of the total requirements of raw materials was imported by the firm.*

All the steel required for the manufacture was obtained from Tata Iron and Steel Company and Indian Iron and Steel Company. No steel was imported.

(vii) *Whether price preference to indigenous manufacturers had been shown by the D.V.C. in any other contract.*

There is another case in which D. V. C. have given price preference to Indian manufacturers.

Tenders were invited by the Corporation in February, 1955, for the supply of Switch-yard and dam-auxilliary power transformer for the Maithon Hydro-Electric Station. The lowest tender was received from a Continental firm viz. M/s. A. S. E. A. Electric India Limited of Sweden, quoting a firm price of Rs. 28,178. Two quotations were received from indigenous manufacturers of which the tender of M/s. Greaves Cotton and Crompton Parkinson, who quoted a price of Rs. 41,850 was the lower one. The D. V. C. sought the advice of the Government of India in the Ministry of Commerce and Industry as to whether the Corporation would be permitted to import the transformers from Sweden in view of their lower price, technical suitability and reliability.

The price quoted by the Indian manufacturers, while higher than prices quoted by the Continental firms, were somewhat cheaper than those quoted by M/s. English Electric Co. Ltd., of U.K. It had been the experience of the C. & I. Ministry that prices of indigenous transformers compared favourably with those of U.K. origin. Some Continental firms, however, had been quoting low prices either on account of subsidies to establish export markets or on account of the fact that in some cases transformers offered were of inferior specifications. The indigenous manufacturers who quoted for the tender in question, manufacture transformers to the designs of their English Principals and also import raw materials from U.K. As such a comparison of their prices with English manufacturers was considered more appropriate. In view of these circumstances and to protect the indigenous industry, the Government of India in the Commerce and Industry Ministry advised the D. V. C. to accept the indigenous offers in preference to imported ones.

In this connection it may be added that the Tariff Commission while considering the continuance of protection to the power and distribution transformer industry, also come to the conclusion that it would not be correct to accept Continental quotations as a basis for comparison without careful examination.

The Corporation after due consideration accepted the recommendation of the Ministry of Commerce and Industry in the interest of the Indian industry. The purchase order was accordingly placed on M/s. Greaves Cotton and Crompton Parkinson involving a price preference of 50 per cent.

(viii) *Whether the Corporation considered the desirability of inviting fresh tenders after the tenders of the Indian Firms had been rejected.*

No, The Corporation had received tenders from five indigenous firms in response to their first tender. The value of the tenders received from these firms was very high and there was no prospect of getting any fresh low tenders from indigenous firms.

(ix) *The circumstances under which the lowest tender among the three Indian firms was not accepted.*

This is covered by the reply given in para (iii).

APPENDIX VI

Para 8 of the Audit Report, 1955-56—Available expenditure in constructing the Ranchi-Patna Diversion Road.

- (i) *A note stating the circumstances which led the Corporation to undertake the construction of this road and the frequent changes of the estimated cost.*

1. The D. V. C. was required under Section 25 of the D. V. C. Act to provide an alternative route to replace a portion of the Ranchi-Patna road which was to be submerged by the Tilaiya Reservoir. The Government of Bihar obtained in March 1951 Government of India's sanction to construct a diversion road at an estimated cost of Rs. 16.03 lakhs. Since the Government of India desired to bring this diversion road to the National Highway standard they agreed to contribute a sum of Rs. 1,13,064 being the estimated cost of bringing the submerged road to the National Highway standard. The Chief Engineer of the D. V. C. who was requested by the Corporation to examine whether any cheaper alternative route was possible worked out 4 alternative schemes for the diversion road in which the Bihar's scheme figured as No. 1. Scheme No. 3 estimated to cost Rs. 13.50 lakhs was recommended by the Chief Engineer as it would involve the Corporation in a net expenditure of Rs. 12.37 lakhs only. In September 1951 the Corporation submitted the 4 schemes to the Government of Bihar and offered to construct the bridge and the road mentioned in Scheme No. 3 within a year "*provided the orders for final survey and execution thereafter are given immediately*". This was a mere offer to do the work and there was no question of refusal to accept the Bihar Government's offer. The Government of India accepted the Corporation's proposal for reasons summarised in the following extract of their letter of approval dated 29th November 1951, addressed to the Government of Bihar:

"Since the D. V. C. who have several units of earthmoving machinery working in the neighbourhood and guaranteed to complete the proposed road before the dam is completed in June, 1952 (and the road cannot be built after water is once let into the dam) and since this Ministry has been advised that the road cannot be completed in time otherwise than by the use of earthmoving machinery, the Government of India have decided that the work should be entrusted to the Corporation. In coming to this decision the Government of India have also been influenced by the argument advanced in para 6 of your (Bihar Government) letter under reply".

A copy of Bihar Government's letter No. C./RDI/1026/51-P-W-5106 dated 24th October 1951 to which the above was a reply is enclosed to this note.

The original intention was to use earthmoving machines on the construction of the road. By the time the sanction was received, our machines were engaged elsewhere and it was considered feasible for the work to be completed in time even without the use of machines. The work was therefore finally given out to contract and completed within the stipulated period of one year.

2. In para 6 of the Bihar Government's letter referred to above, the Bihar Government emphasised the necessity of a quick decision as the Tilaiya dam was expected to be completed by June, 1952, and it was urgent that the question of aligning the diversion be finalised as early as possible so that the project could be taken up immediately and completed in time. The Government of India seems also to have been influenced by the following advantages in favour of Scheme No. 3 urged by the Government of Bihar in para 3 of the same letter:

- (i) The alignment suggested in Scheme No. 3 is shorter in length and will reduce by about 4 miles the distance between Patna and Ranchi and between Patna and Calcutta.
- (ii) An additional bridge on the Barakar river would be available which might be utilised in the event of the existing bridge over the river at mile 250 of the Grand Trunk Road being damaged or destroyed.
- (iii) The Corporation will meet the entire cost of the scheme, Government of India paying Rs. 1.13 lakhs of amount agreed to in connection with the present final alignment.

Revision of Estimates

3. Regarding the estimates Audit has drawn attention to the following revisions:

	Rs.
i. September 1951 (Preliminary estimate)	13.50 lakhs
ii. December 1951 (<i>First revision</i>)	15.46 ..
iii. May 1952 (<i>Second revision</i>)	20.00 ..
iv. July 1953 (<i>Third revision</i>)	25.02 ..
v. September 1953 (<i>Fourth revision</i>)	27.00 ..
vi. November 1953 (<i>Fifth revision</i>)	27.77 ..
vii. November 1956 (<i>Sixth revision</i>)	28.07 ..

4. Let us deal first with the preliminary estimate and the second and the fifth revision. The *first estimate* of Rs. 13.50 lakhs (which was a preliminary estimate on a lumpsum basis) provided for a 6½ mile 'A' class road (with a bridge) of approximately the same standard as that of the abandoned road. The Government of India approved the new alignment subject to certain *vital* changes in specifications including improvement of an additional length of 3 miles with a high level bridge thereon to replace the then existing causeway on the Karanjia Nulla. The estimate of May 1952, described above as the *second revision*, is the first detailed estimate which incorporated all the changes in design and specifications laid down

in the Government of India's letter of November 1951. As the full specifications of the Karanjia bridge were not yet indicated, this estimate again made a *lumpsum* provision for the improvement of the additional length of 3 miles with a 16' wide bridge of 125' span thereon. After the specifications and location of the bridge were decided on, this estimate was revised in October 1953 to Rs. 27.77 lakhs and is described above as *the fifth revision*. Full reasons for the second and the fifth revisions have been explained later in this note.

5. The other revisions, viz., the first, the third, the fourth and the sixth were not revised estimates as they are understood. The position is as follows:

During the course of discussion between the representatives of the Transport Ministry and the Bihar Government at the Barhi Inspection Bungalow about the middle of November 1951 it was made very clear to the Engineers of the Corporation that the width of the Barakar bridge must in any event be 24' instead of 16'. The estimate of Rs. 15.46 lakhs (described above as the first revision) which was prepared prior to the receipt of the Government of India's letter of 29th November 1951 was a mere repetition of the Preliminary Lumpsum estimate with a lumpsum provision of Rs. 2 lakhs for *this extra work* and it was prepared merely for the purpose of obtaining financial sanction of the Corporation for calling of tenders for the bridge.

The estimates for Rs. 25.02 lakhs and Rs. 27 lakhs (described above as the *third and the 4th revisions*) were not revised estimates but merely 'Cost Appreciation Reports' which were, correctly speaking, 'Work-slips' within the meaning of paragraphs 34 and 44 of the C. P. W. D. Code. Since the detailed estimate of May 1952 was prepared further changes in specifications were notified by the Ministry of Transport from time to time, while, on the construction side, serious foundation and other difficulties in the construction of the Barakar bridge were encountered. It was, therefore, considered essential to keep a constant watch over the movement of expenditure and these two reports indicated the results of such reviews—once in July 1953 and again in September 1953—based on actuals upto a certain date plus further liabilities likely to be incurred.

The estimate of Rs. 28.07 lakhs described as the *sixth revision* represents the provision in the *Tilaiya Project estimate* as revised in September 1955. This addition of Rs. 30,000 was made in Tilaiya Project estimate with a view to meeting the cost of some minor additional improvements on the Tilaiya Access road required by the Government of India in their letter of November 1953. This is, however, expected to be set off by savings on the other two sections of the work as evidenced from the latest actuals which amount to Rs. 27.58 lakhs including Rs. 7,000 being the cost of maintaining the road beyond the date it was opened to traffic in respect of which a separate payment is expected from Government.

6. It may be questioned why the first estimate of Rs. 13.50 lakhs was not prepared according to the National Highway specification. The position is as follows:

The Corporation was under an obligation to build a Diversion road of the same standard as that of the abandoned road. The old road

from Singarwan to Rajauli which formed part of the Ranchi-Patna road was also known as a National Highway route and the understanding of the position seems to have been that the Diversion road was required to conform more or less to the standard of this road. An estimate was prepared on the basis of the data then available. The exact implication of the construction of a National Highway was not precisely clear at least till receipt of the Government of India's letter of November 1951. It is pertinent to note that the formations of the Grand Trunk Road which is regarded as a National Highway are not the same throughout its whole length. The heights of the bridge are not the same everywhere. The B. T. wing surface is also not similar in all localities. This was perhaps the reason why our Engineers did not fully appreciate what was exactly meant by National Highway standard and Corporation's legal obligations to do the same. It is admitted that further clarifications should have been sought but the work was of a priority type. Our Engineers started the preliminary work on the basis of the estimate prepared in 1951 under the reasonable belief that Government of India would pay for the extra expenditure involved in raising it into the full standard of a National Highway. Two points emerge:—

- (i) Whether D. V. C. was legally and morally obliged to go in for a better road with an enlarged specification and more outlay of money;
- (ii) Whether for this enlarged specification a sum of Rs. 13.50 lakhs was adequate.

Apart from the theoretical objection that Corporation might not have spent so much the essential consideration is whether the money spent on the road *actually built* has been well spent.

Explanation for excesses

7. For a proper appreciation of the position the work may be divided into three sections :

- (A) Construction of the 6½ mile road.
- (B) Construction of bridge on the Barakar.
- (C) Improvement to additional length of 3 miles with a high level bridge (NEW WORK).

(A) 6½ mile road

8. The preliminary estimate of Rs. 13.50 lakhs included Rs. 6.50 lakhs for this work which comprised—(i) improvement of the existing District Board road to "A Class" road (Rs. 1 lakh); (ii) construction of a new "A Class" road (4½ miles) of which 2½ miles were to be benched on hills and 2 miles on the plains (Rs. 5.5 lakhs).

The detailed estimate prepared in May, 1952 came up to Rs. 7.70

lakhs due to the following changes in specifications laid down by the Government of India:

Item of work	Govt. of	
	DVC Plan	India Plan
Land width	50'	100'
Road crest width	24'	32'
Width of the culverts (24 Nos.)	24'	32'
Black-topping	9'	12'

9. The final estimate prepared in October, 1953, went upto Rs. 10.60 lakhs thereby registering an increase of Rs. 2.90 lakhs over the estimate of 1952. The causes of this excess are explained below:

(a) *Cost of land* Rs. 40,000:

It was originally decided to find this cost out of the provision for 'B. Land' of the Tilaiya Project. As the amount, however, was eventually found to be considerable and it was felt that the cost of the entire scheme should be included in a separate estimate, it was included in the revised estimate.

(b) *Excavation* Rs. 29,000:

The quantity of actual excavation in rock exceeded the estimated quantity due to configuration of ground along the hills.

(c) *Surfacing* Rs. 1,28,000:

The Engineer Liaison Officer suggested 1½" pre-mixed carpet all through the road and the Government of India desired some further minor improvements at a later stage. The combined effect of all these changes was an increase in the provision for surfacing amounting to Rs. 1,28,000.

(d) *Maintenance before surfacing* Rs. 25,000:

It was decided at a later stage that surfacing should wait until one monsoon passes over the embankment portion. Necessary provision for maintenance of the road during the intervening period was, therefore found necessary and provided for.

(e) A lumpsum provision of Rs. 73,000 was made in the estimate to cover unforeseen items of work and contingencies.

The above excesses were partly set off by a small saving of about Rs. 5,000 under certain other heads.

(B) *Bridge over the Barakar*

10. The preliminary estimate of Rs. 7 lakhs provided for a 16' wide bridge. It was based on the experience of a bridge constructed some time back for the Konar Project by Gammons. It assumed the foundation rock would be available 15' below the river bed. The Engineer Appreciation Report attached to the Government of India's letter of approval made similar assumptions. It said: "The foundation will be shallow as hard rock is expected very near the bed

level. The hill slopes rising steeply from the banks are composed of hard rock". The obvious reason for this expectation was the exposed hard rock rising steeply from the banks.

11. The Government of India, however, desired the width of the bridge to be increased to 24' which meant an increase of 50% over the original provision. Tenders were called of on the basis of a 24' wide bridge with two lanes of A class or one lane of AA class loading. The value of the tender based on certain drawings was Rs. 8.40 lakhs. As foundation conditions were uncertain, the contract provided for extra payment at Rs. 2,500 per running foot of excavation below 17' depth. The first detailed estimate of May, 1952 based on the Contractors' tender amounted to Rs. 9.86 lakhs as detailed below:-

	Rs.
L. S. Contract	8.40 lakhs.
Extra payments, such as Sales Tax, additional charges for materials, electric charges, excavation below 17' etc.	1.36 ..
Carriage and handling of tools and plant to and fro . . . . .	.10 ..
	<u>Rs. 9.86 lak</u>

12. Unfortunately, foundation rock could not be met at 15' below the river bed level. In pier No. 3, hard rock was not met even at EI. 1113 and in pier No. 6, such rock was met below 45'. This involved an extra expenditure amounting to Rs. 1,58,000 for excavation below 15' level. This payment was, however, kept to the absolute minimum by adoption of a spread-out or raft foundation in some of the piers. To enable the placement of pier footings and to protect foundation of the piers sheet piles had to be used which had to be left in situ. The Contractors had also to make their own arrangements for hiring some equipment as the Corporation could not supply all the stipulated items. The hire charges had, therefore, to be borne by the Corporation. The Government of India suggested some further changes during the course of construction, such as roller bearing instead of plate bearing, anchoring of piers, wing walls, etc. As the design and specifications were to be approved by the Ministry of Transport, extra expenditure had to be incurred on account of changes in design. The revised estimate prepared in October, 1953 after taking all the above disturbing factors into account amounted to Rs. 12.17 lakhs made up as follows:

	Rs.
L. S. Contract	8.40 lakhs
Excavation below 17'	1.58 ..
Sheetpiles left in situ . . . . .	.58 ..
Transport and hire of tools and plant . . . . .	.40 ..
	<u>Rs. 10.96 lakhs</u>

c/o

	B/F Rs. 10·96 lakhs.
Sales Tax	'19 ..
Extra charge for design and erection of form work for bridge decking	'20 ..
Wing walls	'34 ..
Electric charges	'09 ..
Difference in cost of subsidised materials	'10 ..
Miscellaneous other charges including workcharged es- tablishment	'29 ..
	<hr/>
Rs.	12·17 lakhs
	<hr/>

(C) *Additional length of 3 miles*

13. This is entirely a *new work*, not provided for in the preliminary estimate of Rs. 13·50 lakhs. This portion forms part of the Tilaiya Access road which was constructed by the DVC on "A Class" standard. The Corporation also built a causeway on this road at a cost of about Rs. 50,000. The Engineer Appreciation Report enclosed to the Government of India's letter of approval describes the condition of this road as follows:—

"This bit of road is in a first class condition with 50' Right of way, 24' width of formation and 12' wide B.T. wiring surface.

(The B.T. wiring surface was actually 9')

The Government of India in their letter of November 1951 desired improvements to this road as follows:

- (i) 100' Right of way (involving acquisition of additional land) against 50'.
- (ii) Widening of the formation to 32' from 24'.
- (iii) Conversion of the causeway over the Karanjia nulla into a high level bridge with a 24' roadway.
- (iv) Black-topping 12' instead of 9'.

As the full specification for the proposed high level bridge at Karanjia was not available at the time the 1952 estimates were prepared, the detailed estimate of 1952 made a lumpsum provision of Rs. 44,000 for improvement of the road and Rs. 2 lakhs for a bridge of 125' span on the existing site of the Karanjia bridge. No provision was made for land acquisition as it was thought that it could be met out of the provision for 'B Land' of the Tilaiya estimate. The question of laying down the precise specification and design of the bridge formed the subject of prolonged discussion and correspondence ending with a personal discussion with the Ministry of Transport on 26th May, 1953 by the Superintending Engineer, Headquarters, Maithon. It was then decided that the bridge should be located at a short distance *downstream of the existing causeway thereby involving additional land acquisition and the construction of new*

approach roads on both ends. It was also decided that the length of the bridge between abutments should be raised to 350' against 125' contemplated in the estimate of 1952. Meanwhile, tenders were called for on the basis of 160' width of waterway. The Ministry of Transport communicated their final decision only in October, 1953 and suggested that we might adopt a clear water way of 300' for the bridge. The bridge was actually constructed on the basis of a 320' span against 125 provided for in the May 1952 estimates. The approved design also provided for the height of the bridge to be raised by 9' over the earlier estimate and it was also decided to improve its capacity. The final estimate prepared in October 1953 for Rs. 5 lakhs took care of all the above changes which included Rs. 10,000 for additional land acquisition, Rs. 90,000 for the improvement of the existing roads and Rs. 4 lakhs for the Karanjia bridge.

14. The estimate of Rs. 4 lakhs for the Karanjia bridge was based on the following calculations:

	Rs.
(i) Contractors' tender for 160' bridge	1.87 lakhs
(ii) Add for another 160'	1.87 „
(iii) Extra cost of raising the height of the bridge from 6'-9" to 15'-9" . . . . .	.40 „
Less : Lumpsum rebate for repetition of centering (—)	.14 „
	Rs. 4.00 lakhs.

15. The increase in the cost of improvement of the existing roads from Rs. 44,000 to Rs. 90,000 was caused primarily by the following factors:

- (i) Additional land acquisition.
- (ii) Change in alignment due to shifting of the site of the bridge involving the construction of new approach roads on both ends and the cost of surfacing the new roads.
- (iii) Black-topping rest of the road—12' instead of 9'.
- (iv) Carpeting the entire surface—1½" thick instead of 1" contemplated in the original estimate.
- (v) Maintenance of the road until surfacing.

16. The discarded portion of the Ranchi-Patna road did not conform to full specification of a National Highway. The Corporation, therefore, claimed a sum of Rs. 12 lakhs from Ministry of Transport being the extra cost of raising the realigned road and Bridge to the standard of a National Highway. This has been turned down by Government. The matter is being further examined.

- (ii) *What is the total length of the diversion road? By how many miles was it cut short as a result of the change in the alignment? What was the original estimate according to the alignment proposed by the DVC?*

The total length of the diversion road proposed by the Bihar Government was about 9½ miles. The length of the diversion road actually constructed is about the same.

The old Calcutta-Patna and Ranchi-Patna road meets the G.T. Road at Barhi. It then proceeds west along the G.T. Road and turns towards the Patna at Singarwan (4 miles west of Barhi) and meets the Tilaiya access road at Chandwara on the road to Patna. The alignment proposed by the Bihar Government in respect of which an estimate of Rs. 16 lakhs was prepared starts from a point on the G.T. Road about 1 mile west of Singarwan and meets the old road about 5 miles below Chandwara. The diversion road actually constructed on the recommendation of the Corporation starts from Barhi about 5 miles east of the point wherefrom the Bihar Government's alignment starts. The distance from Barhi to Chandwara under the re-alignment is $9\frac{1}{2}$ miles. The effect of the new alignment (as compared to the Bihar Government's alignment) on national economy may be summarised as follows:

- (a) The distance from Chandwara to the G.T. Road has been shortened by 5 miles. This means a permanent saving to Public funds due to reduced maintenance charges. The diversion (through Barhi) of considerable traffic from east and south of Barhi (such as, Dhanbad, Hazaribagh, Ranchi etc.) would reduce the pressure on 5 miles of the G.T. Road from Barhi westward which means further reduction in maintenance charges.
- (b) The distance between Chandwara and any place east and south of Barhi, such as Calcutta, Danbhad, Hazaribagh, Ranchi, etc., will be shortened by 10 miles. This will mean considerable saving in time and national economy.
- (c) The distance between the Tilaiya dam site and any place east and south of Barhi, such as Ranchi, Hazaribagh, Dhanbad, Calcutta, etc. will be shortened by about 16 miles.

The original estimate according to the alignment proposed by the DVC amounted to Rs. 13.50 lakhs. This was for a $6\frac{1}{2}$ mile road of class 'A' standard with a bridge thereon. The work actually done was a $9\frac{1}{2}$ mile road with two major bridges on the National Highway standard. Please see explanations under question No. (i).

- (iii) *Was this diversion road constructed departmentally? Who was in charge of the diversion created by the DVC for the building of this road?*

The road and the bridges were constructed through contract. Superintending Engineer, Tilaiya, was in supervisory charge of construction of the road and the bridges while an Executive Engineer was in direct charge.

- (iv) *The particulars of the earthmoving machinery employed in this work and the number of working hours it worked.*

The road portion was constructed by manual labour through contract. The bridge was also constructed by Contractors who used machines partly procured by themselves and partly supplied by the Corporation. The working hours of the machines are shown in the statement enclosed to this note.

It has been stated that the list of machinery employed on the bridge construction does not contain any earthmoving machinery.

Earthmoving machinery was not necessary for the construction of the bridge. As already stated, the road work on which earthmoving equipment could be used was done by manual labour through contract.

Working hours of equipments used for construction of Barakar Bridge.

Equipment	Supplied by DVC		Procured by Contractors		Total	
	No.	Working hours	No.	Working hours	No.	Working hours
1. Cranes	3	1086	1	1500	4	2586
2. Pile driving hammers	2	617	1	160	3	777
3. Pile Extractor . . . . .	..	..	1	860	1	860
4. Pneumatic Compressor . . . . .	..	..	1	367	1	3673
5. Jet Pumps . . . . .	..	..	2	3500	2	3500
6. Clamp Shells	1	1000	1	1200	2	2200
7. Concrete Mixers	1	853	1	1010	2	1863
8. Pumping Sets . . . . .	..	..	8	10296	8	10296
9. Pneumatic Compressors	2	1060	..	..	2	1060
10. Jack Hammers	2	224	..	..	2	224
11. Pavement Breakers	2	70	..	..	2	70
12. Stone Breakers . . . . .	..	..	1	2467	1	2467
13. Pneumatic Vibrators . . . . .	..	..	4	5205	4	5205

(K. L. DUTTA)
Deputy Secretary.

GOVERNMENT OF BIHAR
PUBLIC WORKS DEPARTMENT
Communications Branch

Copy

No. C/RDI/1026/51-P-W-5106.

From

S. V. Sohoni, Esqr., I.C.S.,
Secretary to Government.

To

The Under Secretary to Government of India,
Ministry of Transport: Roads Organisation
Jamnagar House, New Delhi.

Dated Patna the 24th October, 1951.

SUBJECTS *Diversion of National Highway no. 31 due to the construction of Tilaiya dam.*

Sir,

I am directed to invite a reference to your letter No. WI-6(13)50 dated the 29th March, 1951 and to say that the allocation

of the cost of the construction of the diversion along the present finalised alignment as indicated in your letter was referred to the Damodar Valley Corporation in this Department letter no. 2569C dated the 28th May, 1951, for acceptance. On repeated reminders, they have sent a reply in their letter no. W. 3/18/1-4003 dated the 20th September, 1951 a copy of which as well as of enclosure is enclosed herewith.

2. The Corporation have now forwarded alternative proposals for aligning the diversion which stand detailed in their letter quoted above. They prefer the scheme no. 3 and are prepared to construct the bridge and the road involved in the scheme within a year provided the orders for final survey and execution are given immediately.

3. The State Government have duly considered the corporation's proposals and they are inclined to agree that the scheme no. 3 is a feasible proposal which could be considered as an alternative to the existing finalised alignment. The main advantages in the opinion of the State Government, are given below:—

- (i) The alignment suggested in scheme no. 3 is shorter in length and will reduce by about 4 miles distance between Patna and Ranchi and between Patna and Calcutta.
- (ii) An additional bridge on the Barakar river would be available which might be utilised in the event of the existing bridge over the river at mile 250 of the Grand Trunk Road being damaged or destructed.
- (iii) The Corporation will meet the entire cost of the scheme Government of India paying Rs. 1.13 lakhs of amount agreed to in connection with the present final alignment.

4. The State Government are, however, unable to assess the note furnished by the Corporation, the feasibility and economical construction of the road in the hill as well as of the conversion of the Section MNO on the map into a road of National Highway standard as envisaged by the Corporation. Similarly they are not quite sure whether analysis the cost of the project would remain at only as estimated by the Corporation. These and other aspects of the scheme are, however, matters which will be known with any definitness only after a fairly detailed examination.

The alternative scheme no. 3 has also the following disadvantages:

(a) hill section in the alignment (b) loss of the benefit of the length of about 6 miles (Section OCE) in the present alignment which is material for any scheme of shortening the distance between Rajauli and Singrawan.

It is however, unlikely that Government of India will be able to sanction such a scheme in the near future. If this be so, the advantages will weigh heavily against the disadvantages.

5. Bihar P.W.D. local officers have been asked to undertake in the meantime, an engineering reconnaissance and submit a report on the prospects of constructing the proposed road in the hill sections and upgrading if necessary the MNO section to National Highway standard as quickly as to synchronise with the construction of the Tilaiya Dam by June, 1952.

6. I am directed to request the Government of India may be pleased to consider the alternative proposals and communicate their decision to this Department as early as possible.

The necessity of a quick decision in the matter hardly needs any emphasis. The Tilaiya dam is expected to be completed by June, 1952. It is therefore, urgent that the question of aligning the diversion be finalised as early as possible so that the project could be taken up immediately and completed in time.

If necessary a joint inspection by Government of India, Damodar Valley Corporation and State Engineers be arranged to enable immediate decision.

7. I may add for the information of the Government of India that the proceedings on present fixed alignment have almost been completed and the possession is expected to be handed over very shortly.

Yours faithfully,

Sd/- S. N. SINHA.

for Secretary to Government.

D.A. as stated

Memo no.

Patna the

October, 1951.

Copy with a copy of the Corporation letter referred to above and its enclosure forwarded to the Superintending Engineer Chotanagpur Circle for information with reference to the correspondence resting with his letter no. S273 dated the 7th August, 1951.

It is requested that a detailed report on the construction of the proposed road in the hill section as well as upgrading the MNO Section in the enclosed map to National Highway Standard, if necessary, may kindly be furnished immediately indicating particularly whether these can be completed by June, 1953 when the Tilaiya Dam is expected to be completed.

This may please be treated as most urgent.

True Copy.

Sd/-S. N. Sinha.

for Secretary to Government.

(K. L. DUTTA)

Deputy Secretary.

APPENDIX VII

Para 5 of Audit Report, 1955-56—Appointment of Deputy Project Manager and Chief Construction Engineer.

Appointment of Deputy Project Manager and Chief Construction Engineer.

- (i) *A note stating the circumstances which led the Government of India not to reverse the decision of the D.V.C. in the matter of filling up of the post of Deputy Project Manager and the Chief Construction Engineer which was taken against the advice of the Financial Adviser of the D.V.C.*

In June 1953, the Damodar Valley Corporation decided to combine the posts of the Construction Superintendent and the Construction Engineer, Maithon, into one post of Construction Superintendent, subsequently designated as Project Manager. The scale of pay of Rs. 1300—60—1600 p.m. of the post of Construction Superintendent was also upgraded to Rs. 1800—100—2000 p.m. This was done against the advice of the Financial Adviser of the Corporation.

2. The difference of opinion between the Financial Adviser and the Corporation in regard to the upgrading of the scale of pay of the post of Construction Superintendent at Maithon Project to Rs. 1800—100—2000 p.m. was not specifically referred to the Government of India for a decision. In the Later State Conference of 5th May, 1951 a convention was established that whenever there was difference of opinion between the Financial Adviser and the Corporation, the former should report the matter, for a decision, to the Government of India, under intimation to the D.V.C. The Financial Adviser obviously did not consider this difference of opinion serious enough to be reported to the Government of India for a decision, in accordance with this convention. He, however, included this case under the heading 'General difference of opinion between Financial Adviser and the Corporation' in his half-yearly report dated 3-4-54 for the period ending 31st December, 1953, which was received in this Ministry, through the D.V.C., on the 15th October, 1954.

3. In regard to the post of Project Manager at Maithon, the F.A. had made the following remarks in the report:

"I am averse to bringing in designations which are not comparable with Indian conditions. I had also objected to the pay scale. That objection is still unresolved. My objections on both these points are based on questions of principles and proper evaluation of duties and responsibilities. On this first issue the late Chairman's views were similar to mine."

4. The matter was considered in this Ministry in consultation with the Ministry of Finance and a detailed report on the points

raised by the Financial Adviser was called for from the D.V.C. on 1-7-1955.

5. The Corporation in their letter dated the 9th January, 1956, stated that the first Organisational set-up at the Maithon Project provided for a Project Manager with a Construction Superintendent and a Construction Engineer under him. In February 1952, the Corporation sanctioned the posts of Construction Superintendent and Construction Engineer in the Superintending Engineer's scale of pay viz. Rs. 1300—60—1600 p.m. but no appointment was made to the post of Project Manager, the Chief Engineer himself performing the duties of that post. In June 1953, the Corporation decided to combine the charges of the Construction Superintendent and Construction Engineer into a single charge of Construction Superintendent and to dispense with the post of Project Manager. Later the Corporation decided that the Construction Superintendent should be designated as Project Manager, Maithon. The pay of this post was fixed at Rs. 1800—100—2000 p.m. on the following considerations:

- (i) This Officer would function as Construction Superintendent as well as Construction Engineer;
- (ii) The Chief Engineer in charge of the Vaitarna Dam draws pay in the scale of Rs. 1800—100—2000 p.m.
- (iii) The Government of India's revised scale of pay for State Chief Engineers is Rs. 1800—2000 p.m.

6. The Financial Adviser did not consider the above as sufficient justification for fixing the above mentioned scale. He also did not accept the view that the duties and responsibilities of this post would be tantamount to those of a State Chief Engineer.

7. The Corporation gave further consideration to the matter and their conclusions were as follows:—

- (i) Assumption by the Project Engineer himself of the duties of the Construction Engineer as well as the Construction Superintendent certainly adds to his responsibilities;
- (ii) Maithon is a 13 crore Project, scheduled to be completed in 3 years' time. The departmental construction of a dam of this size within this time-schedule is certainly a bigger job than the normal charge of a Superintending Engineer;
- (iii) It is difficult to compare the relative duties and responsibilities of a State Chief Engineer with those of the Engineer in charge of a Project like Maithon. The posts are not strictly comparable as the normal charge of a State Chief Engineer hardly ever covers special schemes like those. Undoubtedly, the post calls for qualities which will normally be found in a State Chief Engineer, and the completion of a 13 crore Project in 3 or 4 years' time requires qualities in an Engineer in direct charge of it which easily qualify him to be the Chief Engineer of a State; and

- (iv) **The Pay Commission recommended a scale of pay of Rs. 1800—100—2000 p.m. for State Chief Engineers, but there are perhaps few, if any at all, who are actually drawing pay on this low scale.**

The Corporation, therefore, decided to adhere to their earlier decision to fix the pay at Rs. 1800—100—2000 p.m. They also stated that the Project Manager at Maithon had under him one Superintending Engineer, 10 Executive Engineers, 47 Assistant Engineers besides a large force of Ministerial and Constructional Staff.

8. The detailed reasons furnished by the Corporation in support of the decision were considered by this Ministry and it was decided on the 25th January, 1956 in consultation with the Ministry of Finance that in the circumstances explained by the Corporation and in view of the fact that the arrangement had already lasted for nearly 3 years, it was not necessary to pursue the matter further.

- (ii) *A detailed note about the appointment of the Chief Construction Engineer, his dismissal from the service of the DVC and the total expenditure incurred on the payment of his salary and allowances, passage, etc.*

The appointment of a Chief Construction Engineer as one of the principal assistants to the Chief Engineer, DVC, had been engaging the attention of the Corporation for a very long time. Indeed, the appointment of such an Officer formed part and parcel of the Damodar Scheme ever since its inception and was recommended by the American Technical Mission consisting of M/s. Riegel and Schlemmer who were specially invited to advise on the scheme. Later, the D.V.C. Board of Consultants in their report of August, 1950 considered a Chief Construction Engineer necessary for the efficient and punctual performance of the DVC's task. The International Bank had on more than one occasion suggested the strengthening of the engineering staff at the top level by the appointment of a Chief Construction Engineer. The suggestion of the Bank was accepted by Sri S. N. Mozumdar, ICS, previous Chairman of the Corporation when he was in the USA in 1953 and, in fact, a T.C.M. Expert, Mr. Gordon W. Manly, was appointed Chief Construction Engineer for a short period in July, 1953. After Mr. Manly's departure on 4th November, 1953 another T.C.M. Expert, Mr. Clarke, assigned to the DVC as Chief Master Mechanic who had construction experience was entrusted with the duties of Construction Engineer in addition to his own work as Chief Master Mechanic. This experiment did not, however, prove a success.

The World Bank reiterated their previous recommendation for the appointment of a Chief Construction Engineer during their visit in March, 1954 and a vigorous attempt was then made to recruit a Chief Construction Engineer with the help of the Indian Embassy in USA but unfortunately no suitable candidate was available and the idea had to be abandoned.

The question was, however, reopened by the Government of India in July, 1955 as a result of a suggestion made by Mr. Slocum after his visit to the DVC in June, 1955 that there should be an officer in

direct charge of construction and the Corporation was requested to make a further attempt to recruit a competent Chief Construction Engineer. The Chief Engineer who was then in USA was requested to look for a suitable officer in consultation with the Indian Embassy. Mr. E. C. McClenagan who had been interviewed in August, 1955 by Mr. Komora and Mr. Kamat, ICS, of Indian Embassy was considered suitable for the post and was instructed by the Indian Embassy to join his post in India subject to the execution of a formal contract after his arrival in India.

Unfortunately Mr. McClenagan did not prove a success. After watching Mr. McClenagan's work for about 5 months, the Corporation felt that not only had his contribution to the Project been below expectations, he was also unlikely to improve, and that it would not be in the interest of the DVC to retain his services any longer. The Corporation accordingly decided to terminate his contract forthwith by giving him 3 months pay in lieu of notice. The total expenditure incurred by the Corporation on his account was approximately Rs. 73,000 as shown below:—

(1) Incidental expenses paid to Mr. McClenagan for appearing at an interview in the U.S.A.	Rs. n.P. 821·00
(2) Air passage including incidental expenses of Mr. McClenagan	6,078·00
(3) Salary of Mr. McClenagan including 3 months' notice pay	49,686·00
(4) Sea passage including incidental expenses of Mrs. McClenagan from the U.S.A. to India	6,351·00
(5) Cost of transporting personal household effects	381·00
(6) Travelling expenses of Mr. and Mrs. McClenagan for journey back to the U.S.A.	9,538·00
	<hr/>
TOTAL :	72,855·00
Say	73,000/-

A question has been raised why Mr. McClenagan was granted return passage to the States in view of clause 12 of the Agreement with him which stipulates that payment of return passage is subject to the condition that the employee upto the date of termination of his service shall at all times have performed the duties to the satisfaction of the Corporation. The circumstances in which this part of the agreement was not enforced is stated below:—

Although the Corporation was dissatisfied with the work of Mr. McClenagan, his services were not terminated as a result of any specific charges framed against him; nor would we have been able to establish that he was negligent in his duties nor that he misconducted himself in any way should the matter go to Court. The reasons for the discharge are that he was not found quite suitable and that he was not likely to improve. Our Chief Engineer Mr. Komora explained to the Public Accounts Committee the circumstances in which Mr. McClenagan was recruited in the States. In the circumstances, an attempt to withhold his return passage to the States

would not have been quite consistent with clause 12 of the Agreement, particularly in view of the terms of appointment communicated by Mr. Kamat of the Indian Embassy in writing to Mr. McClenagan on 31st August 1955 which provided for passages to and fro unconditionally. A copy of the letter of appointment issued by Mr. Kamat as well as a copy of the Agreement with Mr. McClenagan is enclosed to this note.

- (iii) *Whether during the short tenure of his office this Engineer made any change in the design and specification of the Project. If so, to what extent and how for these were implemented. Was any damage caused to the Project as a result thereof?*

There was no occasion for the Chief Construction Engineer to propose any change in the design and specification of the Project.

- (iv) *A statement showing (i) particulars of posts carrying a salary of Rs. 500/- per month and above in the DVC and (ii) how these were filled up.*

The enclosed list will show particulars of the posts of which the minimum pay is Rs. 500/- or more. It does not include vacant posts. It indicates the method of filling up the posts.

2. It is necessary in the first instance to explain the general procedure of recruitment of personnel by the Corporation.

- (i) Recruitment is made either by direct appointment or by promotion of officers already in the service of the Corporation or by deputation from Government.
- (ii) For the purpose of direct appointments, posts are generally advertised.
- (iii) In the formative stage of the Corporation a number of persons, both technical and non-technical, were drawn from the defunct C.T.P.B. or were appointed by negotiations, as in the case of Burma Government pensioners.
- (iv) All direct appointments are made by a Selection Board consisting of at least one Member or the Chairman of the Corporation, the Director of Personnel and the Head of the Department concerned or his representative. The recommendations of the Selection Board are placed before the Corporation as a whole if the minimum pay of the sanctioned pay scale of the post is Rs. 500/- or more. Financial Adviser is consulted in all cases of fixation of pay at a higher stage than the minimum of the sanctioned post. Similarly, selection of candidates on deputation is approved by the Corporation as a whole.
- (v) Promotions are based on merit, relative suitability of a candidate for a particular post and seniority.
- (vi) The procedure adopted for promotions is that the recommendations received from the Heads of Departments are scrutinised by the Director of Personnel with reference to previous records on the basis of merit, suitability and seniority and cases are submitted for Corporation

orders with relevant confidential reports and Director of Personnel's note on the recommendations of the Heads of Departments. Orders are passed by the Corporation on the merits of each case after studying the papers.

- (vii) Majority of the posts have been shown as filled up by promotion. The officers filling up these posts, with the exception of very few who joined in early stages, were all selected originally by advertisement and appointed to lower posts.
- (viii) The remark 'By promotion' refers to the post carrying the stated pay scale. It does not indicate in each case that promotion was for filling up that particular post as in a number of cases the posts were filled up by transfer from other posts carrying similar pay.

3. The Chief Engineer is a contract Officer who draws such gross salary in U.S. dollars and Indian currency as after deduction of Indian Income-tax at source shall be equal to a net salary of 20,000/- U.S. dollars per annum plus Rs. 500/- per month. He is also provided with a free furnished house, free supply of water and electricity and use of a Corporation's car with a driver free of charge.

4. As regards the Public Relations Officer, 11 candidates appeared for interview on 24th August 1954 but final selection was postponed until the new Chief Information Officer joins duty. The new Chief Information Officer joined his post on 30th October 1954 and it was decided in December, 1954 to appoint the temporary incumbent of the post as Public Relations Officer for two years.

Sd./-
(K. L. DUTTA)
Deputy Secretary.

ARTICLES OF AGREEMENT made this fifth day of March One Thousand Nine Hundred and Fiftysix BETWEEN E. C. Mc. CLENGAN of the one part (here-in-after referred to as the 'Employee') and the DAMODAR VALLEY CORPORATION (here-in-after referred to as the 'Corporation') of the other part.

WHEREAS the Corporation has engaged the Employee as Chief Construction Engineer and the Employee has agreed to serve the Corporation on terms and conditions here-in-after contained.

NOW THEREFORE THESE PRESENTS WITNESS and the parties hereto hereby agree and declare as follows:

1. The Employee shall, as soon as he may be directed by or on behalf of the Corporation, proceed to India. On arrival in India, he shall forthwith report himself for duty as directed by the Corporation and shall submit himself to the orders of the Corporation and of the officers and authorities under whom he may from time to time be placed by the Corporation and shall subject to the provision herein contained, remain in the service of and be employed by the Corporation for a term of 18 months (hereinafter referred to as "the said term") from the twentyseventh day of September One

Thousand Nine Hundred and Fifty Five being the date of his leaving the United States of America, extensible at the option of the Corporation and with the consent of the Employee.

2. The Employee shall devote his whole time to his duties, shall employ himself honestly, efficiently and diligently, shall conform to all the rules and regulations of the Corporation and shall obey all such orders and directions as he shall from time to time receive from the Corporation or its authorised officers. He shall not engage directly or indirectly in any trade or business or occupation and shall not, except in the case of accident or sickness certified by competent medical authority, absent himself from his duties without first having obtained permission from the Corporation or its authorised officer.

3. If the Employee shall at any time during the said term quit the service without the permission of the Corporation, he shall refund to the Corporation the cost of such passages to India as may have been provided for himself and his family and any money advanced to him on account of pay or otherwise.

4. The Employee shall, when required, take upon himself the charge of money and stores and shall truly and faithfully account for and pay over or deliver to the proper person all money, goods and stores which shall at any time come to his hands or be under his charge on account of the Corporation.

5. The service of the Employee may be terminated as follows :

- (i) By the Corporation without previous notice, if the Corporation is satisfied on medical evidence that the Employee is unfit and is likely for a considerable period to continue unfit by reason of ill health for the discharge of his duties. PROVIDED ALWAYS that the decision of the Corporation that the Employee is likely to continue unfit shall be conclusively binding on the Employee.
- (ii) By the Corporation without previous notice if the Employee be guilty of any indiscipline or breach or non-performance of any of the provisions of these presents the decision of the Corporation in this matter being conclusively binding on the Employee.
- (iii) By three months' notice in writing at any time during the said term either by the Employee to the Corporation or by the Corporation to the Employee without any cause being assigned. PROVIDED ALWAYS that the Corporation may in lieu of notice give the Employee a sum equivalent to the amount of his pay for three months or a shorter notice than three months if the Corporation pays him a sum equal to the amount of his pay for the period by which such notice falls short of three months.

6. The salary which the Employee shall receive shall be \$18,000 per annum (all inclusive) payable in dollars subject to Indian income-tax. Deduction from salary on account of such income tax shall be limited to an amount equivalent to U.S. taxes payable on a salary earning of \$18,000 per annum at the appropriate

rates. The difference between this amount and the actual income tax payable in India at the Indian income tax rates shall be borne by the Corporation. The pay from time to time payable to the Employee under these presents shall be paid for such time as he shall serve under this Agreement and actually perform his duties whether in India or abroad commencing from the said twenty-seventh day of September One Thousand Nine Hundred and Fifty Five and ceasing on the date of termination of this Agreement or his quitting service in India earlier or on the day following his death if he shall die whilst in service.

7. The employee shall be further entitled to—

- (a) Air passage for himself and sea passage for his family from the United States of America to India.
- (b) Reasonable amount for sea transportation of necessary personal effects from the United States of America to India.

8. If the employee is required to travel in the interest of the service of the Corporation he shall be entitled to travelling allowance admissible under the Damodar Valley Corporation Service Regulations.

9. The Employee shall be eligible, subject to the exigencies of the service of the Corporation, for leave and leave salary under the DVC Service Regulations. The earned leave due to the Employee at the end of the said term may be granted to him after the date of termination of his service if the leave has been applied for in sufficient time and immediately before the expiry of the said term and refused in writing in the interest of the service of the Corporation. The Employee may also be granted earned leave due to him in the event of his service being terminated by the Corporation under sub-clause (i) or sub-clause (iii) of Clause 5 hereof.

10. The Corporation shall provide quarters for the accommodation of the Employee while in India for which the Employee shall pay such rent as may be fixed by the Corporation not exceeding 10% of his salary. He shall also be liable to pay for electricity and other services including such local municipal and other rates and taxes as by local custom are payable by the occupiers of the quarters.

11. The Employee shall be eligible for free medical attention under the rules applicable to the Officers of the Corporation of corresponding status.

12. The Corporation shall on termination of the Employee's service at the expiration of the said term or on earlier termination thereof by the Corporation under sub-clause (i) or sub-clause (iii) of clause 5 hereof and subject to the condition that the Employee up to such termination shall at all times have performed the duties to the satisfaction of the Corporation, provide the Employee with return passage back to the United States of America as follows :

- (a) Air passage or first class sea passage by the shortest route for himself;

- (b) First class sea passage by the shortest route for his family;
- (c) Reasonable amount for the cost of transport of his personal effects by sea.

PROVIDED ALWAYS that the return journey is performed within three months of the date of termination of the Employee's service as aforesaid unless prevented by sickness proved to the satisfaction of the Corporation.

13. In respect of any matter for which provision has not been made in this Agreement the provisions of the relevant rules or regulations of the Corporation shall apply. Provided that the Employee shall not be entitled to the benefits of the DVC Provident Fund.

IN WITNESS WHEREOF the Employee and the Secretary of the Damodar Valley Corporation by the order and direction and on behalf of the Corporation have hereunto set their hands the day and year first above written.

Sd/- E. C. McClenagan.

Signed by the Employee

in the presence of Sri Nalinaksha Bhattacharyya (Stenographer)
 Witness Sd: Nalinaksha Bhattacharyya (Stenographer)

Signed by the Secretary of the Corporation Sd: Gopaldas Kshetrapal in the presence of Sri K. V. Saharanaman
 Personal Assistant to C.E.E., DVC.

Witness Sd: K. V. Saharanaman.

EMBASSY OF INDIA
 WASHINGTON D. C.
 31st August 1955.

Mr. E. C. McClenagan,
 P.O. Box 112,
 Norris. (Tennessee).
 Dear Sir,

Pursuance to our conversation I now set out below the main terms on which I offered you a post of Chief Construction Engineer for the Damodar Valley Corporation. A formal contract incorporating these terms will be made by the Corporation with you on your arrival in India :

- 1. Period of Service Initially for 18 months.
- 2. Salary Eighteen thousand dollars per annum (all inclusive), beginning with the date of your leaving the United States.

3. Tax Deduction from salary on account of income tax will be limited to an amount equivalent to U.S. taxes payable on a salary earning of 18,000 dollars per annum at the appropriate rates. The difference between this amount and the actual income-tax payable in India at the Indian income-tax rates will be reimbursed by the Corporation.
4. Passages Cost of passages for your transportation and the transportation of your family from the United States to India and back will be arranged by the Corporation. The cost of transportation will include reasonable amount for the transportation of your personal effects.
5. Accommodation The Corporation will provide accommodation for you while in India on payment of appropriate rent, which will not exceed 10% of your salary.
6. Medical facilities Medical facilities will be provided as for other officers of the Corporation with equivalent status.

I am communicating this arrangement today by cable to the Chairman of the Damodar Valley Corporation requesting him to make arrangements for your passages so as to time your arrival in Calcutta on or about the 1st of October, 1955.

Yours faithfully,
Sd: G. R. KAMAT,
Minister (E).

cc to :

The Chairman, Damodar Valley Corporation, Calcutta.

APPENDIX VIII

Statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee

Serial Reference No.	to Para No. of the Report	Ministry/Department concerned	Particulars of the Item	Remarks of the Ministry	Remarks of the Committee
1	2	3	4	5	6
1	8	Irrigation & Power	<p>(i) Although a period of about 2 years has elapsed since it was suggested at the Conference of the three Participating Governments held in July, 1954, that the Corporation may henceforth undertake development activities ancillary to the projects only, and that the expenditure on such activities may be charged to the respective project accounts, the Committee regret to note that no final decision seems to have been taken on this important question of alloca-</p>	<p>The question of allocation of expenditure on objects other than the three main objects is still under consideration.</p> <p>The Attorney General whose opinion was sought on this question expressed in February 1956, the view that the expenditure on developmental activities undertaken by the D.V.C. should be shared equally by the participating Governments. The Governments of Bihar and West Bengal, however do not agree with this view. The matter is,</p>	See paras 20-22 of the Report.

tion of expenditure, which has got a vital bearing on the overall financial working of the Corporation.

therefore being further examined in consultation with participating Governments and the D.V.C.

(ii) Since under the provisions of the D.V.C. Act, 1948, the profits and losses are to be determined objectwise *viz.*, flood control, irrigation and power, and except for flood control, are to be distributed between the three participating Governments in proportion to their respective shares in the total capital cost attributable to each object, the Committee desire that this question should be decided without any further delay so that a correct and realistic picture of the financial working of the individual objectives of the Corporation might emerge.

38

2 9 Irrigation & power . As already stated in para 8 (S. No. I), the Committee emphasise that this question of allocation of expenditure The question of allocation of expenditure common to two or more main objects was referred in November, 1956 to a See para 22 of the Report.

common to two or more of the main objects of the Project should be settled quickly. The principal desideratum which the Committee have in mind while drawing pointed attention to the delay caused in arriving at a decision in these matters is to avoid not only over-capitalization but also any dispute at a later date that might arise between the three participating Governments about the quantum of common expenditure to be borne by them on the completion of the Project.]

Committee consisting of representatives of the D.V.C. and participating Governments. The Committee had some general discussions on the subject. They have sought an authoritative interpretation of certain provisions of the D.V.C. Act relating to this question. The matter is under the consideration of the Government of India in the Ministry of Law.

3 13 Irrigation & Power
D.V.C.

(i) The Committee would like to stress the need for an adequate standard of stores accounting on the various projects in the interests of both economic administration and avoidance of pilferage and loss of stores by fraudulent means.

(i) The contents of para (1) of the recommendation have been brought to the notice of the various Project Authorities.

No comments.

(ii) The Committee trust that the D.V.C. would get their stores accounting system into satisfactory shape soon and by the time they next examine the accounts of the Corporation,

(ii) A note furnished by the D.V.C. is attached (Annexure I).
The D.V.C. is being asked to see that the work relating to reconciliation of accounts is

1	2	3	4	5	6
			there would be marked improvement in the reconciliation of stores balances with the stock ledgers.	completed with the least possible delay.	
4	16	D.V.C.	The Committee consider that there was no ostensible urgency to justify the execution of works without calling for tenders in the case referred to in Para 6 (ii) (b) of Audit Report 1952-53. They would, therefore, desire that suitable action should be taken against the persons who were responsible for the irregularities in these cases.	The D.V.C. has explained that two out of the three officers are no longer in the service of the Corporation. As regards the third officer who is on deputation to the Durgapur Steel Plant, the Corporation has explained the circumstances under which the works were distributed to contractors at negotiated rates, and is of the view that in these circumstances it is not fair to take any disciplinary action against him, as he acted <i>bona fide</i> and in the best interests of the Corporation. A note furnished by the D.V.C. is attached. (Annexure II).	No comments.
5	20	D.V.C.	(i) The Committee are somewhat dismayed to find that there had been some patent lapses on the part of the Engineering Officers under whom the Brick Supply Officer res-	A note furnished by the D.V.C. is appended. (Annexure III).	No comments.

possible for the irregularities referred to in Para 6 (ii) (c) of the Audit Report, 1952-53 had been working inasmuch as they failed to exercise any proper and effective supervision over his performances and detect these irregularities.

21 D.V.C. (ii) The conduct of the Brick Supply Officer appeared suspicious after he was given notice to hand over charge and with a little vigilance on the part of the Corporation, it was likely that criminal action against him could have been taken successfully.

22 D.V.C. (iii) The Committee find it difficult to believe that the unsatisfactory ways of working of the Brick Supply Officer had escaped the notice of the Executive Engineer and the internal auditors of the Corporation. They would like to be apprised, in due course, of the result of the scrutiny of the reconstructed accounts conducted by the Chief Auditor as also the action taken against the ex-Brick Supply Officer

1	2	3	4	5	6
			and the Executive Engineer concerned. The Committee would also like to be informed of the amount of loss involved in this case.		
6	23	D. V. C.	The Committee should be informed of the action taken by the D. V. C. to dispose of the 'Berco' ropeway which is lying unused since 1950.	A note furnished by the D.V.C. is appended. (Annexure IV).	No. Comments.
7	24	D. V. C.	(i) The Committee view with disapproval the execution of works relating to the construction of staff quarters at Durgapur without entering into a written agreement with the contractors as referred to in para 6 (v) (c) of the Audit Report 1952-53.	A note furnished by the D.V.C. is appended. (Annexure IV).	See para 90 of the Report.
25	D.V.C. Irrigation and Power. All other Ministries.	(ii) The Committee would like to reaffirm the view expressed by an earlier Committee that save in the most exceptional circumstances, no work of any kind should be commenced without the prior execution of contract documents, as	The views of the Committee contained in para (ii) of the recommendation has been brought to the notice of all Projects Authorities.		

such a course makes the liability of the Government wholly indeterminable and places them entirely at the mercy of the contractors.

8 27 D. V. C.

The Committee are perturbed over the manner in which Payment of a sum of Rs. 4,939 on account of sales tax was made by a Divisional Officer despite the fact that no stipulation for the payment of sales tax in addition to the price quoted existed in the purchase order. The Committee should like the Corporation to investigate this case and report in due course (i) the action taken against the Officer and (ii) the remedial measures including recovery, if any.

A note furnished by the D.V.C. No. Comments. is appended (Annexure V).

9 28 D. V. C.

The Committee should be informed of (i) the final outcome of the negotiations made by the D.V.C. with the Bihar Government for handing over the property acquired by the Corporation for construction of Headquarters and (ii) the annual rental at which this property is leased to that Government

A note furnished by the D.V.C. See paras 91-92 of the Report. is appended. (Annexure VI).

10

30

D. V. C.

(a) While the Committee appreciate that the problem of resettlement of persons displaced from the villages submerged as a result of the construction of the Tilaiya Dam, who were mostly aboriginals, has to be viewed from political and social aspects, they would, nevertheless, observe that the Damodar Valley Corporation as a commercial organisation should have either phased the programme of reclamation of land and construction of houses for these persons on the basis of options received from them or obtained an undertaking from the Government of Bihar to the effect that the latter would reimburse the Corporation the losses that might be incurred by the Corporation by constructing houses in anticipation of such options from the displaced persons. It appears that no time-limit was also fixed for

A note furnished by the Damodar Valley Corporation is appended. (Annexure VII). See paras 93-95 of the Report.

the exercising of such options, by the displaced persons.

(b) The Committee should be informed of the final result of the negotiations which are under progress with the Bihar Government for the taking over of these unwanted lands and houses as also the total loss sustained by the Corporation in this transaction.

11	31	D. V. C.	The Committee would like to know the position taken by the Damodar Valley Corporation in the matter of penalty being enforced against the consumers for their not having been able to obtain the power supply under the terms of the Agreement.	A note furnished by the Damodar Valley Corporation is appended. (Annexure VIII).	No. Comments.
12 & 13	33	D. V. C.	The Committee are rather surprised at the stand taken by the Damodar Valley Corporation that while the Corporation were responsible only to provide water, the responsibility for utilising it rested on the Government of Bihar and West Bengal. In the	The note furnished by the Damodar Valley Corporation is enclosed. (Annexure IX).	See paras 96-98 of the Report.

1	2	3	4	5	6
			opinion of the Committee, Sections 12 and 13 of the D.V.C. Act, 1948, fasten the responsibility on the Corporation for working out schemes for irrigation purposes in consultation with the two State Governments.		
	34	D. V. C.	While the Committee appreciate the difficulties in utilising the water, they cannot help observing that with proper planning and timely action, most of these difficulties could have been overcome earlier and the water utilised without delay.		
14	35	D.V.C. Irrigation & Power	The Committee would draw the attention of the D.V.C. to the recommendations made by the Construction Plant and Machinery Committee at pages 149, 150 and 155 of their Report and like to know that action has been taken by them to dispose of the surplus equipment and machinery to the best advantage of the Corporation.	A note furnished by the D.V.C. explaining the position is attached. (Annexure X).	No Comments.

15	36	D.V.C. Irrigation & Power.	It is not proper or advisable to leave to the indenting Officers to specify the makes of equipment ; there should be co-ordination in the matter of purchase of the make, types and sizes of the plant best suited for various types of work and also combination and matching of plant where more than one unit of plant are involved. The decision to go in for the best type of equipment should be taken at a high technical level. The dangers in individual indenting officers purchasing a certain type of equipment according to their preferences are obvious. The Committee would like to commend the observations made in para 2·08 of the Report of the Construction Plant and Machinery Committee in this behalf.	A note furnished by the D.V.C. explaining the position is attached (Annexure XI).	No Comments.
				Government are in agreement with the observations of the Plant and Machinery Committee made in para 2·08 of their Report. A Standing Committee of experts has gone into the question and made certain recommendations regarding the makes of equipment to be standardised. These recommendations have been circulated to State Governments and Project Authorities for adoption.	
16	37	Irrigation & Power	In the case relating to the excess payment to Messrs. Hind Patel and Co. for certain items of work done on Konar Dam, the Committee	A note explaining the action taken has been sent. (Annexure XII).	See para 89 of the Report.

find it difficult to appreciate the purpose of appointing yet another Enquiry Committee to assess the quantum of over-payment, especially when the Government have already with them a dimensional figure with which they could very well proceed to negotiate. In the opinion of the Committee, the necessity for such a Committee with a judicial officer at its head could have arisen, if the contractors had agreed to abide by the figure of over-payment arrived at by that Committee. The Committee therefore, see little justification for the appointment of another Committee and recommended that steps should be taken to effect the recovery from the contractors without further delay.

ANNEXURE I

Corporation's comments on Recommendation No. 3 of the 18th Report of the Public Accounts Committee on the Audit Reports on the accounts of the Damodar Valley Corporation for the years 1952-53 and 1953-54.

Recommendation No. 3

The fact that the reconciliation of the value balances in the Stores Ledger with those in the financial accounts has been delayed in some cases does not by itself support any conclusion that the Stores accounts are not in a satisfactory shape or that there has been any pilferage or loss of stores by fraudulent means. The Corporation is fully alive to the need of maintaining an adequate standard of store accounting and the rules are constantly reviewed with a view to improvement.

2. The rules framed by the Corporation provide that all materials received must be entered in a Stores Received Book and all materials issued must be entered in a Stores Issued Book from day to day. The top copies of these records which are maintained under the carbon process are required to be furnished to the Accounts Department daily or weekly according to the volume of transactions. A Stores Ledger is maintained at the Stores which is required to be checked by the Accounts Department with reference to the checked documents of receipts and issues in their possession. No payment for stores is to be made by the Accounts Department without referring to the Stores Received Book and a clear certificate by the Stores Officer that the materials have been brought to book.

3. Stores are indented on requisitions in quadruplicate of which one copy duly endorsed by the Stores Officer is returned to the Indenting Officers and one copy attached to the Stores Issue Returns submitted to the Accounts Office for check with the Issue Returns. It has since been ordered by the Corporation that the accounts copy of the requisition should be prepared monthly with the Indentors' copy.

4. Physical verification of stores is carried out by a Stores Verification Officer under the control of the Controller of Purchase and Stores and unsettled discrepancies are brought to the notice of the Project Manager concerned for necessary action.

5. The Corporation considers that the above procedure provides a satisfactory system of stores control and accounting although due to various difficulties, such as inadequacy of trained staff and the volume of transactions, it is not always possible to keep the work of reconciliation up-to-date.

6. It should be recognised that there is bound to be a difference between the value balances in the Stores Ledger and the financial accounts due primarily to the difficulty in fixing correct issue rates. A reconciliation is therefore required to be made once a year with a view to revising the rates and to revise the previous adjustments, if necessary. As the items of stores are numerous and the transactions are heavy it naturally takes some time to carry out the reconciliation work in addition to the normal load of stores accounting which is by itself very heavy. Specific dates have since been laid down for each Project and the reconciliation of balances as at 31st March 1956 has already been completed.

ANNEXURE II

Corporation's comments on Recommendation No. 4 of the 18th Report of the Public Accounts Committee on the Audit Reports on the accounts of the Damodar Valley Corporation for the years 1952-53 and 1953-54.

Recommendation No. 4

The Corporation notes with regret that the Public Accounts Committee does not appreciate the time-factor and the rush of work at the time and has come to the conclusion that there was no urgency in the matter in spite of our earlier statement. Regarding disciplinary action, two out of the three officers concerned are no longer in the service of the Corporation, one having left service on 1st August 1954 and the other officer on 28th January 1956. The other officer who is at present on deputation to the Durgapur Steel Project since 9th April, 1956 was responsible for ten Piece-Work Agreements. A review of these cases reveals that in two cases quotations were called for by wide publicity and 16 quotations were received but the work has given out at the lowest tendered rate to two contractors with the approval of the then Project Manager. In four cases, the lowest quotation of Rs. 378- was reduced by negotiation to Rs. 30 and the work distributed to four contractors at this negotiated rate with the prior approval of the then Construction Superintendent. In the other four cases relating to the carting of bricks from the brickfield to the work-site, the work was given out to four contractors at the lowest tendered rates accepted by the Executive Engineer, Colony Division for similar work two months before with the approval of the then Construction Superintendent. To sum up, in six cases he acted with the prior approval of the then Construction Superintendent/Project Manager while in other four, he was guided by a similar procedure adopted by the Executive Engineer, Colony two months before with the approval of the then Construction Superintendent. In the circumstances, the Corporation does not consider it fair to take any disciplinary action against this officer who acted *bona fide* and in the best interest of the Corporation. It would, however, appear that there was some misunderstanding at that stage (1952) regarding the execution of agreements by field officers. They seem to have understood that once the lowest rate was adopted, the work could be given out to anybody and distributed amongst contractors including those who did not tender. This misconception was cleared up in our O.C. No. 482 of July, 1954 in which a warning was issued by the Corporation to all concerned against the tendency to split up and distribute work at the lowest tendered rates without the approval of the competent authority. A copy of this O.C. is enclosed to this note.

Enclosure to Corporation's comments on Recommendation No. 4.

(COPY)

O.C. No. 482.

**DAMODAR VALLEY CORPORATION
OFFICE CIRCULAR**

SUBJECT:—*Distribution of works among contractors at the lowest tendered rates.*

Cases have come to the notice of the Corporation where tenders/quotations were called for works, and after the tenders/quotations were opened on due dates, the works were split up and distributed amongst several contractors, *without the approval of the competent authority*, at the lowest tenderers' rates, even to those who did not originally tender.

2. The Corporation would like to sound a note of warning against such tendency. Distribution of work in such a way which amounts to contract by negotiation should be discouraged.

3. In exceptional circumstances where splitting up of the work and distribution to various contractors are considered absolutely necessary in the interest of the work, this should be done only with the prior approval of the Project Managers but a full report should be made to the Corporation as soon as possible, showing, *inter alia*, when the tenders were called for, why splitting up was necessary, when the work was required to be completed according to the schedule, what was the time allowed in the tender and why the necessity for the splitting up of the work could not be foreseen earlier.

Sd/- K. L. DUTTA,
Under Secretary,
28-7-54.

Dated, Calcutta the
27th July, 1954.

DISTRIBUTUION:

1. All Heads of Departments and Field Offices.
2. The Senior Accounts Officer.
3. File No. WM/R/Charge Report-MN.

ANNEXURE III

Corporation's comments on Recommendation No. 5 of the 18th Report of the Public Accounts Committee on the Audit Reports on the accounts of the D. V. C. for the years 1952-53 and 1953-54.

Recommendation No. 5

(i) Early in 1952 brick supply operations were extended to the Barrage and Irrigation Project and the Corporation decided to take the Brick Supply Officer out of the control of the Executive Engineer, Maithon and place him in independent executive charge under the administrative control of the Chief Engineer. The Executive Engineer, however, continued under the executive orders of the Chief Engineer to scrutinise and countersign all bills, imprest accounts, etc. relating to brick supply operations before presentation to the Accounts Officer, Maithon for pre-audit and payment. In December, 1952, the Executive Engineer, Maithon Division was also required to prepare manufacture accounts. The Brick Supply Officer was immediately thereafter asked by the Executive Engineer, Maithon Division, to submit his accounts of outturn and disposal of bricks. Accordingly, the Brick Supply Officer submitted the production account for the 1951-52 season in December, 1952 but furnished the statements of issues in instalments, the last statement of issues having been furnished by him on 30th April 1953. Meanwhile, the Brick Supply Officer was asked in March 1953 to hand over charge. These statements of issues which covered transactions of the order of 133 lakhs of bricks with the various officers at Maithon were scrutinised and a Division-wise abstract of the transactions was prepared on 11th June 1953. These statements revealed a shortage of 7063 bricks against 135 lakhs handled by him during the season. As, however, the issues shown by him could not be exactly linked with the individual requisitions due to supplies against one requisition having been made in several instalments, the lists were circulated to the Indenting Officers concerned for certification and the final statement based on certificates received from the drawing officers prepared in September 1953 disclosed shortages to the tune of 4.80 lakh bricks. Meanwhile, the Brick Supply Officer left Maithon (June 1953) without any intimation having locked his house and his whereabouts were unknown for a considerable time. About this time, the Police appeared in the scene and carried out prolonged investigations, on completion of which they seized certain documents in July 1954, which were returned in June, 1955 when further investigation was carried out by the Internal Audit Officer of the Corporation under the guidance of the Superintending Engineer, Headquarters. It should be appreciated in this connection that no useful day-to-day check over manufacture and the movement of production is possible during the course of operations and the usual practice, as in the P.W.D., is for such check to be carried out at the end of the operational season when statements of manufacture and outturn are received from the Brick Supply Officer. In the circum-

stances, it is not easy to establish that there had been any patent-lapses on the part of the Engineering Officer.

(ii) The facts stated above would show that no question of taking any police action could arise until September 1953 when the shortage became known but by that time he was beyond the reach of the Corporation's Officers and his whereabouts were unknown. The fact that he did not agree to accept the terms of re-appointment offered by the Corporation should not by itself give rise to any suspicion.

(iii) It is not known whether the unsatisfactory ways of working of the Brick Supply Officer were known to the Executive Engineer who was scrutinising and counter-signing all bills, imprest accounts, etc. submitted to him from time to time. The Internal Audit Organisation was, however, organised only in July 1953. The manufacture account for the 1951-52 season has already been prepared and submitted to Audit. The report of the investigation carried out by the Internal Audit Officer was scrutinised by the Chief Engineer and one of the Secretariat Officers and the final report discloses a shortage of 3,81,557 bricks valued at Rs. 10,076 against the total quantity of 135 lakhs of bricks handled by the Brick Supply Officer during the season. The actual loss might have been less as breakages and the Brick Supply Officer's contention about certain issues cannot be verified in view of the lapse of time and the unhelpful attitude of the Brick Supply Officer who kept himself away. The total loss including the value of some tools and plant and other materials not accounted for by the Brick Supply Officer has been assessed at Rs. 14,694. After setting off his dues on account of salary, T.A., etc., amounting to Rs. 2,378, the net loss has been assessed at Rs. 12,316 which has since been written off by the Corporation.

The manufacture account of 1951-52 has been checked and certified by Statutory Audit. The shortage has been arrived at on the basis of acknowledgments issued by the various Indenting Officers irrespective of the quantity shown in their requisitions or the statement of the Brick Supply Officer. The Audit Department is verifying these acknowledgments with the records of the indenting Officers and a further report is awaited.

The manufacture account for the 1952-53 season has been completed and furnished to Audit Department on 19th June, 1957. The comments of Audit are awaited.

It may be observed that this loss includes Rs. 4,618 being the value of small tools and plant, furniture and other consumable stores based on the original purchase price and also inclusive of supervision and storage charges in some cases. It includes perishable articles such as moulding box, wooden sandals, cane baskets, empty kerosene oil tins, wooden hammer, hose pipe, hose cover, jute tent, kodali, leather buckets, G.I. Buckets, hooks, spoons, hurricane lanterns, small locks, pokers, torch-light, etc., which, as stated by the Project Manager, Panchet Hill deteriorate very fast or become unserviceable due to wear and tear. The sale value of these articles

valued at Rs. 4,618 is therefore not susceptible of accurate assessment. It may also be observed that the Brick Supply Officer manufactured bricks to the tune of 112 lakhs during the season at an average price of Rs. 31/1/- per thousand including carriage from the brickfield. We had to supplement departmental manufacture by local purchases to the tune of 20 lakhs at an average rate of Rs. 26 and Rs. 28 per thousand (delivery at the contractor's brickfield distant 5 miles or more from Maithon Camp). The transport cost obtained by open tender was Rs. 7/7/- per thousand for the 1st mile and Re. 1 for every additional mile which means that transport cost in respect of local supply would have been Rs. 11/9/-, or more. In other words, we would have had to pay for local bricks delivered at the D.V.C. Stores at the rate of Rs. 37/9/- and Rs. 39/9/- per thousand against Rs. 31/1/- which means a saving of at least Rs. 73,000. It is also doubtful whether we would have been able to procure as much as 112 lakhs of bricks from the local market failing which it would not have been possible to provide office and residential accommodation in time for the work of construction to keep pace with the time schedule.

Regarding disciplinary action against the Executive Engineer, the officer is no longer in the service of the Corporation. Even if he had been in the service of the Corporation at the present moment it would not be easy to establish that he was responsible for the manner in which the Brick Supply Officer carried out the operations during 1951-52 season.

Regarding the Brick Supply Officer, a detailed investigation was held by the Police and after having considered the matter in all respects, they recommended departmental action as they thought that a criminal action would not be maintainable. As, however, the Brick Supply Officer did not accept the terms of reappointment on the expiry of his term in November 1952 and the offer was withdrawn by the Corporation, he was not in the service of the Corporation since that date. There was therefore no question of taking departmental action as such. The question of taking civil action was examined by the Corporation's Law Officer who has expressed the view that sufficient materials are not available to establish a valid claim against him for civil action. He has also expressed the view that it will be useless to take a chance by filing a suit for recovery of the loss, as, supposing by chance we get a decree we have no assets at our disposal out of which the decretal account could be realised.

ANNEXURE IV

Corporation's comments on Recommendations Nos. 6 and 7 of the 18th Report of the Public Accounts Committee on the Audit Reports on the accounts of the Damodar Valley Corporation for the years 1952-53 and 1953-54.

Recommendation No. 6

The 'Breco' ropeway was included in the list of surplus equipment and circulated to all Government Projects and Departments. The Kosi Project and the Durgapur Coke Oven Project who made enquiries about the ropeway have since stated that they are not interested. It has now been offered to the Kangsabati Project and their final decision is still awaited.

Recommendation No. 7

Noted. The Contractor has refused to sign the Agreement. The matter is therefore going up for arbitration. No extra claims have been paid to the second contractor.

Specific instructions have already been issued to all concerned to the effect that no work should be commenced without the prior execution of contract documents

ANNEXURE V

Corporation's comments on Recommendation No. 8 of the 18th Report of the Public Accounts Committee on the Audit Reports on the accounts of the D.V.C. for the years 1952-53 and 1953-54.

Recommendation No. 8

The full facts of the case are as follows:

In August 1953, the Chief Auditor reported that a sum of Rs. 1,069-12 was over-paid to a contractor on two Supply Orders issued in November, 1951 and February, 1952 being Sales Tax not stipulated in the Agreement. The Superintending Engineer reported that the implied instruction of the Supply Orders was that Sales-tax would be borne by the Corporation and that the failure to specifically provide for Sales-tax to be paid by the Corporation was an omission. He was also advised by the Director of Rehabilitation that Sales-tax being payable under law by the Consumer, it is payable by the Corporation unless otherwise provided in the Agreement. The Corporation does not accept this view but in view of the fact that the Superintending Engineer had already made a commitment by the issue of amended Purchase Orders, the Corporation did not consider it desirable to withhold payment of the Contractor's bills. The recovery of the overpayment of Rs. 1,069-12 was, therefore, waived by the Corporation but the Superintending Engineer was informed in Corporation's letter of 8th April, 1954 that he should not act on implied instructions and that Sales-tax should not be paid by the Corporation unless there is a distinct stipulation to that effect either in the Purchase Order or in the quotation received from the Supplier. A copy of this order was endorsed to the Chief Auditor.

The Chief Auditor, however, sent up a Draft Audit Paragraph on 21st April, 1954 in which a sum of Rs. 1,069-12 was shown as over-paid to a firm on account of Sales-tax not provided for in the Agreement. In the Final Draft of the Audit Report for 1952-53, sent to the Corporation in November 1954, the amount was shown as Rs. 4,939/4/0 without any previous intimation to the Corporation. On an enquiry, the Chief Auditor sent up a statement on 8th February, 1955 which includes Rs. 1,055/4/- in respect of the above two orders and a further sum of Rs. 3,884 being over-payment on another eight Purchase Orders issued between November, 1951 and June, 1952 in respect of which payments were made between 5th February, 1952 and 27th March, 1953. As the payments were of the same nature and the principle involved was the same, a revised sanction was issued by the Corporation waiving the recovery of the increased amount.

As the payments were made by the Superintending Engineer under a *bona fide* misunderstanding, the Corporation considers that no disciplinary action is called for.

ANNEXURE VI

Corporation's comments on Recommendation No. 9 of the 18th Report of the Public Accounts Committee on the Audit Reports on the accounts of the Damodar Valley Corporation for the years 1952-53 and 1953-54.

Recommendation No. 9

The property was offered to the Bihar Government in April 1955 in terms of clause 4 of the Agreement executed by the Corporation with the State Government regarding the disposal of the Hotwar Estate at Ranchi. Meanwhile, the Relief and Rehabilitation Department of Bihar enquired in April 1956 whether the Corporation would be agreeable to lease out the property to that Government for a period of two or three years on an annual rental basis. The Corporation agreed to the proposal subject to the condition that it would have the right to sell the property at a suitable opportunity and call for public tenders without disturbing the temporary lease. The Relief and Rehabilitation Department ultimately informed us in January 1957 that they were not interested in taking the lease since the proposal to open a Relief Camp at Ranchi was given up.

The State Government have now been asked to indicate their decision with regard to our offer of 1955. It is only after the Bihar Government refuse to take over the property that Corporation could resort to other means of disposal.

ANNEXURE VII

Corporation's comments on Recommendation No. 10 of the 18th Report of the Public Accounts Committee on the Audit Reports on the accounts of D.V.C. for the years 1952-53 and 1953-54.

Recommendation No. 10

In para. (a) the Public Accounts Committee has made the following assumptions:

- (i) the D.V.C. is a commercial undertaking and hence
- (ii) (a) it should have fixed a time limit for exercise of options and should have phased the programme of reclamation of land and construction of houses for these persons on the basis of options received from them, or
- (b) it should have obtained an undertaking from the Government of Bihar to the effect that the latter would reimburse the Corporation the losses that might be incurred by constructing houses in anticipation of such options from the displaced persons.

2. It is very doubtful whether the D.V.C. is out and out a commercial organisation. For a proper understanding of how its promoters visualised the D.V.C., a reference may be made to the debate in the legislature during the passage of the Bill, which became the D.V.C. Act. Speaking on behalf of the Government Shri Gadgil had stated in so many words that although electricity to a very great extent and irrigation to a much lesser extent were paying propositions, the D.V.C. as a whole was conceived more as a welfare organisation than as a purely commercial one. A reference to Section 12 of the Act will show the many developmental and welfare schemes with the construction of which the D.V.C. is charged. Flood control is a conspicuous instance of a non-commercial activity and there are many others. Referring to the resettlement of displaced people Shri Gadgil said "They can resettle these people in their new habitation, in modern villages which will provide decent and pleasant houses, pleasant surrounding, playground and schools.... I want to assure my friend Mr. Jaipal Singh that every person who will be uprooted from the soil will be resettled, not in the same surroundings or similar surroundings, but in better surroundings. He will exchange his hovel for a decent cottage, darkness for light and fanaticism for faith." This background must not be lost sight of in scrutinising the work of the D.V.C.

3. The D.V.C. officers visited the affected villages in 1950 with a view to persuading them to record their options. They continued their efforts in the following year and met with partial success.

There was partial submergence in 1952 and full submergence in 1953. The Government of Bihar were pressing for the construction of houses and for reclamation of land immediately for the persons likely to be displaced. In view of the grave danger to life and property that submergence would inevitably bring in its wake and in view of the insistence of the Bihar Government the Corporation had to undertake the work and see to its timely completion. It may be mentioned that though Bihar Government were not asked to give an undertaking, they have finally agreed to take over the unoccupied houses and the surplus land.

4. Regarding para. (b), the Corporation's estimate of loss is as follows:—

	Actual Cost	Payable by Bihar Govt. on the basis of Market value as advised by G.I.
Land ..	Rs. 12,23,189/-	Rs. 8,78,826/-
Houses ..	Rs. 6,25,323/-	Rs. 6,25,323/-
	Rs. 18,48,512/-	Rs. 15,04,149/-

On this basis the loss would be Rs. 3,44,363.

The Bihar Government accepted the Land Acquisition Officer's classification as governing the market value of land. As however, there were some complaints about the quality of the reclaimed land, it was decided at the conference of Participating Governments held on 13th July, 1954 to appoint an Advisory Committee to examine and report on the productivity and fertility of the land reclaimed in question. This Committee has since concluded their labours and expressed the opinion that quite a number of plots have been wrongly given higher classification. The question therefore arises as to whether the valuation of the unoccupied land should be according to the Land Acquisition Officer's classification or according to the classification made by the Advisory Committee. If the value of the land is re-assessed on the basis of the recommendation of the Advisory Committee, it will come down to Rs. 6,19,424 against Rs. 8,78,826 assessed by the Land Acquisition Officer and the loss calculated above will be increased by Rs. 2,59,402. This has been reported to the Ministry of Irrigation and Power in continuation of our earlier letter of 26th November, 1956 (copy enclosed). It may be observed in this connection that since the issue of our letter of November, 1956, it has been reported that the quantity of unaccepted land is 1823·81 acres valued at Rs. 12,23,189 due to a further area of 67·88 acres being rendered surplus as the people to whom these lands were allotted subsequently backed out and wanted cash compensation.

5. Regarding market value of houses, the Bihar Government have observed: "Buildings have to be valued at market rates by estimating present day cost of construction minus depreciation".

6. The Corporation is of the opinion that the buildings should be valued at the actual cost of construction less depreciation. As the

buildings were only two to three years' old at the time they were offered to the Bihar Government, it was thought that the market value would be practically the same as the actual cost. These were, therefore, offered to the Bihar Government at the price of Rs. 6,25,323.

7. The Bihar Government have so far taken over 661.56 acres out of the total unaccepted land measuring 1823.81 acres and made an interim payment of Rs. 4 lakhs towards the cost of the unaccepted land and houses.

**Enclosure to "Corporation's comments on Recommendation No. 19
of the 18th Report of the Public Accounts Committee."**

COPY

No. WR-6/53(P)-10715.

November 26, 1956.

To,

The Secretary,
to the Government of India,
Ministry of Irrigation and Power,
New Delhi.

*Sub: Disposal of unoccupied houses and reclaimed laid in the Tilaiya
Rehabilitation Area.*

Dear Sir,

I am directed to refer to your letter No. 44(10)-DWVI/55, dated 12th March, 1955 on the above mentioned subject and to say that in pursuance of the direction contained therein the unoccupied houses and the reclaimed land were offered to the Government of Bihar at their market value. The State Government of Bihar agreed to take over the undisposed land at the price to be calculated on the basis of classification made by the Land Acquisition Officer and that the houses would be disposed of at their market value. According to the classification of the Land Acquisition Officer the price of the reclaimed land was the same as that of the land which it replaced and consequently a sum of Rs. 8,58,662 was claimed from the Government of Bihar.

2. As regards the houses, the Bihar Government offered to pay "the present day cost of construction minus depreciation". The Corporation's view was that the buildings should be valued at the actual cost of construction less depreciation. The Bihar Government were working out the valuation of the buildings on the basis of their contention to see if it materially differed from that of the Corporation. The results of the enquiry are awaited.

3. In the Conference of the Participating Governments held in Calcutta on the 13th July, 1954 a decision was taken to appoint an Advisory Committee to examine and report on the productivity and fertility of the land already reclaimed and on the welfare measure for rehabilitating these displaced persons. The Advisory Committee was accordingly formed and their report has recently been received and is under consideration of the Corporation. In this report the Committee has given a lower classification to a large part of the reclaimed land so far as the productivity and fertility are concerned. In the light of this recommendation regarding fertility and productivity of reclaimed land the Government of

Bihar proposed that the price of the reclaimed land should be fixed not on the basis of the classification made by the Land Acquisition Officer, but of that classification as modified by the Advisory Committee. The matter was discussed in a Conference with the representatives of the Bihar Government on 6th August, 1956, and it was thought that since the original classification in the Tilaiya area had been challenged and a special committee in respect of 3,500 acres, already taken by the cultivators, the total price of 1,755 acres of surplus land already taken over by the Government of Bihar should be revised in the same ratio as the price of approximately 3,500 acres has been recommended by the Committee.

4. The Financial Adviser has, however, pointed out that the valuation of the land already acquired by the Land Acquisition Collector of the State Government of Bihar should not be altered for the purpose of recovery from the Government of Bihar and has also brought the following points to the notice of the Corporation:

- (1) The Advisory Committee's report has not been considered by the Corporation or by the Participating Governments at whose instance it was appointed. The injunction of the Participating Governments was that land to be offered as compensation should as far as practicable be of the same productivity as the land acquired and that care should be taken to see that costs did not unnecessarily mount up.
- (2) For the purpose of the valuation of the land transferred already directly to the Bihar Government, that Government had already agreed to abide by the classification which may be fixed by the Land Acquisition Officer. That valuation was nothing more than the cost of the acquisition of the land which had been paid originally by the Corporation at the instance of the Land Acquisition Officer. Nor did it take into account any subsequent expenditure which the Corporation had incurred for the improvement of the land. It means in essence that Corporation is being penalized for the so-called wrong assessment of the Land Acquisition Officer. Under the Law his Award was that of a Judge and it was not proper that a semi-judicial decision even if wrong should be revoked. Is it, therefore proper to reopen the assessment finalised on the basis of agreement already arrived at? Even if the recommendation in the report of the Advisory Committee is ultimately accepted, there should be no question of revising the value of the surplus land previously agreed to by the Government of Bihar.
- (3) The Advisory Committee have not recommended re-valuation of the land and, therefore, the question of payment by the Government of Bihar on the basis of re-classification as to the productivity and fertility does not arise. Reclassification is mainly intended to assess the productivity and fertility of the land and not to devalue the land already acquired.

- (4) If the selling price of the surplus land already taken over by the Government of Bihar is fixed on the basis of reclassification, it will not only involve financial loss to the Corporation which in turn will have to be borne by the Participating Governments, but also reopen a legally valid valuation already effected by mutual consent.

5. The Corporation's view is that the Advisory Committee after a careful investigation has come to a finding of facts regarding the quality of the reclaimed land and the Corporation does not see how it can alter them. It is a fact that the Bihar Government had agreed to value the land on the basis of the Land Acquisition Officer's classification, but apparently did so, on the assumption that this classification was correct, but if on further enquiry it is found to be not so, then in all fairness the Corporation should accept the revised classification and assess the price accordingly. It is for this reason that the Corporation proposed to fix the value of the land to be disposed of to the Bihar Government on the basis of later classification as revised by the Advisory Committee.

6. As the matter is of importance and certain important issues have been brought to the notice of the Corporation, I am directed to solicit the advice of the Government of India.

Yours faithfully,
(Sd) P. C. ACHARJI,
Deputy Secretary.

Copy to:—

1. Development Commissioner and Secretary, Development Department, Government of West Bengal.
2. Secretary, Irrigation Department, Government of Bihar for information.

(Sd) P. C. ACHARJI,
Deputy Secretary.

ANNEXURE VIII

Corporation's comments on Recommendation No. 11 of the 18th Report of the Public Accounts Committee on the Audit Reports on the Accounts of D.V.C. for the years 1952-53 and 1953-54.

Recommendation No. 11.

The agreement provides that the consumer should receive the supply on two months' notice from the DVC, provided that the date of commencement of supply may be postponed if such postponement was due to reasons beyond the control of either party. There was only one case in which the Corporation was ready to give the supply and the consumer was not ready to receive it. A notice was issued in this case. The consumer, however, established to the satisfaction of the Corporation that the delay in receiving the supply was due to reasons beyond their control. In all other cases, the consumers were ready to receive supply almost simultaneously with the completion of the Corporation's works.

The actual percentages taken off by the consumers were as follows:—

1953-54.	..	..	..	..	..	21
1954-55.	..	..	..	..	..	35.77
1955-56.	..	..	..	..	..	71.36
From 1st April 1956 to						
31st December, 1956.	..	..	..	..	..	84.95

The above table of annual load growth is considered as indicative of satisfactory growth. The present load is 91.500 kW. against the firm capacity of 103.000 kW. which works out to about 89 per cent.

Extracts of clauses 2 and 21 of the agreement between Corporation and the TISCO are appended to this note.

Extract from the Agreement between DVC and TISCO for supply of electrical energy

2. The Consumer shall begin to take electrical energy from the Corporation under the conditions of this Agreement within two months from the date on which intimation is sent in writing to the Consumer by the Corporation that a supply of electrical energy to the full extent of the Contract Demand is available under this Agreement, provided that such notice shall not be given before the 1st day of April 1954 nor later than the 31st day of December, 1954.

21. If at any time the Consumer is prevented from receiving or using the electrical energy to be supplied under this Agreement

either in whole or in part owing to any strike, riots, insurrections, command of a civil or military authority, fire, explosions, act of God or any other cause reasonably beyond control or if the Corporation is prevented from supplying or unable to supply such electrical energy owing to all or any of the causes mentioned above, then the demand charge set out in Clause 16 and the guaranteed energy charge set out in Clause 17 payable by the Consumer shall be reduced in proportion to the ability of the Consumer to take or the Corporation to supply such power.

Extract from Corporation's letter No. Com.2/3-1586, dated 21st January 1954, addressed to TISCO which is deemed to form part of the Agreement.

Clause 2—Commencement of Supply

The earliest and the latest dates for the commencement of supply now fixed as 1st of June 1954, and 1st of March, 1955 respectively may be altered later by mutual consent, if such alteration is found necessary for reasons beyond control of either parties.

ANNEXURE IX
REVISED NOTE

**Corporation's comments on Recommendation Nos. 12 and 13 of the
18th Report of the Public Accounts Committee on the Audit
Reports on the Accounts of DVC for the years 1952-53 and
1953-54.**

Recommendation No. 12.

The Public Accounts Committee expressed its surprise at the stand taken by the DVC that while the Corporation were responsible to provide water, the responsibility for utilising it rested on the Governments of Bihar and West Bengal. This was apparently evoked by the Corporation's statement before the Public Accounts Committee that the Corporation was ready to supply water to the Government of West Bengal in 1955-56 but the West Bengal Government could not utilise the water on account of some legal and other difficulties. The Public Accounts Committee expressed the opinion that the Corporation is responsible for "working out schemes for irrigation purposes". The exact scope of the expression "working out schemes for Irrigation purposes" is not very clear. The statement made by the Corporation before the Public Accounts Committee rests on Section 14(2) of the Act which provides for the supply of water to be cultivators and other consumers to be undertaken by the Participating Governments. In fact, the Corporation has worked out several schemes for irrigation in the Upper Valley and have at last worked out a high level irrigation scheme which is likely to be accepted by Bihar and the work will be taken in hand in the near future.

Recommendation No. 13.

The Public Accounts Committee observed that with proper planning and timely action most of the difficulties could have been overcome earlier and the water utilised without delay. The Corporation feels that such a view ignores certain basic facts. For a proper appreciation of the case it is necessary to recall the historical background leading to the initiation of the Tilaiya Project. The Maithon Dam was originally planned to be constructed by hydraulic process and Mr. Voorduin in his Project Report of April 1946 stated that "the Tilaiya Project should be considered as an adjunct of the Maithon Project and its construction somewhat in advance of Maithon is particularly desirable as a source of water supply during construction of the Maithon Project." He particularly mentioned that "the Tilaiya Project is particularly attractive as a power source for the development of mica mines at or near Kodarma." About the same time Mr. F. C. Schlemmer, one of the members of the American Technical Mission, wrote as follows:

"The principal reason why Tilaiya should be started and completed quickly is that it affords the only evident

opportunity of supply of water needed for construction purposes at Maithon during the 7 months of extremely low flow at the latter location. The availability of such water supply will make it possible to effect substantial economies in the construction of Maithon."

Nevertheless investigations were carried out with a view to utilising Tilaiya waters for irrigation purposes to the extent possible. So far as irrigation in the Bihar area was concerned it was recognised as long ago as 1946 that it would be a difficult problem on account of the high level of the terrain and the consequential expensiveness of the schemes to be operated in that area. Mr. B. P. Gokhale, the then Administrator, Damodar Valley Project, stated in June 1946 that Irrigation in Bihar from the Tilaiya Dam would be too costly. The agenda note for the 5th meeting of the DVC Advisory Committee held in February 1950 noted as follows:

"It is likely that about 12,800 acres may benefit directly the Kharif irrigation from Tilaiya. Konar area was too rough for consideration in connection with an irrigation scheme; Panchet and Maithon Dams are too low down the Valley for consideration in the context of irrigation in Bihar. Also the hill catchment of the Damodar River in Bihar was too rough for the emergence of an entirely satisfactory flow of irrigation system."

The following statement of Mr. Voorduin in his Project Report for Tilaiya (April 1946) is also noteworthy:

"The regulated flow for irrigation purposes can probably be utilised more economically in Bengal than in Bihar. When utilised in Bihar a separate diversion weir and irrigation canals would be required, whereas in Bengal irrigation works will have to be constructed in any case to utilise the water from other larger storage Projects. Moreover, if the water is utilised in Bihar for irrigation purposes use of the regulated flow for power purposes at downstream projects would be largely lost."

Nevertheless persistent efforts have been made for evolving a satisfactory irrigation scheme for the Upper Valley. Preliminary surveys and investigations were taken in hand some time in April 1949—long before the Tilaiya dam was completed. The object of the first survey was to find out if some area in the Upper Reach of the Valley could be brought under irrigation direct from the reservoir. In the case of Tilaiya Dam, it was found that sufficient storage might not be available for direct irrigation without sacrificing considerable power potential of the scheme. Investigations were then made if some areas could be brought under command from the tail-race channel with the water that would be available through the power pen stocks and from a contour plan of the area lower down the Tilaiya Dam, it was found that some area could be brought under command by taking off a canal from the tail-race channel and soil survey indicated that irrigation might be possible in this area. After further studies, investigations and consultations with the Bihar authorities at various stages, a tentative scheme was drawn up early in 1953 estimated to cost Rs. 121 lakhs, the irrigable area being 12,200

acres. As the cost per acre came to about Rs. 1,000, it was considered as prohibitive and the Bihar Government did not agree to it. It was therefore abandoned. A scheme for irrigation in Bihar with attendant soil conservation benefits was then prepared some time in June 1953. It envisaged the construction of a high level canal fed from the Tilaiya reservoir direct. The estimated cost was Rs. 27 lakhs and the scheme was designed to provide Kharif irrigation to an area of 10,000 acres and Rabi irrigation to an area of 7,500 acres by drawing off 21,000 acre feet of water from the Tilaiya reservoir. The cost of irrigation came to Rs. 270 per acre, if only Kharif crop was taken into account. The Corporation directed that the various technical points arising out of the scheme should be further examined in a conference of the engineers concerned before the Corporation could take a final decision. In pursuance of this decision the Conference, which was held in April 1954, declared the scheme as technically sound and workable and desired the Superintending Engineer to prepare a project report and a revised estimate after completion of the detailed surveys then in hand and in the light of the discussion and the scheme vetted by the Government of Bihar before being taken up for execution. The revised estimate prepared by the engineers which amounted to Rs. 41.57 lakhs was forwarded to the Bihar Government in November 1954. This was intended to irrigate on an average 10,000 acres for Kharif and 7,500 acres for Rabi by drawing off approximately 17,000 acre feet of water from the Tilaiya reservoir. This estimate was further revised in the light of the various issues raised by the Bihar Government from time to time and a final estimate for Rs. 35 lakhs was sent to the Bihar Government in February 1956. The scheme has been approved by the Bihar Government but not yet included in the 2nd Five Year Plan. State Government have agreed to finance the scheme from their allotment in the 2nd Plan. Government of India have since been approached to include this in the 2nd Five Year Plan. The scheme is being vetted by the Central Water and Power Commission. The scheme for irrigation of 500 acres of land by opening an outlet from Tilaiya reservoir has been approved recently by the State Government, but not yet included in the 2nd Five Year Plan. This is under examination by the Corporation.

The scheme for lift irrigation by pumps from Tilaiya Reservoir has since been abandoned because of high cost of irrigation per acre.

Regarding the Lower Valley, it came to light during the discussions at the conference of the representatives of West Bengal and the DVC held on 1-6-1953 that the existing headworks at Rhondia and the Damodar Canal System were not capable of carrying more water for kharif irrigation and the extension of kharif irrigation would not be possible until after the completion of the Durgapur Barrage and canal system. Water supply in West Bengal was, therefore, delayed because the construction of the canals had to keep pace with the progress of work at Maithon and Panchet Hill dams, and the canals were constructed for irrigation purposes only in 1954. Further, there was no legislation to enforce recovery of water rates.

The Corporation was ready during 1955 to supply water for Kharif irrigation over one lakh acres of land but the West Bengal Government were unable to utilise it.

2. In the circumstances stated above, the Corporation find little justification for the accusation of bad planning or lack of timely action on the part of the Corporation towards the utilisation of irrigation water. The Corporation does not appreciate how natural difficulties like the high level of the terrain in the upper reaches could be avoided by timely action nor is it clear how the Corporation could get over the legal difficulties urged by the Government of West Bengal.

The latest position is that in the lower valley the DVC was prepared to supply water for irrigation over an area of 1.53 lakh acres in West Bengal during the kharif season of 1956. There is at present no law for compulsory levy of irrigation rates in the area to be supplied with DVC water and leases will have to be taken from the individual cultivators for water for their land. Though leases were taken for over 16,000 acres, water was actually drawn for 11,271 acres during the season. The revenue expected is Rs. 1,01,439 less the cost of collection, distribution etc. (During this season some areas in the 14 series, which were so long under the command of the Damodar Canal System, have been irrigated through the newly excavated canals under the Canal System. An enquiry was being made of the West Bengal Government to ascertain the exact extent of the additional area thus brought under irrigation. They have since replied that there has been no irrigation of new areas Damodar canal region during 1956.) Corporation has offered to supply West Bengal Government for irrigation of 1.91 lacs acres during the Kharif season of 1957.

As for the upper valley, preliminary work like lining suitable alignments or canals has already been taken in hand.

The rate of Rs. 7/12 per acre mentioned in Additional Accountant General's comments enclosed with his letter, dated the 5th March, 1957, relates to the season 1955. The rate for 1956 was fixed at Rs. 9 per acre less charges for collection, retail distribution etc. The rate for 1957 has not yet been fixed.

ANNEXURE X

Corporation's comments on Recommendation No. 14 of the 18th Report of the Public Accounts Committee on the Audit Reports on the Accounts of D.V.C. for the years 1952-53 and 1953-54.

Recommendation No. 14.

The Corporation does not subscribe to the view that the investment in machinery was more than needed. Planning for construction equipment is based on certain anticipated load of work. In course of actual construction some machines may be surplus either due to completion of the whole or a part of the work or due to curtailment of or change in the earlier programme. Some machines may also remain idle while under repairs in the workshop or due to non-availability of spare parts. These facts do not by themselves establish the contention that the investment in machines was more than what was needed.

The correct position is that attempts were made, without success, to dispose of these machines by transfer to other projects in India. As the Government of India are more interested now in surplus equipment than at any other time before, the Corporation have not accepted the proposal to put these machines to auction without making a further attempt through the Central Water & Power Commission to dispose of them by transfer to other projects in India. Accordingly, a list of the machines has been furnished to the Chairman, Central Water & Power Commission with request to communicate the requirements of other projects, if any, on or before April, 1957 but no reply has yet been received from the Central Water & Power Commission. Other avenues of disposal are under consideration.

There is more than one reason for a machine not being saleable at a particular time. It may be due to obsolescence, machines of improved types being available by the time the earlier machines are available for disposal. It may not attract customers if the machine has not got a substantial proportion of the working life still available. It may also be due to the fact that the class of machines available for sale, for example Agricultural machinery, is not yet so popular in the country. There is also the normal rule of demand and supply. All these factors operate and it does not appear to be correct to conclude that bad purchase was responsible for poor response to offers for sale. There is no question of fixing any responsibility.

ANNEXURE XI

Corporation's comments on Recommendation No. 15 of the 18th Report of the Public Accounts Committee on the Audit Reports on the Accounts of the Damodar Valley Corporation for the years 1952-53 and 1953-54.

Recommendation No. 15

The recommendation made by the Public Accounts Committee is accepted in principle. As already stated, indents for specific make, if any, are not acted upon without calling for tenders to determine if any other machine conforming generally to the specifications is available at a cheaper cost and within the scheduled date of delivery.

So far as general purchases are concerned, the Chief Engineer should be regarded as "high technical level" whose opinion should be final and decisive in the matter of any conflict of opinion between the indenter and the Controller of Purchase and Stores unless the Corporation thinks it necessary or desirable in a particular case to obtain a second opinion. Similarly, with regard to purchases of electrical equipment, the Chief Electrical Engineer's opinion would prevail but in cases of difference of opinion amongst the Engineers we generally consult the Board of Consultants (Power), which has been recently set up. In fact, in a few cases in the past and very recently in connection with the selection of plant and equipment for the Durgapur Thermal Power Station and the installation of 4th Unit at Bokaro, the Board of Consultants were consulted. This procedure will be followed whenever considered necessary to do so.

ANNEXURE XII

SUBJECT.—*Excess payment to Messrs. Hind Patel and Company for certain items of work done for Konar Dam.*

Reference para 37 of the 18th Report of the Public Accounts Committee and recommendation No. 16 as listed in Appendix VI therein.

2. The Public Accounts Committee at its meeting held on the 11th April, 1955 expressed the opinion that the necessity for the appointment of a Committee presided over by a High Court Judge as proposed by the Ministry of Irrigation and Power would have arisen if the contractors had agreed to abide by the figures of over-payment arrived at by that Committee. The Public Accounts Committee, therefore, saw little justification for the appointment of the proposed Committee and recommended that steps should be taken to effect the recovery from the contractors without further delay.

3. The Government gave careful consideration to the views expressed by the Public Accounts Committee and took up the matter with the contractors and the Damodar Valley Corporation. After prolonged discussions, the parties have agreed to refer the matter in dispute to the arbitration of Shri S. N. Banerjee, a retired judge of the Calcutta High Court, who was nominated in this behalf by the Chief Justice of India. The necessary arbitration deed was executed on the 7th January, 1957. According to this deed, the award of the Arbitrator will be final and the contractors will make good to the Damodar Valley Corporation, whatever amount is adjudged by the Arbitrator as overpayment in respect of the items mentioned in the Report of the Damodar Valley Corporation Enquiry Committee. The deed does not envisage any payment by the Damodar Valley Corporation to the contractors in respect of these items.

4. Apart from the above, there have been claims and counter-claims between the Damodar Valley Corporation and the contractor in respect of certain other payments. The parties have agreed to refer these matters also to the arbitration of Shri S. N. Banerjee and to abide by his award. The deed also includes a provision in this behalf.

5. The points as to what action, departmental or other, should be taken against the engineers and other officers of the Corporation who might be considered responsible for giving faulty advice, will be dealt with after the Arbitrator has given his award.

T. SIVASANKAR,
Secy. to the Government of India.

