

**PUBLIC ACCOUNTS COMMITTEE  
1961-62**

**FORTY-THIRD REPORT**

(SECOND LOK SABHA)

[Appropriation Accounts (Defence Services), 1959-60 and  
Audit Report (Defence Services.), 1961]



**LOK SABHA SECRETARIAT  
NEW DELHI**

*March, 1962*  

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*Chaitra, 1884 (Saka)*

*Price: Rs. 1. 25 nP.*

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**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE  
(1961-62)**

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**Shri C. R. Pattabhi Raman**

**MEMBERS**

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3. Shri Aurobindo Ghosal
4. Shri Hem Raj
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20. \*Shrimati Savitry Devi Nigam
21. Shri Rajeshwar Prasad Narain Sinha
22. Shri Jai Narain Vyas

**SECRETARIAT**

**Shri V. Subramanian—Deputy Secretary.**

**Shri Y. P. Passi—Under Secretary.**

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\*Cesed to be a member of the Committee on the vacation of her seat in Rajya Sabha consequent on her election to the Third Lok Sabha on 28-2-1962, vide Sec. 69 (2) of the Representation of the People Act, 1951

## INTRODUCTION

1. The Chairman of the Public Accounts Committee, having been authorised by the Committee to present the Report on their behalf, present this Forty-third Report on the Appropriation Accounts (Defence Services), 1959-60 and Commercial Appendix thereto, and Audit Report, 1961.

2. The Appropriation Accounts and Audit Report were laid on the Table of the House on the 30th March, 1961. The Committee examined them at their sittings held on the 8th, 9th and 10th January, 1962. A brief record of the proceedings of each sitting has been maintained and forms Part II of the Report.

3. The working of the Ordnance Factories in certain respects has still not been found to be satisfactory. The Committee noted considerable delay in completion of work orders or 'warrants' placed on the factories, which according to the prescribed procedure are normally to be closed within a period of three months. Certain 'Warrants' which were opened during and prior to 1953-54 remained uncompleted on the 31st March 1959. The total value of semi-finished articles produced as per the 'warrants' outstanding as on 31st March, 1960 was Rs. 10.48 crores. The need for better planning and periodic review of outstanding orders in the Ordnance Factories has been repeatedly pointed out by the earlier Committees. It is regrettable that the position continues to be very much the same.

Rejections in a particular Ordnance Factory have continued to be heavy for about 12 years. The Committees of 1953-54 and 1959-60 had expressed their concern over heavy rejections in the Factory. The Director General Ordnance Factories has apparently failed to assess all the causes for heavy rejections during the last several years and take remedial measures.

The financial results of the working of the Machine Tool-cum-Prototype Factory, Ambarnath are disappointing. It was urged before the Committee that the factory had been originally planned for designing prototypes, and the machine tool production was a subsidiary function of the factory. Accordingly, certain fixed and variable charges could not be absorbed in the machine tool production. In the opinion of the Committee if the factory is to run as an economic unit, it is time Government take a firm decision regarding its precise role in the manufacture of machine tools required by the

country and ensure that the factory works upto that target. Without concerted efforts, the high overheads would tend to stifle production.

There were also set-backs in the Ordnance Factories, which resulted in failure to achieve the indigenous content and foreign exchange saving targets envisaged.

4. Mention was made in para 5 (Introduction) of the 35th Report of the last Committee (Second Lok Sabha) about the examination of the case referred to in para 57 of the Audit Report, 1960 (regarding contract with a Japanese firm for the purchase and manufacture of certain types of tractors by the Director General, Ordnance Factories) by a sub-Committee of that Committee. Some tractors purchased from the Ordnance Factories by the Ministry of Rehabilitation for use in the Dandakaranya Project, had developed certain defects. At their instance the sub-Committee were furnished with a copy each of the reports of the two inquiries conducted into the working of the tractors in the Dandakaranya Project. The sub-Committee had also desired (December, 1960) from the Ministries of Rehabilitation and Defence, information on certain other points arising from the case, duly vetted by Audit. But that information has not been made available to the Committee so far (March, 1962). The Committee could not therefore report on the matter. They desire that the further information required from the Ministries of Rehabilitation and Defence should be submitted without further delay.

5. The Committee considered and approved this Report at their sitting held on 26th March, 1962.

6. A statement showing the summary of the main recommendations/conclusions of the Committee has been appended to the Report (Appendix II). For facility of reference, the recommendations/observations have been printed in italics in the body of the Report.

7. The Committee place on record their appreciation of the assistance rendered to them in their examination of the Accounts and Audit Report by the Comptroller and Auditor General of India.

NEW DELHI:  
Dated the 28th March, 1962.  
Chaitra 7, 1884 (Saka).

C. R. PATTABHI RAMAN,  
Chairman,  
Public Accounts Committee.

**I**

**Financial Working of the Grants relating to the Defence Services  
1959-60**

The following table compares the original and final grants and charged appropriations with actual expenditure for the year 1959-60:

(In lakhs of rupees)

	Original Grant or Appropriation	Final Grant or Appropriation	Actual expenditure.
Expenditure met from Revenue (Voted)	2,68,26	2,74,28	2,57,48
Expenditure met from Capital (Voted)	36.9	36.9	36,17
TOTAL (VOTED)	3,05,16	3,11,18	2,93,65
Expenditure met from Revenue (Charged)	95	95	89
Expenditure met from Capital (Charged)	4	4	3
TOTAL (CHARGED)	99	99	92

2. There was a saving of about Rs. 17.53 crores or 5.63 per cent over the final grant (Voted) during the year 1959-60, as against 6.92 per cent (Rs. 22.63 crores) during the year 1958-59.

3. The following table shows at a glance the savings in Voted grants over a period of 5 years:--

(In lakhs of rupees)

Year	Final Grant	Savings	Percentage
1955-56	2,45,07	30,56	12.47
1956-57	2,60,22	20,82	8.00
1957-58	3,15,60	10,05	3.19
1958-59	3,26,91	22,63	6.92
1959-60	3,11,18	17,53	5.63

### **Unnecessary/Excessive Supplementary Grants**

4. Supplementary Grants totalling Rs. 6.02 crores were taken during the year viz. Rs. 0.02 crores under Grant No. 9—Army in December 1959, and Rs. 6 crores under Grant No. 11—Air Force in March 1960. At the close of the year, however, there were savings of Rs. 7.57 crores under Grant No. 9 and Rs. 4.88 crores under Grant No. 11. Thus the Supplementary Grant under Grant No. 9 was rendered wholly unnecessary and that taken under Grant No. 11 was not needed beyond 20 per cent.

5. In justification of the Supplementary Grant of Rs. 2 lakhs under Grant No. 9—Army, the Financial Adviser stated that the money was required for a new measure necessitating a specific vote of Parliament. He agreed that a token grant could have been obtained for the purpose, but urged that at that stage no savings under the Grant were anticipated. As regard surrenders made under the Grant at the end of the financial year, he observed that, although at the time of preparation of the estimates the Ministry of Finance (Defence) scrutinised the estimates carefully and pruned them, some money always remained unspent at the end of the financial year due to a variety of reasons. One of the reasons for the surrender under sub-head (F)—Store Purchases, was that the provision made for purchase of one-ton trucks abroad was not utilised. The Ministry of Defence did not want to place a demand unless they were satisfied that the store could not be produced in India. Ultimately the order was not placed. Under the same sub-head, the provision made for some new research schemes was not utilised. A regular factor causing savings year after year has been non-materialisation of supplies from abroad. In spite of periodic returns furnished by the procurement cells in London and Washington indicating the latest position regarding payments to be made, expectations turned out to be incorrect. While the Committee note that the overall percentage of savings under voted grants during the year under report indicates an improvement over the previous year, they feel that closer liaison with the supplying Department will lead to a higher standard of budgeting and reduce the gap between the estimates and the actual expenditure. The Committee would in this connection reiterate their recommendations in paras 6 & 4 of the Sixth and Thirty-fifth Report (Second Lok Sabha), respectively. Government should also exercise utmost care at the time of obtaining supplementary grants so that Parliament is not asked to vote for additional supplies which may not be actually needed.

## II

### MINISTRY OF DEFENCE

#### **Audit Report (Defence Services), 1961**

*Loss due to delay in revision of hire charges for Government transport--Para 2, page 6*

6. Under existing orders military vehicles can be hired by Government departments, State Governments, Local bodies, contractors, etc. on payment of hire charges. Separate rates to be recovered for the hire of different types of vehicles were laid down by Government in 1945, with reference to the then prevailing costs of the various elements comprising the hire charges. In 1947, the Ministry of Finance (Defence) suggested the withdrawal of the concessional rates of 1945, but no decision was taken by Government. Fresh rates were worked out by the Ministry of Finance (Defence) in 1950 on the basis of costs then obtaining. They were higher than the rates fixed in 1945 but no decision to revise the rates was taken. The rates worked out on the basis of the cost obtaining in 1955 revealed that the 1945 rates needed in the case of some vehicles, an upward revision by about 235 per cent. The rates were again calculated in the Ministry of Finance (Defence) in 1959, on the basis of current costs. On the basis of the 1959 costs, the total amount recovered in 1959 at 1945 rates was less than the cost borne by Government, by about Rs. 17 lakhs. Despite the increase in costs, Service Officers under the existing orders are entitled to the use of military vehicles for recreational purposes at rates substantially below the 1945 rates referred to above.

7. In evidence, the Committee were informed that the orders issued in 1945 laid down three categories of rates for hire of Army vehicles viz., normal rate (recoverable from the Central Government, State Governments, local authorities and individuals, paid from the Defence Services Estimates), reduced rate (applicable to the Military Departments including the Military Farms) and the amenity rate (applicable to use of the transport for recreational purposes by military personnel). The existing normal hire rate for a car was 94 nP. per mile which compared favourably with the market rate of 50 nP. per mile for a taxi. And for a three-ton lorry the rate was Re. 1/- per mile. Due to non-availability of any other

transport, officers living in Cantonments, far away from cities, had to hire Army vehicles at these rates which were higher than market rates. The mileage on such hire and amenity trips came to approximately 4 to 5 per cent of the total mileage done by Army vehicles. If the hire charges were increased by 235 per cent as suggested by the Ministry of Finance (Defence), no one would hire the vehicles and no money would be recovered. Some changes in the rates were made in 1950 for certain big cities and the number of amenity trips for JCOs/ORs was also reduced from four to three per month. The question of revision of rates had been under consideration for the last few years and it was to be placed before the Defence Minister's Committee shortly. In any case, it was felt that upward revision of rates by 235 per cent or so would be unrealistic.

8. *The normal rate fixed in 1945 for hire of a car was 94 nP. per mile—almost double the current taxi fare. Apparently the rates of hire were fixed in the light of the then prevailing costs and it is not clear to the Committee why the Ministry are averse to revise the rates in relation to the present day cost of maintenance. In any case the Committee deplore the inordinate delay in coming to a final decision in the matter, in spite of the suggestion made from time to time by the Ministry of Finance (Defence) for revision of the hire rates since 1947. They would urge that there should be a quick decision on this matter.*

*Transport charges for Canteen Stores Department (India)—Para 3, pages 6-7*

8. In an operational area, transport hired by Government for conveyance of Defence Stores was allowed to be used free by the Canteen Stores Department, although under a Government sanction of January 1956 the free use was permissible only of Government transport when available and not of vehicles hired by Government. The hire charges borne by Government from 1952-53 to 1960-61 amounted to Rs. 12.62 lakhs.

The Committee enquired why Government were bearing the hire charges for the Canteen Stores Department which was being run on commercial lines and had been making sizeable profits. They were informed that in non-operational areas the Canteen Stores Department made its own arrangements for transport of canteen stores. Free transport was provided from rail-heads for supplies of canteen stores in operational areas. This concession of free transport was being provided since 1938 in operational areas. In the present case the Financial Adviser stated, free transport was provided in Jammu and Kashmir owing to long road mileage from the rail-head of Pathankot. The Secretary added that the liability for supply of free

transport to the Canteen Stores was accepted by Government to enable the Canteen Stores Department to function effectively in Jammu and Kashmir "which has been and is treated as an operational area for various purposes". The Committee wanted to know whether it was not possible, in accordance with the principles of sound accounting, to debit the Canteen Stores Department, the hire charges of Government transport used by working out separately such hire charges. The Financial Adviser stated that it would be difficult to work out the hire charges separately, as a vehicle hired for military use was only partly used for carrying canteen stores. He urged that, as the Canteen Stores Department was not allowed to use private transport in field areas for reasons of security, it should be allowed to continue to enjoy the long standing concession

10. It is for Government to decide as a matter of policy what concessions should be extended to the Canteen Stores Department in operational areas. In the present case, however, it is not clear to the Committee whether free transport facilities were provided to the Canteen Stores Department in Jammu and Kashmir on consideration of security or long road haulage. As the Canteen Stores Department is being run on commercial lines, the Committee consider that it should legitimately have its share of transport charges. In their opinion, to provide such concessions will amount to a grant of a concealed subsidy which lacks justification.

In para 83 of their 17th Report (Second Lok Sabha), the Committee had suggested that all transactions of the Canteen Stores Department should pass through the Consolidated Fund of India. In a note submitted to them in October, 1959, the Committee were informed that a sub-Committee had been set up to consider the question. The Secretary, Ministry of Defence stated in his evidence, that the question of the status of the Canteen Stores Department was still under consideration. The Committee desire that a decision on this question which has been pending for years should be finalised early.

### III

## ARMY

### Adjutant General's Branch

*Infructuous expenditure due to illegal discharge of Havildar clerks—  
Para 6, pages 8-9.*

11. In November 1952, an order was issued by Government that Havildar clerks who were at the time held supernumerary to the establishment should either revert to the rank of Naik or Sepoy, according to the available vacancies, or be released. A review made in 1957 revealed that on the basis of this order, 869 Havildar clerks had been illegally released from service in 1953 by the Commanding Officers of the units concerned instead of under the authority of the Brigade/Sub-Area Commander, as stipulated in the Army Rules. The sanction of release from the Brigade/Sub-Area Commanders was obtained in all these cases on various dates during November, 1957 to January, 1959 and the Havildar clerks were deemed to have been legally discharged from the latter dates entitling them to arrears of pay and allowances between the two dates of discharge (amounting to Rs. 45 lakhs approximately).

12. In evidence, the Committee were informed that in about 1,500 cases out of the total number of about 2,400 Havildar clerks discharged under the order, orders for release had been issued by the competent authority but in the remaining cases orders had been issued by the local Unit Commanders. When the Controller of Defence Accounts (Pensions) found this illegality, he addressed all the Record Offices in April, 1953 to follow the correct procedure. One or two Record Offices who differed from the Controller of Defence Accounts made references to the Adjutant General's Branch for advice. They were informed by the Adjutant General's Branch in August, 1953, after consultation with the Ministries of Defence and Finance (Defence) that the Controller's view was correct and that legal discharge could only be made by the competent authority as defined in the Army rules. Copies of these instructions were not, however, sent by the Adjutant General's Branch to other Record Offices. According to the witness, there was no reason to suspect that similar doubts had arisen elsewhere. As regards the delay in

issuing the revised discharge orders, it was explained that Government had under consideration certain other alternatives to regularise the illegal discharges already made.

*The Committee consider that this case reflects on the working of the Record Offices and the Adjutant General's Branch. There was also unconscionable delay on the part of the Ministry in coming to a decision. The explanation given does not mitigate the failure of the Officers concerned at the various stages of the case. The Committee desire that necessary instructions should be issued to prevent recurrence of such cases.*

### **Master General of Ordnance Branch**

#### *Downgrading of vehicles due to improper maintenance—Para 7, pages 9-10*

13. On an examination of 2,623 vehicles in a Central Ordnance Depot, a Board of technical officers constituted in June 1957 found that 2,380 vehicles had to be downgraded to class V i.e., repairable necessitating major overhaul, and 159 to Class VI, i.e. beyond economical repairs. The Board observed that no proper pre-storage maintenance had been carried out on the vehicles as required under Regulations, and that even though the Vehicles Maintenance Record Cards showed that periodical maintenance had been completed, yet physical inspection of the vehicles by the Board revealed that this had not been done. About 50% of the vehicles were neither jacked up nor were their tyres inflated thereby damaging about 1,300 tyres. Some petrol tanks were found full of water, most of the vehicles had rusty petrol tanks, bodies, road-springs, shock absorbers and rings. Even nests of birds with eggs laid in them were found on engines and battery cradles. No action had been taken to fix responsibility for the faulty maintenance.

14. The Committee were informed by the Defence Secretary that the deterioration of vehicles in this case took place mainly due to their normal aging and exposure to inclemencies of weather because of storage in the open for about eight years. In regard to the observation of the Board that there was lack of proper maintenance, it was urged that the fact that most of the vehicles which were in repairable condition in 1949 continued to be in that condition upto 1957 indicated that maintenance to the extent possible had been done. There was, therefore, no question of fixing responsibility on any particular individual. The loss on account of the down-gradation of the vehicles from class III/IV to class VI was proposed to be written off.

15. The Committee were assured by the Director of Ordnance Services that the provision of covered storage accommodation in the depot was proceeding gradually. All the 'A' vehicles had already been provided covered accommodation, and a number of other vehicles at present lying in the open would be brought under cover within a period of one year.

The Committee regret to find that there had been grave lapses in the proper pre-storage maintenance of vehicles according to the findings of the Board of Enquiry; needless to state that the existing Regulations had not been observed. They are perturbed to learn that the records about the periodical maintenance of the vehicles are not reliable. They strongly urge that serious attention should be paid to the maintenance of the vehicles and the shortcomings pointed out by the Board of Enquiry should be removed, both from the point of view of operational efficiency and the financial stakes involved. The Committee would like to know the action taken on the observations of the Board.

As regards the paucity of covered accommodation, the Committee have already in their previous reports impressed upon the Ministry, the need for increasing the provision of such accommodation in the Ordnance Depots where the stores are lying in the open. The Committee trust that the Ministry of Defence are on schedule in the building of covered storage accommodation.

16. During their visit to the Depot in question in October, 1961, the Committee found scarcity of water in some of the parks. The Committee suggest that the Ministry might consider the desirability of sinking tube-wells in the depot to tide over this difficulty.

Crane lying idle in stock--Para 9--pages 10-11

17. A crane of ten ton capacity was purchased by the Master General of Ordnance in 1954, at a cost of Rs 1.05 lakhs. It was lying unused at an Ordnance Depot, till September, 1955. Later it was despatched to a Central Ordnance Depot where it had not been installed and put to use (September, 1960).

18. The Committee were informed that at the time of ordering the crane, the lay-out of the depot, i.e. width of the roads, was not taken into consideration. The crane was first put to use in January, 1958 but it was put out of commission owing to difficulty in using the roads in the depot. After constructing a track, the depot authorities had started using it towards the end of December, 1960.

*The Committee regret to observe that the case indicates lack of foresight and proper planning. There was also delay of several years in utilising the crane.*

#### Quarter Master General's Branch

*Irregular retention of Government accommodation—Para 13 pages 12-13*

19. A Junior Commissioned Officer transferred in November, 1955 to a station which was not an operational area, applied for permission to retain his quarter at his old station on the ground that he was proceeding to an operational area. This misrepresentation of facts was endorsed by his Commanding Officer while forwarding the application. The mistake came to light in June 1956 but even then no action was taken against him for prevarication or to get the quarter vacated or rent realised at market rate, as required under the rules. The action to realise rent at market rate was first taken in September, 1958. The officer continued to retain the quarter and he was re-posted to his old station in December, 1959. The rent recoverable from November, 1955 to December, 1959 was Rs. 13,433 out of which only Rs. 5,563 was recovered till June, 1960. Thereafter further recovery of the arrears was suspended under the orders of Government on the ground that it was causing financial hardship to the officer.

20. It was mentioned before the Committee that the Officer Commanding who endorsed the misrepresentation of facts by the Junior Commissioned Officer had been conveyed severe displeasure of the Army Commander. Under an order issued in November, 1961, it was decided to charge 50 per cent of market rent plus water charges from the Junior Commissioned Officer. It was not possible to take administrative action against the J.C.O. before he retired on 23rd July, 1961. According to Audit the Ministry of Defence had explained in extenuation that even if action had been initiated against the J.C.O. while he was in service, dismissal or premature termination of service would have been too drastic a punishment and the only punishment could have been a censure; and such a punishment was pointless because it could only affect future promotions which did not arise in his case.

*The Committee do not see why the Ministry had chosen to be so mild to the Junior Commissioned Officer who misrepresented facts and the Commander who acquiesced in them. They desire that in such cases where officers are found guilty of culpable misconduct, Government should mete out deterrent punishment.*

***Avoidable expenditure incurred on storage of petrol and aviation fuel—Para 11 pages 11-12***

21. In 1956, Government decided to utilise two existing bulk storage tanks of petrol for holding reserve stocks of aviation fuel. Accordingly, the two tanks were emptied during January and June, 1957 of their contents and an approximate amount of Rs. 1,90,500 was paid to three Oil Companies, to whom the stocks were handed over for storage, as storage and handling charges. In June, 1957, aviation fuel costing about Rs 18.40 lakhs was purchased and stored in one of the tanks without examining the suitability of the tank for its storage. According to the Audit Report the fuel got contaminated in the tank within a short period, and in September, 1957, it was found that the tank was unsuitable for storage of aviation fuel, and that the stock of fuel would become unfit for use if it continued to be stored in that tank. The filled tank was, therefore, emptied of its contents by April, 1958 and the stock of aviation fuel handed over to one Oil Company for storage. In August, 1958, modifications at a cost of Rs. 62,000 were carried out in the two tanks to make them suitable for storage of aviation fuel. According to Audit the entire expenditure totalling over Rs. 2,52,000 incurred in emptying the two tanks of ordinary petrol, storage and handling charges paid to the Oil Companies, and refitting them for storage of aviation fuel should be regarded as infructuous. Further, the non-utilisation of the Defence stocks of aviation fuel had resulted in locking up of Government funds to the extent of Rs. 18.4 lakhs.

22. It was stated in evidence that the two bulk storage tanks which were emptied and utilised for storage of aviation fuel were due for normal cleaning in June, 1957 and September, 1956, respectively. Therefore, the expenditure incurred on the cleaning and overhaul of the tanks (i.e. Rs. 2,270 according to Audit) was not infructuous. In June 1957 when one of the tanks was filled with aviation turbine fuel, it was fit for that purpose under the then existing specifications. But, subsequently on periodical tests, some sulphate deposit was detected, and the tank was not considered fit for long storage of aviation fuel, the specification of which had been upgraded. It was accordingly decided to hand over the reserve stock to a private oil company to be returned to the Defence Services as soon as required. The representative of the Ministry of Defence did not accept statement in the Audit Report that the aviation fuel stored in the tank had become contaminated. He added that the stock was actually taken over by the private oil company as on specification under a liability to return it immediately on demand, as on specification. So there was no loss to Government on this account.

The Committee were given to understand by Audit that the Technical Development Establishment had pointed out in October, 1956 itself, the likelihood of the fuel developing corrosivity if stored for a long period in these tanks. (The representative of the Ministry of Defence denied having knowledge of this). If so, the Committee feel, that filling of one of the tanks with aviation fuel was ill conceived. The Committee do not understand why the advice of the Technical Development Establishment was not heeded.

23. The Committee were informed that the tanks as modified had been leased to the Indian Oil Company (a Government company) from the 18th May, 1960. The expenditure incurred on the modification of the tanks had been included in their capital cost and had been taken into account while assessing hire charges recoverable from the Indian Oil Company. It was proposed to sell the tanks ultimately to the Company. According to the agreement with the company, it was required to maintain a certain stock of aviation turbine fuel on behalf of the Defence Services in one of the tanks, while the other tank would be used for storage of its own fuel.

The Committee do not understand why after modification of the tanks in August, 1958, the Ministry of Defence did not withdraw their reserve stock of aviation fuel from the private oil company and store it in the modified tanks. They would like to know how the tanks were being used after the modification till they were leased to the Indian Oil Company in May, 1960.

#### Engineer-in-Chief's Branch

##### *Weigh-bridges lying idle in stock—Para 14, page 13*

24. A proposal was made in September 1954 to instal weigh-bridges at the gates of Engineer Stores Depots and Parks for weighing lorry loads of outgoing stores. A decision was, however, taken in February, 1955 by the Engineer-in-Chief's Branch to purchase a type of weigh-bridge which could serve the dual purpose of weighing wagon loads as well as lorry loads. Purchase was eventually made in 1957 of five 60 ton rail wagon-weigh bridges valued at Rs. 1,25,500. It was subsequently (September 1959) found that the bridges purchased could not serve the purpose of weighing lorry loads and they were lying idle.

25. It was explained to the Committee that the original proposal was to purchase weigh-bridges serving the dual purpose of weighing wagon loads as well as lorry loads. On inviting tenders, it was found that the cost of a dual purpose weigh-bridge was Rs. 43,800 as

against Rs. 28,000 of a rail wagon weigh-bridge. The weigh-bridges were mainly required for weighing wagon loads, 95 per cent of the goods traffic (military) being by rail. It was, therefore, decided to purchase rail wagon weigh-bridges and to make an improvisation in them locally to serve the purpose of weighing lorry loads. On receipt of the weigh-bridges, it was found that the proposed improvisation could not be made. This delayed the installation of the weigh-bridges. The weigh-bridges had since been installed at two stations while at two other stations the work was in progress.

*The Committee feel that the possibility of converting the weigh-bridge for wagons for dual purpose should have been considered carefully before making the purchase. Even after the purchases had been made all the weigh-bridges need not have been kept unutilised pending the result of experiments to make them suitable for the dual purpose of weighing lorries and Railway wagons; one of the weigh-bridges could have been used for these experiments while the others could have been utilised without delay for weighing of Railway wagons in which 95 per cent of the goods were carried.*

## IV

### DIRECTOR GENERAL, ORDNANCE FACTORIES

#### Audit Report, 1961

##### Rejections in Ordnance Factories—Para 15, Page 14

26. In a particular Ordnance Factory the cost of rejections kept out of production cost (i.e. in excess of 20 per cent of the production cost) had been heavy during the years 1949-50 to 1958-59. A comparison of the rejections in the Ordnance Factories as a whole and those in this particular factory indicated that the latter had been responsible for the percentage of 65:90, 97:90, 96:02, 84:69, 88:09, 86:12, 85:04, 43:06, 71:46 and 89:91 of total rejections during the years 1949-50 to 1958-59, respectively.

27. In evidence, the Committee were informed that the particular Ordnance Factory mentioned in the Audit para produced castings (for three types of ammunition), the percentage of rejections in which was usually heavy. (This explanation was given to the Committee in the earlier years also). In the case of castings, even 30 per cent rejections should not be regarded as abnormal. Even in the British Foundries, rejections were of the order of 40 per cent on the whole. The yield in respect of the three items in the factory was 65 per cent, 67 per cent and 79 per cent, respectively, as against an overall percentage of 57.2 in the United Kingdom. Some foreign experts had gone into the rejections in the Ordnance Factory, and now the Director of National Metallurgical Laboratory had been requested to visit the factory and suggest improvements in the process in order to bring down the percentage of rejections. A private manufacturing concern which was tried for production of one of the items, gave up the attempt after two years of experimentation.

28. It was urged earlier before the Committee of 1959-60 that the heavy rejections in the Ordnance Factory were mainly due to non-availability of proper quality of sand in the country (Cf. para 69 of the 29th Report—Second Lok Sabha). In reply to a question the present Committee were informed that the problem of sand had been satisfactorily solved. *The Committee are concerned that even when the requisite quality of sand is assured, the percentage of rejections*

*continues to be very high. Apparently the Director General of Ordnance Factories had failed to assess all the causes for the heavy rejections during the last several years. The Committee desire that greater attention should be paid to this matter. They would like to know as shortly as possible the steps taken to reduce the percentage of rejections.*

**Accumulation of semi-finished stores in Ordnance Factories and unsatisfactory accounting—Para 16, Pages 14-15**

29. No work can be undertaken in the Ordnance factories without an authority from the Director General, Ordnance Factories in the form of "Extracts". Against each "Extract", the factory management issues to the production shops one or more "warrants" indicating the items and quantity to be manufactured, etc. These warrants form the authority on which the shops in the factory take up the work.

According to the prescribed procedure, warrants are normally to be completed in a period of three months and stores which could be produced during this period only, are to be included in the warrants. At the end of the financial year 1958-59, the total value of semi-finished stores on the uncompleted Warrants in the Ordnance factories was Rs. 953 lakhs, out of which an amount of Rs. 355 lakhs was in respect of warrants issued prior to 1958-59. Warrants which were opened during and prior to 1953-54 and on which an expenditure of Rs. 93 lakhs had been incurred upto the end of March, 1954 remained uncompleted on the 31st March, 1959. Out of this amount, Rs. 74 lakhs pertained to two factories only.

80. In evidence, the Committee was informed by the D.G.O.F., that the total number of outstanding warrants which were more than 40,000 as on 1st January 1959 was reduced to 12,000 on 1st April, 1961, 7,000 on 1st October, 1961 and 5,000 in January, 1962. The value of warrants opened during and prior to 1953-54 in the two factories mentioned had been reduced from Rs. 74 lakhs to Rs. 16.63 lakhs as on the 31st March, 1961. The liquidation of the outstanding warrants was due to the strengthening of the planning and progressing staff in the Ordnance factories. Previously, emphasis being placed more on items ordered for bulk production, petty jobs which also required planning were not completed because of lack of personnel. Asked whether the user Services still needed the stores ordered as far back as in 1953-54 and earlier years, the D.G.O.F., replied in the affirmative. According to him the maximum infructuous expenditure that could arise out of non-completion of the warrants so far would not exceed Rs. 7 lakhs. The Committee drew his attention to the statement submitted to them pursuant to the recommendations contained in para 40 of their 17th Report (Second Lok Sabha) showing

the value of semis as on 1st April, 1959 at Rs. 1,06,00,000 out of which semis worth Rs. 17,00,000 only were usable. The D.G.O.F., stated that the figures referred to the surplus semis produced during the last war.

31. Audit pointed out that the value of semi-finished articles had increased to Rs. 10.48 crores at the end of 1959-60 from Rs. 9.53 crores as on 31st March, 1959. In extenuation, the D.G.O.F., observed that the value of semi-finished articles was related to the increase on the current production which had increased from Rs. 14 crores in 1956-57 to Rs. 33 crores in 1960-61.

*The Committee desired to be furnished with a detailed break-up of the value of semi-finished stores (vide para 106 of the Proceedings) in the Ordnance factories which is still awaited. In the absence of the information the Committee are handicapped in formulating their conclusions.*

32. *The need for better planning and periodic review of the outstanding orders in the Ordnance factories has been repeatedly pointed out by the earlier Committees [cf. Paras 6 (Intd) & 26 of the 6th Report and para 40 of the 17th Report, Second Lok Sabha]. They were assured that with the reorganisation of the Ordnance factories on the recommendations of the Baldev Singh Committee in 1957, the factories would give a better account of themselves. The Committee regret to find that the position continues to be almost the same. Accumulation of semi-finished articles over a number of years tends to show that these are still being manufactured in an unplanned and uncoordinated manner. There is every risk of their being rendered obsolete and surplus involving Government in heavy losses. The Committee are concerned at the large accumulation of semi-finished articles (Rs. 10.48 crores at the end of 1959-60) and would stress the imperative need for review of the outstanding warrants.*

*Establishment of a Machine Tool-cum-Prototype Factory—Para 17, Pages 15—18.*

33. Mention was made in paras 33 of the 14th Report of the P.A.C. (First Lok Sabha) and 93—95 of the 17th Report (Second Lok Sabha) of the establishment of a fully equipped Machine Tool-cum-prototype Factory at Ambarnath. The factory has three main sections viz., (i) Prototype Section, (ii) Machine Tool Section and (iii) Artisan Training School.

#### **Prototype Section**

34. The development of indigenous designs for 14 items of arms and ammunition was entrusted to this Section from time to time. But

only in seven cases had the development work been completed. Of the remaining seven items, work on three items was discontinued after incurring an expenditure of Rs. 1,33,723 approx. on one item. The other four items were still under development. An expenditure of Rs. 8.03 lakhs had been incurred till the end of 1958-59 on the development work.

#### *Machine Tool Section*

35. The manufacture of (i) 1,152 units of eighteen types of machine tools and (ii) the design, development and prototype manufacture of seven other types of machine tools during the six years ending March, 1959 was originally contemplated. Out of this, the manufacture of only 784 units of fourteen types of machine tools and manufacture of prototype of one type of machine tool had been completed by the end of March, 1960. Production of one type of machine tool and development of four other types taken up by this Section were subsequently abandoned (after an expenditure of Rs. 3.26 lakhs had been incurred on them) as a result of the recommendation of the Machine Tools Committee appointed in January, 1956 to review the production of various types of machine tools in the country.

#### *Financial results of the working of the Factory*

36. The production target of machine tools for this factory had been initially fixed at Rs. 55 lakhs per annum. As against this the total production during the period 1953-54 to 1958-59 (6 years) was Rs. 63 lakhs. The production had increased to Rs. 45 lakhs in 1959-60 and Rs. 47 lakhs in the current year, and it was expected to be Rs. 48 lakhs in the next year.

Due to non-utilisation of the full capacity of the factory, the entire amount of Rs. 86.76 lakhs in the nature of "Preliminary Expenses" incurred on the project and an amount of Rs. 23.52 lakhs representing a portion of the "Development Charges" in the Machine Tool Section remained unabsorbed in the production costs upto the end of 1958-59. Taking into account the expenditure of Rs. 8.03 lakhs incurred on the development of arms and ammunition in the Prototype Section, the total expenditure on "Preliminary Expenses" and "Development Charges" which had yet to be absorbed in production, six years after the factory had started functioning, worked out to Rs. 118.31 lakhs. Out of the "Preliminary Expenses", it was proposed by the Director General, Ordnance Factories to write off an amount of Rs. 45.18 lakhs. An amount of Rs. 68.63 lakhs incurred as "overheads" during 1953-54 to 1955-56 was excluded from the cost of the machine tool production.

A loss of Rs. 8·13 lakhs was incurred upto 31st March, 1959 on the sale of machine tools to civil indentors even on the basis of reduced cost of production which excluded preliminary expenses (Rs. 86·76 lakhs), expenditure on overheads during 1953-54 to 1955-56 (Rs. 68·63 lakhs), and a portion of development charges (Rs. 23·52 lakhs).

The total capital outlay on the establishment of the factory stood at Rs. 436·80 lakhs. Even after 6 years of commencement of production, the factory had not been able to show any return on the capital invested. On the contrary it had actually incurred a loss of Rs. 68·63 lakhs (overheads) plus Rs. 8·13 lakhs or Rs. 77 lakhs approximately.

37. It was urged before the Committee that the factory had been originally planned for designing prototypes for which work a number of machine tools and skilled personnel were required. But as the production of prototypes could not keep the labour fully engaged, it was decided to utilise a part of the capacity of the factory for machine tool production in order to keep the skill alive. Machine Tool production was, therefore, a subsidiary function of the factory. If the costing of machine tools manufactured were done as if the factory had been designed for production of machine tools as such, the overheads of the factory amounted to 1,000 per cent of the direct cost of production which was unrealistic. Accordingly, certain fixed and variable charges could not be absorbed.

38. In regard to the development charges of the machine tool section, it was stated that this represented the expenditure incurred by the factory on developing its own designs. Unlike the Hindustan Machine Tool Limited which had entered into a collaboration agreement with foreign firms for the manufacture of various types of machine tools, this factory depended upon its own resources for design-making. Six types of machine tools developed by the factory were under production. It was originally expected that the development expenditure would be recovered fully in the course of six to seven years, but due to the (accumulated) abnormally high overhead charges, the cost of production exceeded the sale price. In case, realistic overheads had been charged on the machine tool production, the preliminary expenses and development charges could have been wiped out and there would have been no need to write off a part of the expenses. Referring to the loss of Rs. 8·13 lakhs incurred even on the basis of the reduced cost of production, the D.G.O.F. stated that the said reduced cost did not exclude the entire overheads. If the entire overheads were left out, substantial profits could be shown. The question of levy of overheads on the machine tool production and

the quantum thereof was under consideration in consultation with the Ministry of Finance (Defence).

39. Obviously, the financial results of the working of the factory are far from satisfactory. Even if it were conceded that machine tool production is a subsidiary function of the factory (as urged by the D.G.O.F.) and some allowance made for the fact that the factory had to abandon production /development of a few types of machine tools on the recommendation of the Machine Tool Committee, the performance of the factory has been disappointing. In para 93 of their 17th Report (Second Lok Sabha) the Committee of 1958-59 had expressed concern over the shortfall in production of machine tools by this factory. The Committee were given to understand through a note in September 1959 that negotiations were under way for purchase of designs of machine tools from foreign manufacturers. Again in September, 1960 the Committee were informed that the factory had been allotted gear cutting work for trucks and tractors manufactured by the Ordnance Factories in collaboration with foreign firms. While the Committee note that attempts are being made to utilise the capacity of this factory to the maximum extent, they deplore that the production in the factory has continued to be uncertain ever since its inception. In their opinion, if the factory is to run as an economic unit, it is time Government take firm decision regarding its precise role in the manufacture of machine tools required by the country and ensure that the factory works upto that target. Without concerted efforts, the high overheads will tend to stifle production.

The Committee were given to understand by Audit that orders had been issued in December, 1960 for writing off of the expenditure of Rs. 96.28 lakhs representing the total amount of preliminary expenses, accumulated upto 31st March, 1954 and unabsorbed overheads upto 31st March, 1956 but these were cancelled in February, 1961 and the whole question was being reconsidered. The Committee would like to have a detailed note when a final decision is taken.

#### Artisan Training School

40. One of the reasons for shortfall in the production of machine tools was stated to be the defection of the skilled personnel trained in the Artisan Training School. The Director General of Ordnance Factories stated in his evidence that the factory had been able to retain only 25 per cent of the trained personnel because of two factors viz., (i) the heavy demand for skilled personnel and (ii) comparatively higher scales of pay in the private sector. In his

opinion industry in general had benefited from the training imparted at the school. In reply to a question it was stated that any further increase in the amount of the bond money was not contemplated, as such a measure would stand in the way of poor people desirous of joining in the training. The intake of trainees had been increased from 100 to 250 by suitably revising the original training scheme and this would enable the factory to retain a larger number of trained personnel. *The Committee trust that the matter would be kept under constant review to ensure that production does not suffer for lack of trained personnel.*

*Purchase of Timber by an Ordnance Factory—Para 18, Page 18*

41. Between August, 1951 and June, 1952, contracts were executed by the Director General of Supplies and Disposals with three firms for supplying Burma Teak Squares to an Ordnance Factory. Out of the total quantity of 2,78,457 cft. received from the firms between November, 1951 and October, 1952, 1,63,664 cft. was found on detailed inspection, at the Ordnance Factory to be much below specifications and was rejected by the factory. The suppliers, however, refused to take back the rejected quantities and insisted on full payment as the timber had been duly inspected and accepted by the factory's inspecting staff prior to despatch. The entire stock had been lying unused at the factory for 8 years, pending a settlement with the suppliers and the case was under arbitration. The value of this timber in terms of the contract was about Rs. 34 lakhs of which 90 per cent had already been paid to the firm. Two inspectors and one Assistant Works Manager were dismissed from service and criminal cases were also instituted against them by the Special Police Establishment.

42. The Director General, Supplies & Disposals informed the Committee that of the three contracts, two cases were referred to arbitration. In one of the cases when the arbitrators could not come to an agreement, the matter was referred to an Umpire who gave his award on the 31st December, 1960. In pursuance of the award, the firm had taken back only 636 pieces of timber and Government had agreed to pay the firm for the remaining quantity. The Umpire had observed that the timber having been once accepted by the factory's representatives the rejection was not valid as there was delay in conveying the final rejection to the firm by the consignee. As a result of cases of this type, the practice of purchasing timber from private parties had been stopped and it was now being obtained from Government agencies. Further, contracts now provide for reference of disputes to a sole arbitrator whose decision is final. This would ensure quicker settlement of disputes. In reply to a question, the D.G.S.&D. stated that a clause already existed in the contract under

dispute that notwithstanding the acceptance of supplies by the buyers' inspectors, the consignee had the final right of rejection on receipt of the consignments. This was the basis of Government's case in arbitration.

43. The Committee were given to understand by Audit that although the other case was referred to arbitration in October, 1954 at the instance of the firm, the counter-claim of Government for an amount of Rs. 13.58 lakhs was filed only in July 1959, as it had to be amended and revised several times because of full information, particulars and relevant documents not having been made available by the factory authorities. The third case was not referred to arbitration pending the receipt of the award in the first case, as the facts in the two cases were similar. The Secretary, Ministry of Defence stated that the third firm had offered to receive back a certain quantity of timber and refund 90 per cent. payment received by it from Government and also the transport charges.

44. The Committee deplore the delay that had occurred in the settling of the disputes. The timber purchased at substantial cost was lying unused for 9 years with consequent deterioration. Resort to arbitration is to facilitate quicker settlement of disputes. It is regrettable that the present case has been dragging on for an unduly long time. The Committee feel that the responsibility for the delay in the settlement of the cases because of contributory negligence of Government officials should be fixed.

The Committee would also like to be apprised of the final outcome of the arbitration in the second case and the settlement with the third firm.

*Delay in manufacture and loss incurred due to heavy rejections—  
Para 20, pages 18-19*

45. In June, 1948 and August, 1950, three orders for the supply of a total quantity of 69,000 units of an ammunition item, were placed by the Master General of Ordnance on the Director General, Ordnance Factories. The orders were to be completed by March, 1952. In connection with these orders, an Ordnance Factory placed demands for empty cast iron bodies on two other factories. One of these factories started manufacture in 1949 and the other in 1952. As the progress of manufacture in these two factories was not satisfactory, the indenter factory itself undertook manufacture of the empty bodies, in 1954. Upto end of May, 1960, the first factory was able to supply only 8,120 acceptable units and 8,619 units had to be

rejected. The second factory completed only 1,853 units till May, 1960 the rejections being 8,526 units. The indentor factory which commenced production of the empty bodies in 1954 was, however, able to produce 34,400 units, the rejections being 4,915 units. Thus while in respect of the same item of production there had been rejections in two factories representing 106 per cent. and 460 per cent. of the number successfully completed, in the third factory, the corresponding rejection was only about 14 per cent. The loss due to the rejections amounted to about Rs. 1.96 lakhs.

46. The Committee asked the reasons for heavy rejections in the two factories on which orders for empty cast iron bodies had been originally placed. The D.G.O.F. stated that it was difficult to explain now the reasons for those rejections which took place during the period 1950-52, when the production of the store was initially started. The orders placed on the two factories were suspended in 1954 and later the production was discontinued in one of the two factories. Some of the bodies produced in the other factory which had been previously rejected were subsequently accepted partly as a result of rectifications made and partly by relaxing the standards of tolerance where this would not have affected the efficiency and safety of ammunition. The bodies were manufactured according to an Indian design and the standard of tolerance imposed was very rigid in the initial stages. The bodies were now being produced in this factory and the indentor factory.

47. The Committee were given to understand by Audit that, upto January, 1961, only 30,036 units of ammunition had been supplied to the M.G.O. Branch against the total order of 69,000 units. *The Committee would like to know whether the entire quantity on order has been supplied and utilised. The responsibility for the inordinate delay in this case is that of the D.G.O.F. The Committee do not really understand why the order for manufacturing the empties was farmed out by the Director General of Ordnance Factories when the indentor factory had itself the capacity to do it. Such cases cast a reflection on the working of the Directorate.*

*Execution of civil trade orders by the Ordnance Factories, Para 38,  
Page 30*

48. To attract civil trade orders in Ordnance Factories in order to utilise the idle labour and capacity, it was decided in May, 1953 that only direct charges, viz., cost of labour and material at current rates, and a percentage of variable overheads only as distinguished from fixed overheads, should be charged as price. Every civil trade product is at the same time costed in the usual manner as for Defence

stores, so that the difference could show the short recovery from civil trade. During the six years from 1953-54 to 1958-59 the amount short recovered was Rs. 2.06 crores.

As against this short recovery some factories showed an excess recovery or profit. The total excess recovery during the same period amounted to Rs. 1.64 crores. According to Audit, a large part of this profit was, however, due to sale of ferrous and non-ferrous products such as ingots, billets, rods, strips, etc. where the value of raw materials was the major item in the cost of production. And the raw material used had been diverted from stocks acquired for Defence purposes in the days of low prices. These profits were, therefore, more apparent than real.

49. The Committee were informed by Audit that the facts given in this case had been based on the Financial Review of the Ordnance and Clothing factories prepared by the Ministry of Finance (Defence). According to para 6.4 of the Financial Review for the year 1958-59, the loss in the Ordnance factories arose mainly in the engineering factories which was an indication that the cost of production was still not competitive. In extenuation, the Director General, Ordnance Factories stated that the civil trade orders were taken up by the Ordnance factories in order to utilise their idle capacity. In order that the prices quoted were competitive, the factories had been authorised by Government to charge prices between the minimum cost of production (representing the cost of labour and material and part of variable overheads) and the maximum cost (inclusive of fixed overheads). With the increase in production the overhead charges had been fully covered and during the last two financial years there were profits of Rs. 23 lakhs and Rs. 24 lakhs, respectively. From a note furnished at their instance, the Committee find that the value of civil trade orders executed by the Ordnance factories during the years 1957-58, 1958-59, 1959-60 and 1960-61 was Rs. 3.27 crores, Rs. 3.20 crores, Rs. 3.45 crores and Rs. 7.21 crores (provisional), respectively. In paras 74-76 of their 19th Report (First Lok Sabha) and para 86 of the 6th Report (Second Lok Sabha), the Committee had emphasised the need for the utilisation of the idle capacity of the Ordnance factories by attracting civil trade orders. While the Committee note the increase in the value of civil trade orders executed during the year 1960-61, they trust that steps will continue to be taken to keep the prices competitive and to attract more orders from trade and Civil Departments. The Committee would also like to know whether a Sales Organisation had been set up as recommended by the Ordnance Factories Re-organisation Committee (Baldev Singh Committee).

50. Referring to the statement that a large part of the excess recovery of Rs. 1.64 crores during the period 1953-54 to 1958-59 was due to sale of ferrous and non-ferrous products, the raw materials for which had been acquired at low prices, the D.G.O.F. stated that the position as stated in the Audit Report was not correct. The additional Financial Adviser stated that the facts contained in the Financial Review had not been challenged by the Ministry of Defence previously. According to the Review, the comparative profits made on the sale of ferrous and non-ferrous products vis-a-vis other items were as below:

Year	Profits attributable to ferrous and non-ferrous products	Profits on other items
1953-54	Rs. 10.8 lakhs	Rs. 0.32 lakhs
1954-55	Rs. 18.18 ..	Rs. 0.15 ..
1955-56	Rs. 54.60 ..	Rs. 0.02 ..
1956-57	Rs. 36.04 ..	Rs. 0.06 ..
1957-58	Rs. 20.00 ..	Rs. 1.14 ..

The Committee were informed by the Controller General, Defence Production that during the period 1959-60 to 1960-61, out of the total profit of Rs. 34 lakhs, that from the sale of ferrous and non-ferrous products was Rs. 21.4 lakhs, which included nearly Rs. 12.7 lakhs on steel. The profit on sale of steel could not be regarded as fortuitous as the scrap from which it was produced was valued at controlled prices. Raw materials were also not diverted from stocks acquired for defence purposes or obtained from depots and diverted to civil trade. They were so diverted to civil trade, only if they were not fit for defence production. The position as to how the profits had actually been made was explained to Audit.

*The Committee would like to be assured (i) that Defence production does not in any way suffer because of the civil orders and (ii) the costing of articles produced for civil trade is done strictly in accordance with sound commercial principles.*

*Contract with a foreign firm for the manufacture of tractors—Para 39, pages 30-31*

51. Mention was made in Audit Report, 1960 about the conclusion of a contract in September, 1958 with a Japanese firm for the purchase and manufacture of certain types of tractors. In the planned

programme, it was also envisaged that 750 tractors would be completed by the end of December, 1962 and the indigenous contents therein would be progressively increased from 10 per cent. during 1959 to 70 per cent. by the end of 1962. It was claimed that this would result in a saving of Rs. 320 lakhs in foreign exchange. The assembly/manufacture started in May, 1959 instead of in April 1959, as planned. Against the production programme of 370 tractors to end of December, 1960, only 135 were assembled/manufactured in the Ordnance factory. Another 103 tractors were imported in a "ready for road" condition, for supply to indentors. The programme of assembly/manufacture thus fell far short of the target. Upto June 1960, the factory had placed orders on the foreign firm for components for 340 tractors. The saving in foreign exchange in regard to these tractors worked out to Rs. 35 lakhs.

52. The Controller General, Defence Production stated in evidence that the indigenous content in the tractors produced was only 32 per cent. in December, 1960. He admitted that there had been a setback in the production programme. Because of foreign exchange difficulties orders for 40 tractors only were placed during the year 1961. For the year 1962-63, the production target was 220 to 240 tractors. An order for 250 tractors was in hand and the necessary foreign exchange had been made available.

As regards the savings in foreign exchange, it was stated that a total saving of Rs. 70 lakhs had been achieved to date, out of which Rs. 42 lakhs were on tractors and Rs. 28 lakhs on attachments required by the indentors.

*The Committee are disappointed at the setback in the production programme of tractors by the Ordnance Factories. They trust that every effort will be made by Government to make this venture a success and to achieve the contemplated targets without any further delay.*

## NAVY

## Audit Report, 1961

*Acquisition of a mine sweeper—Para 27, pages 24-25*

53. A newly constructed mine sweeper acquired from the United Kingdom Government at a cost of about Rs. 48 lakhs started on her maiden voyage to India in August 1955. On the 9th October, when the ship was nearing the harbour, the star board engine suffered a major breakdown. A Board of Enquiry convened in the same month to investigate into the case was unable to come to a definite conclusion as to the cause of the damage to the engine. The contractual responsibility of the builders in respect of the defects of this nature coming to notice in a maiden voyage was not, however, known either to the Government of India or to the Naval Adviser in the U.K. On a reference to the U.K. Admiralty in January 1957, it became known that the guarantee period of 12 months expired after a year of the basin trial which had been carried out on the vessel long before the maiden voyage was completed. The engine was shipped to the makers for repairs. The cost of the repairs when completed was found to be Rs. 85,384 against the estimate of Rs. 30,000.

54. Referring to the expiry of the guarantee period long before the completion of the maiden voyage of the mine sweeper, the Committee enquired whether the Ministry of Finance was satisfied with the purchase procedure adopted in this case. The Financial Adviser stated that the mine sweeper was purchased through the U.K. Admiralty; there were no direct contractual dealings with the makers. According to an arrangement, the Admiralty had agreed to place orders for ships required by the Indian Navy in the same manner as for the Royal Navy. The expenditure in regard to such transactions was also subject to audit by the U.K. authorities. The transactions were on a Government to Government basis, and the Admiralty exercised the necessary checks on the procurement action.

*The Committee consider it regrettable how the arrangements entered into with the foreign Government could overlook the important requirement regarding the delivery date and the guarantee*

period. They trust that Government will take necessary steps to avoid such lapses in future.

55. Another disturbing feature of the case is that on opening the engine, the makers found that a number of parts had been removed from the engine before its shipment to the makers for repairs, without knowledge of Government. This not only increased the cost of repairs (from Rs. 30,000 to Rs. 85,384) but also prevented the makers from determining the cause of damage to the engine. The Defence Secretary stated that these parts had been removed and used in repairing other engines already in service. If so, the Committee feel that, in fairness, an inventory of such parts should have been kept and given to the makers at the time the engine was sent for repairs. Equipment lying idle—Para 28, page 25.

56. Sub-para (a): In December, 1954, Government sanctioned the construction of two vessels of a particular type at a total cost of Rs. 82 lakhs. Machinery and equipment for the vessel were to be purchased from the United Kingdom and the hulls were to be built in India. Machinery and equipment worth about Rs. 17 lakhs were indented for in January, 1955 and received in 1957. They had been lying in stock since then as the contract for the building of the hulls had not been placed (September, 1960).

57. The Committee were informed that an order for construction of the two vessels was placed on the 12th November, 1960 with the Mazgaon Docks which had been recently taken over by Government. The machinery and equipment were in good condition and would be utilised without any loss to Government. The Committee deprecate the delay of six years in placing the contract for building the hulls.

58. Sub-para (b): Certain equipment was imported from the U.K. party in 1955 and party in 1958 at a cost of £31,000 (Rs. 4,13,333). It had been lying idle in stock since receipt, as the Naval authorities had not finalised their plan for fitting the equipment (December, 1960).

59. The Committee were informed that it had been originally planned to install the equipment on an island near a port, but the Port Trust authorities concerned did not approve this proposal. Consequently, other alternatives were being considered. The equipment would now be put to use. According to Audit, similar equipment costing about Rs. 3.24 lakhs imported from U.K. earlier was also lying idle. In extenuation, it was stated by the representative of the Naval Headquarters that that equipment which was ordered in 1951, was also required for the same purpose but it could not be utilised due to non-availability of the site considered most suitable. The equipment was in good condition and would be fully utilised.

60. In all the three cases above, costly equipment ordered and received could not be installed for want of proper site. The Committee are astonished to see such bad planning. In their opinion, it is no consolation to be assured that the equipment is in good condition and will be installed soon. The reasons that led to the same error being repeated in all these cases require investigation.

*Absence of control over production costs in the Naval Dock Yard—  
Para 29, pages 25-26*

61. In paragraph 52 of the Audit Report, 1952, comments were made on the non-preparation of estimates in respect of jobs executed in the Naval Dockyard and consequent absence of control over production costs. (The preparation of estimates in respect of repair and refit works had been dispensed with in 1942 for the duration of the war). In para 63 of their Ninth Report (First Lok Sabha) the Public Accounts Committee while expressing the view that absence of estimates provided opportunities for all kinds of mistakes, recommended that Government should take steps to train sufficient manpower in cost-accounting and estimating work. They were informed by the Ministry of Defence in July, 1953, that the Captain Superintendent of the Dockyard was building up data for the preparation of correct estimates and that a "Library of Costs" based on the statistics of the past expenditure was being compiled. A Statistical Section was also formed in the Dockyard in 1954 to collect data regarding past actual expenditure. But in May, 1960, the Ministry of Defence informed Audit that the question of preparation of estimates in respect of repair jobs was to be referred to a Technical Committee, the appointment of which was under the consideration of Government.

62. Explaining the action taken on the above recommendation, Secretary, Ministry of Defence informed the Committee that cost of the jobs was being pre-estimated since 1953 for works of additions and alterations in ships and jobs undertaken for private bodies. This system could not be extended to the repair and refit of ships for lack of experienced staff. At one time, it was proposed to refer this matter to a Technical Committee appointed in pursuance of the recommendations of the Estimates Committee made in their 8th Report, but subsequently it was decided not to do so considering that this question was not relevant to the specific purpose envisaged by the Estimates Committee. The representative of the Naval Headquarters observed that it was difficult to frame a reliable estimate of refit and repair works with reference to the 'defect list' without opening up the ship. Government had come to the conclusion that

a properly organised estimating section would be necessary for framing estimates of costs on the basis of the library of past costs in respect of similar repair and refit work. The Defence Secretary urged that the recommendation made by the Committee in 1953 could not be implemented because of unforeseen difficulties; he added that the setting up of an estimating organisation was receiving attention.

63. *The Committee are sorry to note that even eight years after they recommended certain preparatory steps to be taken for framing estimates of costs of such jobs with a view to having stricter control, both administratively and financially no effective action has been taken thereon. Accordingly in respect of an expenditure of Rs. 14.77 crores out of Rs. 15.05 crores spent on repairs etc. during 1950-59, no estimates were prepared. The Committee are aware that it will not always be possible to forecast accurately expenses, on repair and refit work. But that cannot be a plea to do away with the preparation of estimates. On the other hand, such estimates will serve as an instrument of control over costs. The Committee would, therefore, reiterate that a beginning in this direction should be made without any further delay, as non-preparation of estimates coupled with absence of adequate administrative control might lead to various malpractices.*

## VI

### AIR FORCE

#### Audit Report, 1961

##### *Infructuous expenditure on uncompleted overhaul of aircraft—Para 32—page 27*

64. Nine aircraft of a certain type were sent to Hindustan Aircraft Ltd. between October, 1955 and October, 1958 for overhaul. In November, 1958, while the overhaul work was in progress, the Air Headquarters issued orders for the reduction of five of these aircraft to spares. The remaining four aircraft were also ordered to be reduced to spares, in May, 1959. An expenditure of Rs. 2.21 lakhs incurred on the partial overhaul of the nine aircraft up to 1959 thus became infructuous.

65. The Defence Secretary stated that the aircraft in question were from the war-time stock and had been reconditioned for use. Eight of the aircraft had been sent to the Hindustan Aircraft Limited during the period October, 1955 and October 1958, for normal overhaul and one for cannibalisation. Following some accidents involving this type of aircraft, a Board of Survey was set up by the Air Headquarters in September, 1957 for determining the flying characteristics and the air-worthiness of such aircraft. At the time of the survey, the 8 aircraft with the HAL were in different stages of overhaul and inspection. In the light of the report of the Board, it was decided to reduce the aircraft to spares which were needed for servicing other aircraft still in service and which were not available even in the country of origin.

66. The Committee understand from a note (Appendix I) furnished at their instance that two serious accidents took place on the 5th July, 1955 and 5th February, 1958; there were six other minor accidents during the period intervening these dates. Orders for setting up the Board of Survey were issued on 16th September, 1957, who submitted its report on the 26th September, 1957. *If the aircraft were to be dismantled on the recommendation of the Board of Survey, the Committee fail to understand why Government waited till November, 1958 before passing orders in respect of 5 aircraft and till May, 1959 in respect of the remaining 4 aircraft. It is obvious that the infructuous expenditure on overhaul could have been avoided at*

*least to some extent, had timely action been taken on the report of the Board of Survey.*

*Infructuous expenditure on a Launch—Para 33—Page 27*

67. A twin Screw Launch fitted with marine diesel engines, was purchased in 1953 by the Air Force at a cost of £ 14,935 (Rs. 1,99,000) for use at a particular station for air-sea rescue work. But ever since the receipt of the launch in 1953, it could be used for a total period of about 238 hours upto August, 1960. It was found that the launch was not capable of operating in shallow waters because of its low propellers which made it a hazard to take it out on a coast full of submerged rocks just below water level. Nor was the launch sea-worthy to be used in the open sea. In May, 1959 the Air Force authorities recommended the disposal of the launch on the ground that because of its operational limitations, it would not serve any useful purpose for air-sea rescue work anywhere.

68. The Committee were informed that the launch in question was the best among those available for purchase in 1953. It was kept in readiness at Jamnagar from 1953 for air-sea rescue work but no occasion actually arose for using it for rescue work. For want of certain necessary spares, the vessel was not sea-worthy for two years. Later it was moved to Porbandar for use in the Porbandar-Dwarka range. It was claimed that the presence of the launch helped to keep the morale of pilots high against any risk of accident. The attention of the Committee was drawn by Audit to a report that the launch had not been used for the purpose intended ever since its receipt because of its operational limitations. In extenuation it was urged by the representative of the Air Headquarters that the report in question was given by the Commander when a proposal for the purchase of another air-sea rescue craft for the Porbandar-Dwarka range was under consideration, as the existing one could not sail 40 miles into the sea. When his attention was drawn to the minutes of a meeting held on the 25th June, 1959, where it was agreed that the launch should be handed over to the Navy as it could not serve any useful purpose for air-sea rescue work anywhere, the witness stated that this meeting was also held in connection with the proposal for purchase of a new launch. The whole position was subsequently reviewed by another committee which submitted its report on 27th October, 1960. The launch was being used for the same purpose by the Royal Air Force before its purchase by India. It would continue to be in use till a better type was available.

69. *The reports of the Air Force Officers about the operational limitations of the launch raise doubts in the mind of the Committee*

about the wisdom of the purchase. The Committee cannot but dismiss the plea that the reports about the operational limitations of the launch were given in connection with a proposal for purchase of a new craft as it is patently illogical. The Committee are a little surprised that the psychological effects of the presence of the launch on the pilots should have weighed with the officials who were fully aware that the launch could not have served any purpose in case of accidents. They, therefore, do not see the justification for retaining the launch in service with recurring expenditure on its crew.

*Irregular payments of Daily Allowance—Para 34, pp. 27-28*

70. In March, 1955, the Controller of Defence Accounts (Air Force) noticed certain overpayments of daily allowance made by a Unit in 1954-55, to a large number of Air Force Officers, and asked the Unit to recover the overpayments from the officers concerned. The total overpayment was about Rs. 28,600. While the Unit forthwith took steps to disallow similar claims of daily allowance, it did not take any steps to recover the overpayments. The case was reported to the Air Headquarters in May, 1956, who decided in January, 1957, that the amounts in question should be recovered as the payments were not covered by any existing rule. But in June, 1957, the Air Headquarters ordered the recoveries to be withheld, pending final decision.

71. The Committee were informed in evidence, that Government issued orders on the 12th September, 1961 waiving recovery of the overpayments. In extenuation of the delay in arriving at this decision, it was stated that the case was linked up with the general case taken up by the Army Headquarters and the Air Headquarters were awaiting a decision thereon. As the latter, however, did not get through, the case had to be taken up by the Air Headquarters in May, 1960. In reply to a question the representative of the Air Headquarters stated that if recovery were insisted now the officers concerned would have been put to hardship, as they had received the payments 5-6 years before.

*In the opinion of the Committee it was not correct on the part of the Air Headquarters to withhold the recovery of overpayments ordered by the Controller of Defence Accounts (Air Force). Apparently the inordinate delay in referring the case to Government for orders had to a large extent been responsible for the decision to waive the recovery. The Committee suggest that it should be impressed upon the three Service Headquarters, that disregard on the part of units and other Defence establishments of instructions issued by the Accounts authorities in the matter of recovery of overpayments should be seriously viewed. In this connection they would invite*

attention to their earlier recommendation that every payment of money to a public servant was and must be regarded as a debt owed to the public and all possible action should be taken to recover it with dispatch.

NEW DELHI;

Dated, the 28th March, 1962.

Chaitra, 7, 1884 (Saka).

C. R. PATTABI RAMAN,  
Chairman,  
Public Accounts Committee.

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**PART II**

**Proceedings of the sittings of the Public Accounts  
Committee held on the 8th, 9th and 10th January, 1962  
and 26th March, 1962.**

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**Proceedings of the Thirty-sixth sitting of the Public Accounts Committee held on Monday the 8th January, 1962**

72. The Committee sat from 15.00 to 17.20 hours.

**PRESENT**

Shri C. R. Pattabhi Raman—*Chairman.*

**MEMBERS**

2. Shri Rohan Lal Chaturvedi
3. Shri Aurobindo Ghosal
4. Shri Hem Raj
5. Shri R. S. Kiledar
6. Shri G. K. Manay
7. Dr. Pashupati Mandal
8. Shri S. A. Matin
9. Dr. N. C. Samantsinhar
10. Pandit Dwarka Nath Tiwary
11. Kumari Mothey Vedakumari
12. Shri Ramji Verma
13. Dr. Shrimati Seeta Parmanand
14. Shri Lalji Pendse
15. Shri V. C. Kesava Rao
16. Shri Rajeshwar Prasad Narain Sinha
17. Shri Jai Narain Vyas.

Shri G. Swaminathan, *Additional Deputy Comptroller and Auditor General.*

Shri P. D. Seth, *Director of Audit, Defence Services.*

**SECRETARIAT**

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

**WITNESSES**

*Ministry of Defence*

Shri O. Pulla Reddi—*Secretary.*

Shri R. P. Sarathy—*Addl. Secretary.*

Shri S. D. Nargolwala—*Joint Secretary.*

Maj. Gen. Harkirat Singh—*Engineer-in-Chief.*

Shri E. E. Jhirad—*Judge Advocate General of the Navy.*

**Ministry of Finance (Defence)**

**Shri S. Jayasankar—Financial Adviser.**

73. The Committee took up consideration of the Appropriation Accounts (Defence Services), 1959-60 and Audit Report, 1961.

74. At the outset, the Committee felicitated the Armed Forces for the successful military operations in Goa. The Defence Secretary thanked the Committee.

**Audit Report (Defence Services), 1961**

*Unnecessary/Excessive Supplementary Grants—Para 1(ii), Page 3*

75. The Committee questioned the justification for obtaining in December, 1959 a Supplementary Grant of Rs. 2 lakhs under Grant No. 9—Army while the year closed with a saving of Rs. 7.57 crores. The Financial Adviser stated that the money was required for a new measure necessitating a Vote of Parliament. He admitted that a token grant could have been obtained for the purpose; but at that stage no savings under the Grant were anticipated. Referring to the surrenders made under the Grant, the witness stated that at the time of preparation of estimates, the Ministry of Finance (Defence) checked carefully whether the estimates were realistic, and applied cuts where found necessary, but at the end of the financial year some money always remained unspent due to a variety of reasons. One of the reasons for the surrenders under sub-head (F)—Store purchase, was that the provision made for purchase of one-ton trucks from abroad was not utilised as the Ministry of Defence did not want to place a demand unless they were satisfied that the store could not be produced in India. Ultimately the order was not place abroad. Under the same sub-head, the provision made for new research measures was not utilised. In the case of Store purchases from abroad, although from January onwards, returns were received from the procurement cells in London and Washington indicating the position regarding payments to be made, the expectations proved to be incorrect.

76. The Secretary, Ministry of Defence stated that there had since been improvement in budgeting as progress in the percentage of savings would indicate year by year. Some savings were bound to occur due to unexpected circumstances during the course of the financial year upsetting the calculations or causing changes in plans. The witness assured the Committee that efforts were being made to further reduce the gap between estimates and actual expenditure.

**Loss due to delay in revision of hire charges for Government transport—Para 2, Page 6**

77. The Audit para. disclosed that the rates to be recovered from Government departments, State Governments, local bodies, contractors etc. for the hire of different types of Army vehicles which had been fixed in 1945 had not been revised in spite of the increased running costs. The rates worked out by the Ministry of Finance (Defence) on the basis of the cost obtaining in 1955 revealed that the 1945 rates needed, in the case of some vehicles, an upward revision by about 235 per cent. On the basis of the 1959 costs, the total amount recovered in 1959 at 1945 rates was less than the cost borne by Government, by about Rs. 17 lakhs. Service Officers under the existing orders were entitled to the use of military vehicles for recreational purposes at rates which were substantially below the 1945 rates referred to above.

78. The Committee wished to know the reasons for non-revision of the hire charges for Army vehicles fixed in 1945, in spite of the steep increase in the running costs. The Secretary, Ministry of Defence stated that the order issued in 1945 laid down three categories of rates viz., normal rate (applicable to the Central Government State Governments, local authorities and individuals paid from the Defence Services Estimates), reduced rate (applicable to the Military Departments including the Military Farms) and the amenity rate (applicable to use of the transport for recreational purpose by Military personnel). The existing normal rate which had been fixed at 94 nP. per mile for a car and Re. 1 for a 3-ton lorry did not compare unfavourably with the market rate of 50 nP. per mile for a taxi. The witness added the question of revision of the rates was under consideration for the last few years and it would be considered by the Defence Minister's Committee soon.

79. The representative of the Ministry of Defence held the view that Government could not be deemed to have suffered any loss due to the non-revision of the hire charges, as a large fleet of vehicles was maintained by the Army for their use; due to non-availability of any other transport, officers living in cantonments, far away from cities, had to hire these vehicles at rates higher than market rates. Of lakhs of mileage done by Army vehicles, the mileage on hire for amenity purposes came to approximately 4 or 5 per cent. In case the hire charges were increased by 235 per cent., as suggested by the Ministry of Finance (Defence), nobody might hire the vehicles, and no money would be recovered. In 1950, some changes in the rates were made for certain big cities and the number of amenity trips for

J.C.Os/ORs. was reduced from four to three per month. The question of revision of rates had been considered by various Committees on one of which the Chief Accounts Officer of the erstwhile Delhi Road Transport Authority also served. These Committees had recommended (with Finance dissenting) that the upward revision of rates by 235 per cent. or so was unrealistic.

80. The Financial Adviser stated that Finance had worked out the revised rates after taking into account the current cost of the various elements on the basis of which the three categories of the hire charges had originally been fixed, but the Ministry of Defence had contended that these rates should also be related to prevailing taxi fares.

*Transport charges for Canteen Stores Department (India)—Para 3—  
Pages 6-7*

81. In an operational area, transport hired by Government for conveyance of Defence Stores was allowed to be used free by the Canteen Store Department (India), although under the Government sanction of January, 1956 the free use of Government transport was allowed only when available and not as a regular measure. The hire charges borne by Government amounted to Rs. 10.65 lakhs upto the year 1959-60.

82. The Committee desired to know the justification for Government bearing the hire charges for the Canteen Stores Department (India) which was being run on commercial lines and had been making large profits. The Financial Adviser stated that originally the canteen service was run by a canteen contractors' Syndicate. After Independence, the Canteen Store Department (India) was established under the control of Government although it was not strictly a Government Department. The Defence Secretary and Financial Adviser were members of the Board of Control of the Department. According to the Canteen Manual (War), 1938, free transport was to be provided for the supplies of canteen stores in field areas from railheads. Normally the C.S.D. (I) had to make arrangements for transport to places within an area of ten miles from railheads, and this was reflected in its price structure. In the present case, free transport was provided in the Jammu and Kashmir area owing to long road mileage from the railhead of Pathankot; otherwise prices of Canteen Stores charged from the military personnel would have to be raised. As regards the profits made, these were only of a technical nature, as these were paid back to the troops in the form of grants for welfare activities. The Secretary, Ministry of Defence stated that Government accepted the liability for providing free

transport to the C.S.D. (I) in the operational area of Jammu and Kashmir in the interest of its efficient working, in accordance with Section 17 of the Canteen Manual, 1938 and Government Order dated the 6th January, 1956.

83. The Committee asked if it was not possible, in the interest of proper accounting, to work out the hire charges for the transport used by the C.S.D. (I) separately and to pay to the Department a subsidy to defray these charges. The Financial Adviser stated that it was not possible to work out the hire charges separately as a vehicle hired for military use was only partly used for carrying canteen stores. He urged that as the C.S. Department was not allowed to use private transport in field areas in the interest of security, it should be allowed to continue to enjoy the long standing concession. In reply to a question, the representative of the Ministry of Defence stated that in non-operational areas, the C.S.D. (I) made its own arrangements for transport of canteen stores.

84. Referring to the suggestion made in para. 83 of their 17th Report (Second Lok Sabha) that all transactions of the Canteen Stores Department (India) should pass through the Consolidated Fund, the Committee inquired about the decision taken in the matter. The Secretary, Ministry of Defence stated that the question of the status of the C.S.D. (I) was still under consideration.

*Irregular payment of pay and allowances—Para 4, Page 7*

85. Mention was made in para. 31 of the Audit Report 1960 (c.f. para 196 of the 35th Report of the P.A.C., Second Lok Sabha) about an unusual financial assistance of Rs. 10,000 given to an officer of the Indian Navy towards his expenses for self-defence against a charge of murder.

The officer was under suspension from 28th April, 1959 and was tried first by a Sessions Court and then by the Bombay High Court which on the 11th March, 1960 awarded to the officer a sentence of imprisonment for life. During the entire period of his suspension from 28th April, 1959 to 11th March, 1960, while the officer was held in naval custody, he was paid full pay and allowances of his rank. On the 11th March, 1960, the sentence of life imprisonment awarded to the officer by the Bombay High Court was suspended by an order of the Governor of Bombay. From that date till the Governor vacated his order and the officer surrendered himself to civil custody (i.e., from 11th March, 1960 to 8th September, 1960), the officer was paid half the pay and allowances of his rank, under an order issued by the Ministry of Defence.

86. The Committee referred to Section 82(3) of the Navy Act stipulating that the punishment of imprisonment for a term exceeding two years should in all cases be accompanied by a sentence of dismissal from Naval service and inquired why the Naval officer was not dismissed from service in the present case after he was awarded the sentence of life imprisonment on the 11th March, 1960 by the High Court. The Judge Advocate General of the Navy stated that sub-section (3) of Section 82 of the Navy Act, did not apply in the present case; that sub-Section read with sub-Section (1) would apply to the cases where punishment had been awarded under the Navy Act.

87. Explaining the justification for payment of full pay and allowances to the Naval officer during the period of his suspension from the 28th April, 1959 to 10th March, 1960, the Secretary, Ministry of Defence stated that unlike the statutory provisions applicable to the Army and Air Force the Navy Act contained no provision for withholding pay and allowances of an officer during the period he is under suspension or Naval custody. Under Section 27 of the Navy Act, an officer was entitled to draw full pay and allowances unless deductions therefrom were authorised under Section 28(2) thereof. The Law Ministry to whom the matter was referred had advised that provisionally this should be regarded as permissible under Section 28(2) of the Navy Act. The matter was further examined but in the meantime the officer was convicted by the High Court and it was too late then to follow the final advice of the Law Ministry. Government exercised their discretion in this case in favour of the officer in consideration of the circumstances of the case. An order had since been issued on the 13th December, 1961 providing for withholding pay and allowances of Naval officers and seamen, during the period of their suspension or custody.

88. As regards the payment of half pay and allowances to the officers after his conviction by the High Court on the 11th March, 1960 till 8th September, 1960 when the Governor vacated his order suspending the life sentence, the Defence Secretary stated that this was done as the accused was contemplating preferring an appeal to the Supreme Court. The Ministry of Finance (Defence) were consulted in the case at every stage, who advised the Defence Ministry to take a decision themselves taking into account the circumstances of the case. Asked how the Finance Ministry allowed the payment of half pay and allowances to the officer after his conviction, the Financial Adviser stated that after the pronouncement of the High Court's judgement, further issue of pay and allowances to the officer was withheld and the Ministry of Defence were advised

not to pay these in part or whole until the advice of the Ministry of Law was obtained. The Law Ministry advised on the 9th May, 1960 that there was no provision in the Navy Act stipulating that after the conviction and sentence of imprisonment, Government as an employer could not continue to pay wholly or in part the pay and allowances; the discretionary power would not be exhausted with the conviction and sentence of imprisonment. In the light of the advice of the Law Ministry whereby the contention of the Defence Ministry was confirmed the Ministry of Finance (Defence) could not have withheld the payment. As the matter involved legal opinion the Finance Ministry could only ask the administrative Ministry to obtain the advice of the Law Ministry. The Secretary, Ministry of Defence stated that as law on the subject was not clear and conclusive, Government exercised their discretion having regard to all the circumstances of the case. In the case of ratings also, half pay and allowances were paid to them after their conviction pending appeals in the higher courts. On the civil side, an accused officer was allowed subsistence allowance pending an appeal. The Judge Advocate stated that in the case of Sailors and Ratings, the Naval regulations provided that where notice of an appeal to a higher civil court was given, the imposition of Naval penalty should be suspended pending the result of the appeal whereas in the case of officers this power was discretionary under Sections 27 and 28 of the Navy Act.

*Purchase of jeeps in the United Kingdom, para 5, Page 7*

89. Reference was made in paragraph 21 of the 14th Report of the P.A.C. (1954-55) to the contracts for the purchase of Jeeps in the United Kingdom. The proposed legal and arbitration proceedings in connection with these contracts were later dropped and a sum of £3483 was paid during the year as miscellaneous expenses and fees to the solicitors and counsels engaged by the High Commission for India in the United Kingdom.

90. The Committee asked the Secretary, Ministry of Defence whether the fees paid to the solicitors and counsels amounting to £3483 were not unreasonable. The Secretary stated that the solicitors and counsels were engaged by the High Commission in U.K. The Legal Adviser attached to the High Commission had certified that the charges paid to them were reasonable; actually the solicitors and counsels had demanded fees amounting to £4,760 which was ultimately settled at £3,483. The Committee's attention was drawn to a letter of 20th September, 1960 from the High Commission stating that considerable economy had been effected as a result of the settlement of the fees which had the approval of the Financial Adviser attached to the Commission.

### Adjutant General's Branch

#### *Infructuous expenditure due to illegal discharge of Havildar clerks--*

##### *Para 6, pp. 8-9*

91. In November, 1952, an order was issued by Government that Havildar clerks who were at the time held supernumerary to the establishment should either revert to the rank of Naik or Sepoy, according to the available vacancies or be released. A review made in 1957 revealed that on the basis of this order 869 Havildar clerks had been illegally released from service in 1953 by the Commanding Officers of the units concerned instead of under the authority of the Brigade/Sub-Area Commander as stipulated in the Army Rules. The sanction of release from the Brigade/Sub-Area Commanders was obtained in all these cases on various dates during November, 1957 to January, 1959 and the Havildar Clerks were deemed to have been legally discharged from the latter dates entitling them to arrears of pay and allowances between the two dates of discharge. Mistakes were made:

- (a) in not taking action on the advice sent by the Controller of Defence Accounts (P) to all record offices on 11th April, 1953 that the sanction of the Brigade/Sub-Area Commander was necessary to effect discharge of Havildars;
- (b) in not informing the other units as soon as a ruling given by the Adjutant General's Branch in August, 1953 established the illegality of the discharges effected by one Commanding Officer;
- (c) in taking a period of several years to issue revised discharge orders and to decide that pay and allowances should be paid for the interim period.

92. In evidence, the representative of the Ministry of Defence stated that in 1,500 cases out of the total number of about 2400 Havildar clerks discharged under the order, orders for release had been issued by the competent authority but in the remaining cases orders had been issued by the local Unit Commanders. When the Controller of Defence Accounts (Pension) found this illegality, he addressed all the Record Offices in April, 1953 to follow the correct procedure. One or two Record Offices who differed from the Controller of Defence Accounts made references to the Adjutant General's Branch for advice. They were informed by the Adjutant General's Branch on the 11th August, 1953, after consultation with the Ministries of Defence and Finance (Defence), that the C.D.A.'s view was

correct and that legal discharge could only be made by the competent authority as defined in the Army Rules. Copies of these instructions were not sent by the Adjutant General's Branch to other Record Offices, as they had no reason to suspect that similar doubts had arisen elsewhere. As regards the delay in issuing the revised discharged orders, it was explained that Government had under consideration certain other alternatives to regularise the illegal discharges already made. The Defence Secretary admitted that such cases of delay should not recur.

### Engineer-in-Chief Branch

#### *Weigh bridges lying idle in stock—Para 14, Page 13*

93. A proposal was made in September, 1954 to install weigh bridges at the gates of Engineer Stores Depots and Parks for weighing lorry loads of outgoing stores. A decision was however taken in February 1955 by the Engineer-in-Chiefs Branch to purchase a type of weigh bridge which could serve the dual purpose of weighing wagon loads as well as lorry loads. Purchase was eventually made in 1957 of five 60 ton rail wagon weigh bridges valued at Rs. 1,25,500. It was subsequently (September, 1959) found that the bridges purchased could not serve the purpose of weighing lorry loads and they were lying idle.

94. In evidence, the Committee was informed that it was originally proposed to purchase weigh bridges serving the dual purpose of weighing wagon loads as well as lorry loads. On inviting tenders, it was found that the cost of a dual purpose weigh bridge was Rs. 43,800 as against Rs. 28,000 of a rail wagon weigh bridge. The weigh bridges were mainly required for weighing wagon loads. 95 per cent. of the goods traffic (military) being by rail. It was, therefore, decided to purchase rail wagon weigh bridges and to make an improvisation in them locally to serve the purpose of weighing lorry loads. On receipt of the weigh bridges, it was found that the proposed improvisation could not be made. This delayed the installation of the weigh bridges. The weigh bridges had since been installed at two stations while at two other stations the work was in progress.

95. The Committee then adjourned till 15:00 hours on Tuesday, the 9th January, 1962.

**Proceedings of the 37th Sitting of the Public Accounts Committee  
held on Tuesday, the 9th January, 1962.**

**96. The Committee sat from 15.00 to 18.10 hours.**

**PRESENT**

**Shri C. R. Pattabhi Raman—Chairman**

**MEMBERS**

- 2. Shri Aurobindo Ghosal**
- 3. Shri Hem Raj**
- 4. Shri R. S. Kiledar**
- 5. Shri G. K. Manay**
- 6. Dr. Pashupati Mandal**
- 7. Shri S. A. Matin**
- 8. Dr. N. C. Samantsinhar**
- 9. Pandit Dwarka Nath Tiwary**
- 10. Shri Ramji Verma**
- 11. Dr. Shrimati Seeta Parmanand**
- 12. Shri Lalji Pendse**
- 13. Shri V. C. Kesava Rao**
- 14. Shri Rajeshwar Prasad Narain Sinha.**

**Shri A. K. Roy, Comptroller and Auditor General of India.**

**Shri G. Swaminathan—Additional Deputy Comptroller and  
Auditor General**

**Shri P. D. Seth—Director of Audit, Defence Services**

**SECRETARIAT**

**Shri V. Subramanian—Deputy Secretary**

**Shri Y. P. Passi—Under Secretary**

**WITNESSES**

**Ministry of Defence**

**Shri O. Pulla Reddi—Secretary.**

**Shri R. P. Sarathy—Addl. Secretary.**

**Rear Admiral D. Shankar—Controller General of Defence  
Production.**

**Shri S. J. Shahaney—Director General, Ordnance Factories.**

**Ministry of Finance (Defence)****Shri D. S. Nakra—Addl. Financial Adviser****Shri Phul Chand—Controller General of Defence Accounts****Ministry of Works, Housing & Supply****Shri N. E. S. Raghavachari—Director General, Supplies & Disposals.**

97. The Committee took up further consideration of the Appropriation Accounts (Defence Services), 1959-60 and Audit Report (Defence Services), 1961.

**Audit Report (Defence Services), 1961****Director General, Ordnance Factories****Rejections in Ordnance Factories—Para 15, Page 14**

98. The Audit para disclosed that in a particular Ordnance Factory the cost of rejections kept out of production cost (i.e. in excess of 20 per cent of the production cost) had been heavy during the years 1949-50 to 1958-59. A comparison of the rejections in the Ordnance Factories as a whole and those in this particular factory indicated that the latter had been responsible for the percentages of 65·90, 97·90, 96·02, 84·69, 88·09 86·12, 85·04, 43·06, 71·46, and 89·91 of the total rejections during the years 1949-50 to 1958-59, respectively.

99. In evidence, the Committee were informed that the particular Ordnance Factory mentioned in the Audit para produced castings for three types of ammunition; the percentage of rejections was usually heavy in such work. (This position was also explained to the Committee in the previous years). Unlike machined items, even 30 per cent rejections in the case of castings were not regarded as abnormal. Even in the British Foundries, rejections were of the order of 40 per cent on the whole. The yield in respect of the three items in the factory was 65 per cent, 67 per cent and 79 per cent respectively, as against an overall percentage of 57·2 in the United Kingdom. Some foreign experts had gone into the rejections in the Ordnance Factory and now, the Director of National Metallurgical Laboratory had been requested to visit the factory and suggest any improvement in the process in order to reduce the percentage of rejections. A private manufacturing concern which was tried for production of one of the items gave up the attempt after two years of experimentation. In reply to a question, the Controller General, Defence Production stated that the problem of getting the proper quality of sand, which was stated as one of the reasons for heavy rejections before the previous Committees, had been solved. In reply to another question

the Director General of Ordnance Factories stated that the rejected material was again melted and used. Asked how the percentage of the cost of rejections kept out of the production account in the Ordnance Factory to that in all the Factories as a whole, was as low as 43·06 in the year 1956-57, the D.G.O.F. replied that as during that year the Factory did not manufacture one of the items, the overall rejections also came down. The Committee desired to be furnished with a note stating the measures taken to reduce the percentage of rejections in the factory.

*Accumulation of semi-finished stores in Ordnance Factories and unsatisfactory accounting—Para 16, Pages 14-15*

*Sub-para (a)*

100. At the end of the financial year 1958-59, the total value of semi-finished stores on the uncompleted warrants opened in the Ordnance Factories was Rs. 953 lakhs, out of which an amount of Rs. 355 lakhs was in respect of the warrants prior to 1958-59. Warrants which were opened during and prior to 1953-54 and on which an expenditure of Rs. 93 lakhs had been incurred upto the end of March, 1954 remained uncompleted on the 31st March, 1959. Out of this amount Rs. 74 lakhs pertained to two factories only.

*Sub-para (b)*

101. Two cases were reported where the valuation and accounting of semi-finished articles was not done properly in two Ordnance Factories and *ad hoc* adjustments had to be made subsequently for writing down the valuation by Rs. 17·5 lakhs in one factory and Rs. 5·86 lakhs in another.

102. Referring to the unsatisfactory valuation of components in the two factories mentioned in Sub-Para (b) above, the Controller General of Defence Accounts stated that due to heavy accumulation of semi-finished stores, the management of the two factories were not able to prepare statements showing the exact material and labour content of the various articles which could not therefore be valued separately according to the normal procedure.

103. As regards the progress made in the completion of the outstanding warrants referred to in Sub-para (a), the Committee were informed by the D.G.O.F. that the total number of outstanding warrants which was more than 40,000 as on 1-1-1959 was reduced to 12,000 on 1-4-1961, 7,000 on 1-10-1961 and 5,000 to date. The value of warrants opened during and prior to 1953-54 in the two factories mentioned had been reduced from Rs. 74 lakhs to Rs. 16·63 lakhs as on the 31st March, 1961.

104. The Committee asked how this reduction could be effected in a short period. The Director General, Ordnance Factories stated that previously greater emphasis being placed on items ordered for bulk production, petty jobs which required the same amount of planning were left uncompleted due to inadequacy of staff. With the strengthening of the planning and the progressing staff in the Ordnance Factories, it had been possible to speed up completion of the outstanding warrants. Asked if the stores ordered as far back as in 1953-54 and earlier years were still required by user Services, the witness replied in the affirmative. He added that the maximum infructuous expenditure that could arise out of non-completion of the warrants so far would not exceed Rs. 7 lakhs. On his attention being drawn to a statement submitted to the Committee showing the value of semis as on 1st April, 1959 as Rs. 1,06,00,000 out of which semis worth Rs. 17,00,000 only were usable, the D.G.O.F. stated that the figures referred to the surplus semis produced during the last war.

105. Audit pointed out that the value of semi-finished articles had increased to Rs. 10.48 crores at the end of 1959-60 from Rs. 9.53 crores as on 31st March, 1959. The D.G.O.F. stated that the value of semi-finished articles was related to the increase in the current production; the production had increased from Rs. 14 crores in 1956-57 to Rs. 33 crores in 1960-61 and was expected to be Rs. 40 crores in 1961-62.

106. The Committee desired to be furnished with a note setting forth the following information:

(a) What was the total number of outstanding warrants and the value of semi-finished stores in the Ordnance Factories as on 1-1-1959, 1-10-1960, 1-4-1961 and 1-10-1961 (the years to which the warrants related to be indicated)?

What was the present position regarding the warrants opened during and prior to 1953-54 in the two factories referred to in Audit para where the expenditure on these warrants amounted to Rs. 74 lakhs on 3-3-1959?

(b) Of the total value of semis, what was the value of stores which were expected to be utilised against current requirements and of those considered surplus?

(c) What was the percentage of the semis to the total production during the years 1958-59, 1959-60 and 1960-61?

❖

**Establishment of a Machine Tool-cum-Prototype Factory, Para 17,  
Pages 15—18**

107. Mention was made in paragraph 13 of the Audit Report 1954 of the establishment of a fully equipped Machine Tool-cum-Prototype Factory (c.f. para 33 of 14th Report of the P.A.C.—1st Lok Sabha and paras 93-95 of 17th Report of the P.A.C.—2nd Lok Sabha). The factory has three main sections viz. (i) Prototype Section, (ii) Machine Tool Section, and (iii) Artisan Training School.

**Prototype Section**

108. The development of indigenous designs for 14 items of arms and ammunition were entrusted to this Section from time to time. But only in seven cases had the development work been completed. Of the remaining seven items, work on three items was discontinued after incurring an expenditure of Rs. 1,33,723 approximately on one item. The other four items were still under development. An expenditure of Rs. 8.03 lakhs had been incurred till the end of 1958-59 on development work.

109. Explaining the present position, the Director General, Ordnance Factories stated that one of the items was under trials and it would be taken up for bulk production shortly, the immediate requirement being of the order of 2 lakh units. The annual requirement of this item would be of the order of 60,000 units. Had this item not been developed indigenously but taken up after importing designs, the expenditure in terms of foreign exchange on the first year's production would have been about Rs. 10 lakhs. It was urged that this saving on one item alone had more than compensated for the rupee expenditure of Rs. 8.03 lakhs incurred on the entire development work. Two more items had been completed which might be brought into service. Development of indigenous prototypes was a type of research work which did not yield beneficial results immediately. In reply to a question the witness stated that the fourteen items referred to in the Audit para were taken up for development by the factory at the instance of the Services and after approval by the Ministry of Defence. In regard to the three items abandoned by the factory, the Controller General, Defence Production stated that in one case the item was replaced by another by the time it was developed, while the other items were not accepted by the Services. But the experience gained in designing these items would be useful in future. Asked whether a review of the work done by the Factory was being carried out periodically, the C.G.D.P. replied in the affirmative. In

1958, the Section had been taken out of the administrative control of the D.G.O.F. and placed directly under the Defence Science Organisation.

### *Machine Tool Section*

110. The Committee were informed that the total production of machine tools during the period of 6 years from 1953-54 to 1958-59 was Rs. 63 lakhs. It was Rs. 45 lakhs in 1959-60 and Rs. 47 lakhs in the current year, and was expected to be Rs. 48 lakhs in the next year. The Committee asked the reasons for non-utilisation of the full capacity of the factory which resulted in non-absorption of the entire preliminary expenses amounting to Rs. 86.76 lakhs and a portion of development charges amounting to Rs. 23.52 lakhs upto the end of 1958-59. The D.G.O.F. stated that the factory had been originally planned for designing prototypes for which work a number of machine tools and skilled personnel were required. But as the production of prototype could not keep the labour fully engaged, it was decided to utilise a part of the capacity of the factory for machine tool production in order to keep the skill alive. Machine tool production was therefore a subsidiary function of the Factory. Now, the costing of machine tools was being done as if the Factory had been designed entirely for production of machine tools with the result that the overheads of the factory amounted at present to 1,000 per cent. of the direct cost of production of machine tool which was unrealistic. Accordingly, certain fixed and variable charges could not be absorbed, and also losses were being shown on the sale of machine tools. The question of levy of overheads on machine tool production was under consideration in consultation with the Ministry of Finance (Defence).

111. In regard to the development charges of the Machine Tool Section, the Committee were informed that this represented the expenditure incurred by the factory on developing its own designs. Unlike the Hindustan Machine Tool Limited which had entered into a collaboration agreement with foreign firms for the manufacture of the various types of machine tools this Factory depended upon its own resources for design making. The six types of machine tools developed by the factory were under production. It was originally expected that the development expenditure would be recovered fully in the course of six to seven years, but due to the (accumulated) abnormally high overhead charges the cost of production exceeded the sale price. In case realistic overheads were charged on the machine tool production, the preliminary expenses and development charges could have been wiped out and there would have been no need to write them off in part.

112. The Committee desired to know the reasons for the abandonment of the production of one type of machine tool and development of four other types after incurring an expenditure of Rs. 328 lakhs. The D.G.O.F. stated that on the recommendation of the Machine Tools Committee which had been appointed in 1955-56 to review the production of various types of machine tools in the country, Government agreed to abandon the production of the particular item in the Machine Tool Prototype Factory, which overlapped the production programme of another manufacturer. In reply to a question the witness stated that the target of production of machine tools in the factory was originally fixed at Rs. 55 lakhs per annum.

113. According to Audit a loss of Rs. 8.13 lakhs was incurred up to the 31st March, 1959 on the sale of machine tools even on the basis of reduced cost of production which excluded preliminary expenses (Rs. 86.76 lakhs), expenditure on overheads during 1953-54 to 1955-56 (Rs. 68.63 lakhs) and a portion of development charges (Rs. 23.52 lakhs). The D.G.O.F. stated that the said reduced cost did not exclude the entire overheads; it excluded only the cost of machine tools intended for prototype production. Without taking into account the entire overheads, substantial profits could be made. The Comptroller and Auditor General pointed out that these facts had not been brought to the notice of Audit. The Additional Secretary stated that Audit had been requested to drop this para as it did not give the correct position, but complete comments of the Ministry could not be forwarded to Audit within the prescribed period of six weeks. After the Audit report was printed, the Ministry did not consider it necessary to forward their comments to Audit. In this connection, the Committee drew the attention of the witness to the recommendation made in para 6 (Introduction) of their 29th Report (2nd Lok Sabha) that if, in exceptional cases, it was not possible to furnish to audit comments on draft Audit paras within the prescribed period of six weeks, the correct position should be furnished to the Committee through Audit, even if it be after presentation of the Audit Report. After some discussion the witness admitted that there had been an omission on the part of the Ministry. The Committee desired to be furnished with further information on the following points:—

- (a) What was the total amount of preliminary expenses and development charges incurred upto the end of 1960-61?

Had any decision been taken regarding writing off of preliminary expenditure and unabsorbed overheads? Why were the orders issued in December, 1960 for the write off of Rs. 96.28 lakhs representing the total amount of preliminary

**expenses and unabsorbed overheads cancelled in February, 1961?**

- (b) **What were the production targets for machine tools for the years 1959-60, 1960-61 and 1961-62 and what was the actual production against these targets?**
- (c) **Why was the sum of Rs. 68'63 lakhs incurred as overheads during 1953-54 to 1955-56 excluded from the cost of production? Are all overheads included in the cost of production under the present costing procedure?**
- (d) **On what basis were the sale prices of machine tools sold to the civil indentors fixed? Why were the sale prices fixed even lower than the reduced cost of production?**

#### *Artisan Training School*

114. The Artisan Training School started functioning in 1950 but due to defection of skilled artisans after completion of training the factory had not been able to have the requisite complement of trained personnel. This resulted in delay in production of machine tools.

The Committee were informed that the demand for skilled workers in the country being in excess of supply, all personnel trained in the School could not be retained in the Factory; nevertheless industry in general had benefited from the training imparted at the School. The security of military information was also not risked thereby as the training given was not of a secret nature. In reply to a question, it was stated that any further increase in the amount of bond money was not contemplated as such a measure would stand in the way of poor people desirous of joining the training. It was pointed out that out of 792 workers trained upto 1958, only 130 remained in the factory which was a matter of concern in so far as it had affected production. The D.G.O.F. stated that the Factory had been able to retain only 25 per cent. of the trained personnel due to its pay scales being lower than those in the private industry. The intake of trainees had been increased from 100 to 250 by revising the original scheme of four years' course in the Machine Tool Prototype Factory to two years' fundamental training in different Ordnance factories followed by two years' training of selected trainees in the Artisan Training School.

#### *Purchase of Timber by an Ordnance Factory, Para 18, page 18*

115. Between August, 1951 and June, 1952, contracts were executed by the Director General of Supplies and Disposals with three firms for supplying Burma Teak Squares to an Ordnance Factory. Out

of the total quantity of 2,78,457 cft. received from the firms between November 1951 and October, 1952, 1,53,664 cft. was found on detailed inspection at the Ordnance Factory to be much below specifications and was rejected by the factory. The suppliers, however, refused to take back the rejected quantities and insisted on full payment as the timber had been duly inspected and accepted by the factory's inspecting staff prior to despatch. The entire stock had been lying unused at the factory for 8 years, pending a settlement with the suppliers and the case was pending with arbitration. The value of this timber in terms of contract was about Rs. 34 lakhs of which 90 per cent had already been paid to the firms. Two inspectors and one Assistant Works Manager were dismissed from service and criminal cases were also instituted against them by the Special Police Establishment.

116. The Director General, Supplies and Disposals informed the Committee that of the three contracts, two cases were referred to arbitration. In one of the cases, when the arbitrators could not come to an agreement, the matter was referred to an Umpire who gave his award on the 31st December, 1960. In pursuance of the award, the firm had taken back only 636 pieces of timber and Government had agreed to pay the firm for the remaining quantity. The Umpire had observed that the timber having been once accepted by the factory's representatives the rejection was not valid as there was delay in conveying the final rejection to the firm by the consignee. As a result of cases of this type the practice of purchasing timber from private parties had been stopped and it was now being obtained from Government agencies. Further, contracts now provide for reference of disputes to a sole arbitrator whose decision is final. This would ensure quicker settlement of disputes. In reply to a question, the D.G.S. & D. stated that a clause already existed in the contracts under dispute that notwithstanding the acceptance of supplies by the buyer's inspectors, the consignee had the final right of rejection on receipt of the consignments. This was the basis of Government's case in arbitration. According to Audit the third case was not referred to arbitration pending receipt of award in the above mentioned case, as the facts in the two cases were similar. The Secretary, Ministry of Defence stated that the third firm had offered to receive back a certain quantity of timber and refund 90 per cent payment received by it from Government and also the transport charges.

*Delay in disposal of unwanted machinery—Para 19, Page 18*

117. A power-house was erected at an Ordnance Factory in 1945 at a cost of about Rs. 15.04 lakhs including plant and machinery

worth about Rs. 7.81 lakhs and was supplying power till September 1947. In September 1947, an agreement was made with an electric supply administration for supply of power to the Ordnance Factory. The Power House at the factory was, therefore, put out of commission in that month. Since then no action had been taken to put either the building or the plant and machinery to an alternative use.

118. The D.G.O.F. informed the Committee that the power-house had been erected as a standby unit during the last war. Consequent on the improvement in the supply of power by the local electric supply administration, the factory authorities suggested in 1958 that there was no need for the standby set. But on reviewing the position it was considered unwise to dispose of all the generating sets of the power-house considering that the power supply situation at the station would be uncertain for some time. The Defence Secretary stated that a major policy decision had been taken by the Ministry of Defence in 1958 against the disposal of surplus equipment and stores in the ordinary course as experience had shown that items disposed of were often required soon after and had to be acquired at higher prices. Accordingly, it was decided to retain the plant in the present case as a standby, in consideration of the increasing defence production and demand for power supply, although at one stage it was considered surplus to requirement. As against the factory's power requirement of 5,000 KVA, the present supply from the electric supply administration was only 4,040 KVA. The Administration had agreed to increase it slightly, but until a supply of 6,250 KVA was assured a standby plant would be necessary.

119. According to Audit, the factory authorities stated in February 1961 that the plant could not be utilised without major renovation and that it would be uneconomic to run it. The D.G.O.F. stated that there was difficulty in operating the different generating sets of the plant in unison. It had been decided to recondition one generating set of 1,000 KW capacity for being kept as a standby.

*Delay in manufacture and loss incurred due to heavy rejections—  
Para 20, Pages 18-19*

120. In June, 1948 and August 1950, three orders for the supply of a total quantity of 69,000 units of an ammunition item, were placed by the Master General of Ordnance on the Director General, Ordnance Factories. The orders were to be completed by March, 1952. In connection with these orders, an Ordnance Factory placed demands for empty cast iron bodies on two other factories. One of these factories started manufacture in 1949 and the other in 1952. As the progress of manufacture of the empty bodies in these two

factories was not satisfactory, the indenter factory itself undertook manufacture of the empty bodies, in 1954. Upto end of May, 1960, the first factory was able to supply only 8,120 acceptable units, the rejections being 8,619 units; the second factory completed only 1,853 units till May, 1960, the rejection being 8,526 units. The indenter factory which commenced production of the empty bodies in 1954 was, however, able to complete 34,400 units, the rejections being 4,915 units. Thus, while in respect of the same item of production there had been rejections in two factories representing 106 per cent and 460 per cent of the number successfully completed, in the third factory, the corresponding rejection was only about 14 per cent. The loss due to the rejections amounted to Rs. 1.96 lakhs.

121. The Committee wanted to know the reasons for heavy rejections in the two factories on which orders for empty cast iron bodies had been originally placed. The D.G.O.F. stated that it was difficult to explain now the reasons for rejections which took place during the period 1950—52 when the production of the store was initially started. The orders placed on the two factories were suspended in 1954 and later the production was discontinued in one of the two factories. Some of the bodies produced in the other factory which had been previously rejected were subsequently accepted partly as a result of rectifications made and partly by relaxing the standards of tolerance where this would not have affected the efficiency and safety of ammunition. The bodies were manufactured according to an Indian design and the standard of tolerance imposed was very rigid in the initial stages. The bodies were now being produced in this factory and the indenter factory.

*Wasteful expenditure incurred in manufacture—Para 22, page 19*

122. An order for the manufacture of 900 units of a component was distributed in August, 1956 by the Director General, Ordnance Factories between two Ordnance Factories. Upto end of March, 1959, the factories had manufactured 650 and 166 units at a cost of Rs. 914 and Rs. 1,978 each respectively. The additional cost in the second Ordnance Factory was Rs. 1.77 lakhs, which was caused mainly by heavy rejections.

123. Explaining the reasons for the abnormal difference in the cost of production in the two factories, the D.G.O.F. stated that the higher production cost in the second factory was mainly due to its higher overheads, being 900 against 343 in the first factory for the same job. The second factory carried high overheads as it was a new factory having plant and machinery acquired at a higher cost, and utilisation of its capacity was low. According to Audit, the

labour charges in the second factory were 196 as against 103 in the first factory. The D.G.O.F. stated that the difference in labour charges was due to inclusion of the forging cost in the case of the second factory while in the first factory this item was included in the material cost, as the forgings were received from another factory. When Audit pointed out that even the combined labour and material cost in the first factory was 536 as against 848 in the second factory, the witness stated that the higher cost in the latter was due to more rejections, initially due to lack of experience. Excluding the rejections the labour and material cost in the first and second factories came to 503 and 515 respectively. In justification of placing the order on the second factory, it was stated that its idle capacity had to be utilised and the personnel had to be trained. In case no order had been placed on the second factory its overhead charges would have remained uncovered to that extent and reflected in the loss. It was added in reply to a question that rejections in the second factory were not foreseen.

*Execution of civil trade orders by the Ordnance Factories, Para 38, Page 30.*

124. To attract civil trade orders in Ordnance Factories in order to utilise the labour and capacity rendered surplus at the end of the last war it was decided in May, 1953 that only direct charges viz. cost of labour and material at current rates, and a percentage of variable overheads only as distinguished from fixed overheads, should be charged as price. Every civil trade product was at the same time costed in the usual manner as for Defence stores, so that the difference could show the short recovery from civil trade. During the six years from 1953-54 to 1958-59 the amount short recovered was Rs. 2.06 crores. As against this short recovery, some factories showed an excess recovery or profit. The total excess recovery during the same period amounted to Rs. 1.64 crores. According to Audit a large part of this profit was due to sale of ferrous and non-ferrous products such as ingots, billets, rods, strips, etc. where the value of raw materials was the major item, in the cost of production. And the raw material used had been diverted from stocks acquired for Defence purposes in the days of low prices. These profits were, therefore, more apparent than real.

125. The Committee were informed by Audit that the facts given in this case had been based on the Financial Review of the Ordnance and Clothing Factories prepared by the Ministry of Finance (Defence): According to para 6.4 of the Financial Review for the year 1958-59, the loss in the Ordnance Factories arose mainly in the engineering factories which was an indication that the cost of production was still not competitive. In extenuation the Director

General, Ordnance Factories stated that the civil trade orders were taken up by the Ordnance Factories in order to utilise their idle capacity. In order not to saddle the prices with high overheads, the factories had been authorised by Government to charge prices between the minimum cost of production (representing the cost of labour and material and a part of variable overheads) and the maximum cost (inclusive of fixed overheads). With the increase in production the overhead charges had been fully covered and during the last two financial years there were profits of Rs. 23 lakhs and Rs. 24 lakhs, respectively.

126. Referring to the statement that a large part of the excess recovery of Rs. 1.64 crores during the period 1953-54 to 1958-59 was due to sale of ferrous and non-ferrous products the raw materials for which had been acquired at low prices, the D.G.O.F. stated that the position as stated by Audit was not correct. The Additional Financial Adviser stated that the facts contained in the Financial Review had not been challenged by the Ministry of Defence previously. According to the Review the comparative profits made on the sale of ferrous and non-ferrous products *vis-a-vis* other items were as below:—

Year	Profits attributable to ferrous and non-ferrous products	Profits on other items
1953-54	Rs. 10.8 lakhs	Rs. 0.32 lakhs
1954-55	Rs. 18.18 ..	Rs. 0.15 ..
1955-56	Rs. 54.60 ..	Rs. 0.02 ..
1956-57	Rs. 36.04 ..	Rs. 0.06 ..
1957-58	Rs. 20.00 ..	Rs. 1.14 ..

The Committee were informed by the Controller General, Defence Production that during the period 1959-60 to 1960-61, out of the total profit of Rs. 34 lakhs, that attributable to the sale of ferrous and non-ferrous products was Rs. 21.4 lakhs, which was inclusive of nearly Rs. 12.7 lakhs on steel. It would not be justifiable to treat the profit on steel as fortuitous as it was produced from scrap obtained at controlled prices which could not thus have been undervalued. Audit were informed in December, 1960 that it was not correct that the raw materials were diverted from stocks acquired for Defence purposes or obtained from depots and diverted to civil trade. Raw materials were usually diverted for trade only if they were not fit for Defence production. An explanation was also then given to Audit as to how the profits had actually been made. Asked whether this explanation would be acceptable to the the Ministry of Finance (Defence), the Additional Secretary stated

that under the existing practice all explanations given to Audit were routed through the Ministry of Finance (Defence). The witness promised to check up whether in the present case the Ministry of Finance were consulted before sending the explanation to Audit.

*Contract with a foreign firm for the manufacture of tractors—Para 39, Pages 30-31*

127. Mention was made in Audit Report, 1960, about the conclusion of a contract in September, 1958 with a Japanese firm for the purchase and manufacture of certain types of tractors. The assembly/manufacture started in May, 1959, instead of in April, 1959, as planned. Against the production programme of 370 tractors to end of December, 1960, only 135 were assembled/manufactured in the Ordnance Factory. Another 103 tractors were also imported in a "ready for road" condition, for supply to indentors. In the planned programme it was also envisaged that 750 tractors would be completed by the end of December, 1962 and the indigenous contents therein would be progressively increased from 10 per cent during 1959 to 70 per cent by the end of 1962. It was claimed that this would result in a saving of Rs. 320 lakhs in foreign exchange. Upto June 1960 the factory had placed orders on the foreign firm for components for 340 tractors. The saving in foreign exchange in regard to these tractors worked out to Rs. 35 lakhs. According to Audit the programme of assembly/manufacture fell far short of the target.

128. At the instance of the Committee, the Controller General, Defence Production stated that the indigenous content in the tractors produced was only 32 per cent in December, 1960. It was admitted that there had been a set back in the production programme. On account of the lapse of yen credit no orders were placed during the year 1961 except for 40 tractors. For the year 1962-63, the production target was 220 to 240 tractors. An order for 250 tractors was in hand and a yen credit equivalent of Rs. one and a half crores was being released. As regards the savings in foreign exchange it was stated that the total saving of Rs. 70 lakhs had been achieved to date, out of which Rs. 42 lakhs were on tractors and Rs. 28 lakhs on attachments required by the indentors. In regard to the prices the Committee were informed that the tractors produced in the Ordnance factory were cheaper than American ones; it cost Rs. 1,70,000 as against 1,90,000 of a caterpillar. Asked if any further complaints had been received regarding the working of tractors produced by the factory, the C.G.D.P. stated that certain complaints made by the Dandakaranya Project authorities had been removed in pursuance

of the recommendations of the two technical officers of the Central Water and Power Commission appointed to enquire into the matter.

129. The Committee then adjourned till 15.00 hours on the 10th January, 1962.

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**Proceedings of the 38th Sitting of the Public Accounts Committee  
held on the 10th January, 1962.**

**120. The Committee sat from 15·00 to 18·00 hours.**

**PRESENT**

Shri C. R. Pattabhi Raman—*Chairman.*

**MEMBERS**

2. Shri Rohan Lal Chaturvedi
3. Shri Aurobindo Ghosal
4. Shri Hem Raj
5. Shri R. S. Kiledar
6. Shri G. K. Manay
7. Dr. Pashupati Mandal
8. Shri S. A. Matin
9. Dr. N. C. Samantsinhar
10. Pandit Dwarka Nath Tiwary
11. Kumari Mothey Vedakumari
12. Shri Ramji Verma
13. Dr. Shrimati Seeta Parmanand
14. Shri V. C. Kesava Rao
15. Shri Mulka Govinda Reddy
16. Shri Rajeshwar Prasad Narain Sinha

Shri A. K. Roy, *Comptroller & Auditor General of India.*

Shri G. Swaminathan—*Addl. Dy. Comptroller & Auditor  
General.*

Shri P. D. Seth—*Director of Audit, Defence Services.*

**SECRETARIAT**

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

**WITNESSES****Ministry of Defence**

Shri O. Pulla Reddi—*Secretary.*

Shri R. P. Sarathy—*Addl. Secretary.*

Shri J. S. Lall—*Joint Secretary.*

Shri S. D. Nargolwala—*Joint Secretary.*

Shri S. S. L. Kakkar—*Joint Secretary.*

Cdre. B. S. Baswan—*Chief of Material, Naval Headquarters.*

Air Cdre M. S. S. Chaturvedi—*Air Officer-in-Charge, Maintenance Air Headquarters.*

Air Cdre. H. N. Chatterjee—*Air Officer-in-Charge, Policy and Plans Air Headquarters.*

Lt. General R. K. Kochhar—*Quarter Master General, Army Headquarters.*

Maj. Gen. W. T. Wilson—*Director of Ordnance Services, Army Headquarters.*

**Ministry of Finance (Defence)**

Shri S. Jayasankar—*Financial Adviser.*

Shri Phul Chand—*Controller General, Defence Accounts.*

131. The Committee took up further consideration of the Appropriation Accounts (Defence Services), 1959-60 and Audit Report, 1961.

**Audit Report (Defence Services), 1961****Navy****Purchase of a defective dredger—Para 25. pages 22-23**

132. A dredger purchased at a cost of Rs. 35.51 lakhs from a foreign country was received in India in September, 1957. The vessel was approved by an English firm appointed as the Government's Naval Architects. The contract included a clause according to which the builders were required to guarantee the efficient working of the dredger and its machinery for a period of six months after being set to work in India, and make good at their expenses, any parts or defects in the vessel or its machinery attributable to faulty design, material or workmanship. During the trials in Bombay in September, 1957, the dredger was found to have unacceptable vibrations necessitating replacement of its propellers. Even before the

receipt of the new propellers, the Director of Naval Construction communicated a provisional acceptance of the dredger to the builders, in September, 1957. The new propellers were received and fitted to the dredger in December, 1957 and after trials on 9th and 10th December, 1957, the dredger was finally accepted by the Naval authorities on 10th December, 1957. In May, 1958 i.e., within six months of the final acceptance of the dredger, it was found to have gone seriously out of order and had to undergo major repairs lasting till September, 1959 and involving an expenditure of about Rs. 2 lakhs. The purchaser (the Director General, India Store Department) could not press a claim against the firm by involving the guarantee clause, as the Captain Superintendent, Dockyard, Bombay had already issued a certificate to the builders that the guarantee period had expired on 10th March, 1958 i.e. six months from the date of his provisional acceptance of the dredger.

133. The Board of Enquiry which was constituted in June, 1958 to investigate into the case made the observation that conditions that led to the damages had perhaps existed ever since the ship was taken over by the Navy, that the ship had been accepted without a proper examination of its boilers by the Engineer Officer, and further that no examination had been carried out to ascertain the state of the ship's machinery and the boiler before the expiry of the guarantee period. The Board also found that there had been faulty maintenance leading to excessive accumulation of oils and hard carbon deposits. The Officers responsible for the faulty maintenance were conveyed displeasure of the Chief of Naval Staff.

134. Explaining the circumstances for issuing a provisional acceptance of the dredger after trials in September, 1957, even though no provision for this existed in the contract, the representative of the Ministry of Defence stated that, as the dredger was required for urgent dredging work, it had to be accepted provisionally on the 11th September, 1957. The acceptance was subject to necessary changes being made to the propellers and other machinery by the builders as required to eliminate the unacceptable vibrations to the satisfaction of the Navy. The dredger could not have been set to work unless a provisional acceptance was issued. The builders fitted the vessel with new propellers at their cost, and it was finally accepted in December, 1957 after trials. The Comptroller and Auditor General referred to a letter from the Director General, India Store Department stating that, as the vessel had been provisionally accepted by the Navy on the 11th September, 1957, the builders did not agree to the guarantee period commencing from 10th December, 1957 on which date it was finally accepted. The representative of the Ministry of Defence stated that according to the

Legal Adviser to the D.G. I.S.D., the guarantee period of 6 months commenced from the date the dredger was set to work in India i.e. 11th September, 1957. The break-down that occurred in May, 1958 was thus after the expiry of the guarantee period. Even the Law Ministry to whom a reference was made on receipt of the legal opinion from the D.G.I.S.D. stated that the issue of the provisional certificate could not be said to have operated to the financial disadvantage of Government. Therefore, even if the vessel had been set to work without the issue of a provisional certificate, the effect would have been the same under the provisions of the contract.

135. Referring to the finding of the Board of Enquiry that the conditions that led to the damage to boiler had perhaps existed ever since the ship was taken over by the Navy, the representative of the Ministry of Defence stated that the finding of the Board had not been accepted by the Naval Headquarters and the Ministry of Defence. The Naval Headquarters came to the conclusion that the damage to the furnaces of the dredger was attributable to lack of proper maintenance by the Navy and not to any structural defects. For the lapses in maintenance, three officers were conveyed with the Chief of Naval Staff's displeasure and a sailor was reprimanded. The Naval Headquarters felt that sufficient evidence did not exist to secure conviction of the officers concerned in a Court Martial.

*Acquisition of a mine sweeper—Para 27, pp. 24-25*

136. A newly constructed mine sweeper acquired from the United Kingdom Government at a cost of about Rs. 48 lakhs started on her maiden voyage to India in August, 1955. On the 9th October, when the ship was nearing the harbour, the star board engine suffered a major break down. A Board of Enquiry convened in the same month to investigate into the case was unable to come to a definite conclusion as to the cause of the damage to the engine. The contractual responsibility of the builders in respect of the defects of this nature coming to notice in a maiden voyage was not, however, known either to the Government of India or to the Naval Adviser in the U.K. On a reference to the U.K. Admiralty in January, 1957 it became known that the guarantee period of 12 months expired after a year of the basin trial which had been carried out on the vessel long before the maiden voyage was completed. The engine was shipped to the makers, on opening which they found that a number of parts had been removed prior to the shipment without the knowledge of Government. This prevented the makers from determining the cause of damage to the engine. The cost of the repairs when completed was found to be Rs. 85,384 against the estimate of Rs. 30,000.

137. Referring to the expiry of the guarantee period long before, the completion of maiden voyage of the mine sweeper, the Committee enquired of the Financial Adviser if the Ministry of Finance were satisfied with the purchase procedure adopted in this case. The Financial Adviser stated that the mine sweeper was purchased through the U.K. Admiralty; there were no direct contractual dealings with the makers. According to an arrangement, the Admiralty had agreed to place orders for ships required by the Indian Navy in the same manner as for the Royal Navy. The expenditure in regard to such transactions was also subject to the U.K. Audit as in the case of the Admiralty. Such transactions were on a Government to Government basis, and the Admiralty exercised the necessary checks in the procurement action.

138. As regards the question of responsibility for the damage to the engine, the Committee were informed that this could not be fixed as the Board of Enquiry appointed to investigate into the matter could not come to any definite conclusion as to the cause of the damage. On his attention being drawn to the observation of the Board of Enquiry that the stoker mechanics borne on the vessel had inadequate training, the representative of the Naval Headquarters stated that before being posted to new ships the Indian Naval Personnel were usually attached to the Admiralty ships having similar engines; in the present case also a detachment of sailors was sent to the Admiralty for training. Courses of training in internal combustion engines had since been introduced in India in order to equip the personnel put in-charge of such engines with adequate know-how. To a question how a number of parts of the engine were removed before its shipment to the U.K. for repairs, the Defence Secretary replied that those parts had been removed and used in repairing other engines already in service.

*Equipment lying idle—Para 28, page 25*

Sub-para (a) 139. In December, 1954, Government sanctioned the construction of two vessels of a particular type at a total cost of Rs. 82 lakhs. Machinery and equipment for the vessel were to be purchased from the United Kingdom and the hulls were to be built in India. Machinery and equipment worth about Rs. 17 lakhs were indented for in January, 1955 and received in 1957. They had been lying in stock since then as a contract for the building of the hulls had not been placed (September, 1960).

140. The Committee were informed that an order for construction of the two vessels was placed on the 12th November, 1960 with the

Mazagaon Docks which had been recently taken over by Government. The machinery and equipment were in good condition and would be utilised without any loss to Government.

*Sub-para (b) 141.* Certain equipment was imported from the U.K. partly in 1955 and partly in 1958 at a cost of £31,000 (Rs. 4,13,333). It had been lying idle in stock since receipt, as the Naval authorities had not finalised their plan for fitting the equipment (December, 1960).

142. The Committee were informed that it had been originally planned to instal the equipment on an island near a Port, but the Port Trust Authorities concerned did not approve this proposal. Consequently another site was chosen. Now another site was considered a better choice where the equipment might be installed. According to Audit, similar equipment costing about Rs. 3.24 lakhs imported from U.K. earlier was also lying idle. In extenuation, it was stated by the representative of the Naval Headquarters that that equipment which was ordered in 1951 was also required for the same purpose but it could not be utilised due to the non-availability of the site considered more suitable. The equipment was in good condition and would be fully utilised.

*Absence of control over production costs in the Naval Dock Yard—  
Para 29, pp. 25-26*

143. In paragraph 52 of the Audit Report, 1952, comments were made on the non-preparation of estimates in respect of jobs executed in the Naval Dockyard and consequent absence of control over production costs. (The preparation of estimates in respect of repair & refit works had been dispensed with in 1942 for the duration of the war). In para 63 of their Ninth Report (First Lok Sabha) the Public Accounts Committee while expressing the view that absence of estimates provided opportunities for all kinds of mistakes recommended that Government should take steps to train sufficient manpower in cost accounting and estimating work. They were informed by the Ministry of Defence in July, 1953 that the Captain Superintendent of the Dockyard was building up data for the preparation of correct estimates and that a "Library of Costs" based on the statistics of the past expenditure was being compiled. A Statistical Section was also formed in the Dockyard in 1954 to collect data regarding past actual expenditure. But in May, 1960, the Ministry of Defence informed Audit that the question of preparation of estimates in respect of repair jobs was to be referred to a Technical Committee, the appointment of which was under the consideration of Government.

144. The Committee enquired about the action taken on their recommendation regarding the preparation of estimates for the jobs executed by the Naval Dockyard. It was stated by the Secretary, Ministry of Defence that cost of the jobs was being pre-estimated since 1953 for works of additions and alterations in ships and jobs undertaken for private bodies. This system could not be extended to the repair and refit of ships for lack of experienced staff. At one time it was proposed to refer this matter to a Technical Committee appointed in pursuance of the recommendations of the Estimates Committee made in their 8th Report, but subsequently it was decided not to do so considering that this question was not relevant to the specific purpose envisaged by the Estimates Committee. It was urged by the representative of the Naval Headquarters that it was difficult to pre-estimate refit and repair works with reference to the defect list with any degree of accuracy so as to approximate to the work actually required to be done which could be known only after stripping the machinery. Government had come to the conclusion that a properly organised estimating section would be necessary for making some kind of pre-estimating on the basis of the library of past costs in respect of similar repair and refit work. In reply to a question the witness stated that the Statistical Section set up in 1954 was engaged on pre-estimating works other than repair and refit works. Audit informed the Committee that out of the total expenditure of Rs. 15.05 crores during the period 1950-59, no detailed estimates were prepared in respect of expenditure of Rs. 14.77 crores. When the Committee expressed concern that the recommendation made by them in 1953 had not been implemented, they were assured by the Defence Secretary that action could not be taken in this behalf because of unforeseen difficulties; he added that the setting up of an organisation for pre-estimating work was receiving attention.

#### Air Force

*Infraction: expenditure on uncompleted overhaul of aircraft—  
Para 32—p. 27*

145. Nine aircraft, of a certain type, were sent to Hindustan Aircraft Ltd. between October, 1955 and October, 1958 for overhaul. In November, 1958, while the overhaul work was in progress, the Air Headquarters issued orders for the reduction of five of these aircraft to spares. The remaining four aircraft were also ordered to be reduced to spares, in May, 1959. An expenditure of Rs. 2.21 lakhs incurred on the partial overhaul of the nine aircraft up to 1959 thus became infructuous.

146. The witness stated that the aircraft in question were from the war-time stock and had been reconditioned for use. Eight of the aircraft had been sent to the Hindustan Aircraft Limited during the period October, 1955 and October, 1958 for normal overhaul and one for cannibalisation. Following some accidents involving this type of aircraft, a Board of Survey was set up by the Air Headquarters in September, 1957 to test the performance of all such aircraft and recommend which of them should be retained in service. At the time of the survey the 8 aircraft with the HAL were in different stages of overhaul. In the light of the report of the Board, it was decided to reduce the aircraft to spares which were needed for servicing other aircraft still in service and which were not available even in the country of their origin. Asked whether it was not possible to avoid expenditure on the overhaul, the representative of the Air Headquarters replied in the negative, for the accidents took place when the aircraft were under various stages of repairs in the HAL. The Committee desired to be furnished with a note stating the dates of the accidents, the appointment of the Board of Survey and of the submission of the Board's report.

*Infructuous expenditure on a Launch—Para 33—Page 27*

147. A Twin Screw Launch fitted with marine diesel engines, was purchased in 1953 by the Air Force at a cost of £14,935 (Rs. 1,99,000) for use at a particular station for air-sea rescue work. But ever since the receipt of the launch, it could be used for a total period of about 238 hours upto August, 1960. It was found that the launch was not capable of operating in shallow waters due to the propellers being fitted lower than the keel, which made it a hazard to take it out on a coast full of submerged rocks just below water level. Nor was the launch seaworthy to be used in the open sea. In May, 1959, the Air Force authorities recommended the disposal of the launch on the ground that because of its operational limitations, it would not serve any useful purpose for air-sea rescue work anywhere.

148. The Committee were informed that the launch in question was the best among those available for purchase in 1953. It was kept in readiness at Jamnagar from 1953 for air-sea rescue work but no occasion actually arose for using it for rescue work. For want of certain necessary spares the vessel was not sea-worthy for two years. It was later moved to Porbandar for use in the Porbandar-Dwarka range. The presence of the launch helped to keep the morale of pilots high against any risk of accident. The Comptroller and Auditor-General referred to a report that the launch had not been used for the purpose intended ever since its receipt because of its

operational limitations. It was stated by the representative of the Air Headquarters that the report was submitted by the commander concerned at the time of formation of the Porbandar-Dwarka range in connection with a proposal for the purchase of another air-sea rescue craft, as the existing one could not sail 40 miles into the sea. On his attention being drawn to the minutes of a meeting held on the 25th June, 1959, where it was agreed that the launch could not serve any useful purpose for air-sea rescue work anywhere and that it should be handed over to the Navy, the witness stated that this meeting was also held in connection with the purchase of a new launch. The whole position was subsequently reviewed by another committee which submitted its report on 27th October, 1960. The launch would continue to be in use till a better type of craft was available. The launch was being used for the same purpose by the Royal Air Force before its purchase by India.

*Irregular payments of Daily Allowance—Para 34, pp. 27-28*

149. In March, 1955, Controller of Defence Accounts (Air Force) noticed certain over payments of daily allowance made by a Unit in 1954-55, to a large number of Air Force Officers, and asked the Unit to recover the overpayments from the officers concerned. The total overpayment was about Rs. 28,600. While the Unit forthwith took steps to disallow similar claims of daily allowances, it did not take any steps to recover the overpayments. The case was reported to the Air Headquarters in May, 1956, who decided in January, 1957, that the amounts in question should be recovered as the payments were not covered by any existing rule. But soon afterwards, in June, 1957, the Air Headquarters ordered the recoveries to be withheld pending a final decision.

150. Explaining the latest position of the case, the representative of the Ministry of Defence stated that Government issued orders on the 12th September, 1961 waiving the recovery of the overpayments. As regards the delay in arriving at the final decision, it was stated that the Air Headquarters were awaiting a decision on the general case taken up by the Army Headquarters, but which did not get through. The case was thereafter taken up by the Air Headquarters in May, 1960. Audit referred to an earlier recommendation of the Public Accounts Committee that every payment of money to a public servant was and must be regarded as a debt owed to the public and all possible action should be taken to recover it with dispatch. The Secretary, Ministry of Defence stated that, in the present case Government had decided to waive the recovery of overpayment as a special case after thorough examination. Suitable remedial action

had been taken to guard against cases of non-recovery of overpayments brought to notice by the Accounts authorities. Asked to explain the special nature of the case warranting the waiver of recoveries, the representative of the Air Headquarters stated that the officers concerned would have been put to hardship, as they had received the payments 5-6 years before.

*Unnecessary purchase of stores—Para 35, p. 28*

151. Two indents for 56 numbers of an equipment were placed in March and September, 1956, and a contract for the supply was concluded on the 11th February, 1957 at a cost of £7,651. Meanwhile, in January, 1957, it was decided to replace this equipment by another and on the 20th February, 1957 and indent for 54 numbers of the latter was also placed. On the 23rd August, 1957 an attempt was made to cancel the contract for the original equipment but in view of a sum of £500 being demanded by the contractors as compensation for the cancellation of the contract, it was allowed to stand.

152. The Committee were informed that a proposal to cancel the order for the original equipment was made under a misapprehension that it could not be used with a new type of aircraft brought into service. But it was subsequently found that the equipment was suitable for such aircraft also. Audit pointed out that 87 numbers of the original equipment were subsequently ordered in August 1957, of which 56 numbers were again proposed for cancellation in March, 1958. The representative of the Air Headquarters stated that it was originally considered that the number of equipment ordered would be in excess of the requirement but on a re-assessment of the requirement it was found that there would be no surplus. Actually there was a deficiency of the equipment at present. Audit pointed out that the relevant papers connected with the fixation of scales etc. had not been made available for scrutiny.

*Purchase of a Crash Barrier—Para 36—p. 28*

153. In March, 1957, Government sanctioned the purchase of one set of Crash Barriers with maintenance spares, for use at a particular air-field, to minimise risks of damage to aircraft, due to failures or overshoots at take-off or landing. The purchase was considered to be urgent and a contract was placed in June, 1957, for a set of Crash Barriers, for £9036-11-1 (Rs. 1,20,487). The set was received at the airfield in October, 1958, but because of its peculiar design and other technical difficulties it had not been possible to utilise the set at that air-field.

154. The Committee asked whether the Crash Barrier had since been put to use. It was stated by the representative of the Ministry of Defence that the set of Crash Barriers was being used and a further order for 9 more sets had been placed.

*Loss due to fire in a Wireless Transmitting Station—Para 40—pp. 31—33*

155. A fire broke out on the night of 29th/30th October, 1958 in an Air Force Signal Station causing damage to the buildings and equipment. A court of inquiry convened on 31st October, 1958, under the orders of the Air Headquarters, assessed the loss at Rs. 12,67,290 out of which Rs. 10,78,248 represented the value of 63 wireless transmitters and Rs. 1,88,132 the value of buildings, fixtures and furniture. The court in its report dated 18th December, 1958 attributed the fire to intense prolonged sparking in the worn out weather proof electric cable and held the Military Engineer Services responsible for the fire due to failure to observe certain safeguards. The Engineer-in-Chief's Branch did not accept the conclusions of the Court that the Military Engineers Service was responsible for the accident. A special committee under the Chairmanship of a Joint Secretary of the Ministry of Defence appointed on the 30th June, 1959 suggested on the available evidence that the fire was possibly caused by short circuit in the electrical installations though they also considered that sabotage or wilful arson as a possible cause of the fire could not be ruled out. Since the cause of the fire could not be precisely ascertained the Committee could not fix responsibility unreservedly on anyone. They, however, held the Military Engineer Services and the user service responsible for various lapses. The report of the Committee was considered by the Defence Minister's Inter-Services Committee which came to the conclusion that the building, wiring and other fittings were defective in many respects and that there were some omissions and defects in the day to day supervision of this building and its fittings by the Services concerned. Government had since sanctioned the purchase of 37 wireless transmitters at a total cost of Rs. 59,24,350 to replace those lost by the fire.

156. The Committee enquired about the disciplinary action taken in this case. The representative of the Ministry of Defence stated that the two officers who were found responsible for lack of attention had been warned by the Chief of the Air Staff. One of the officers was found responsible for drafting a civilian lady for training as a telephone operator and the other for not showing adequate initiative and leadership on the day of the fire. Necessary instructions had also been issued to the Services concerned to prevent recurrence of

the defects in maintenance noticed in this case. Asked whether mere communication of warning to the officers was an adequate punishment, the Defence Secretary stated that the officers concerned were responsible for only ordinary lapses; the actual cause of the fire could not be determined.

### **Master General of Ordnance Branch**

#### *Downgradation of vehicle due to improper maintenance—Para 7—pp. 9-10.*

157. On an examination of 2,623 vehicles in a Central Ordnance Depot, a Board of technical officers constituted in June, 1957 found that 2,280 vehicles had to be downgraded to class V, i.e., reparable necessitating major overhaul, 159 to class VI i.e., beyond economical repairs. The Board observed that no proper pre-storage maintenance had been carried out on the vehicles as required under Regulations, and that even though the Vehicles Maintenance Record Cards showed that periodical maintenance had been completed, yet physical inspection of the vehicles by the Board revealed that this had not been done. About 50 per cent. of the vehicles were neither jacked up nor were their tyres inflated thereby damaging about 1,300 tyres. Some petrol tanks were found full of water, most of the vehicles had rusty petrol tanks bodies, road-springs, shock absorbers and rings. Even nests of birds with eggs laid in them were found on engines and battery cradles. No action had been taken to fix responsibility for the faulty maintenance pointed out by the Board and no loss statement had been prepared.

158. The Committee were informed that the deterioration of vehicles in this case took place mainly due to their normal ageing and storage in the open for about eight years, being exposed to the inclemencies of weather, due to lack of covered accommodation in the depot. As for the observation of the Board regarding lack of proper maintenance, it was urged that the fact that most of the vehicles which were in repairable condition in 1949 continued to be in that condition upto 1957 indicated that maintenance to the extent possible had been done. There was, therefore, no question of fixing responsibility on any particular individual. The loss on account of the down-gradation of the vehicles from class III/IV to class VI was proposed to be written off.

159. The Committee were assured that the provision of covered storage accommodation in the depot was proceeding gradually, and a number of vehicles at present lying in the open would be brought under cover by the end of the year. All the 'A' vehicles had already

been provided covered accommodation. To a question whether the observation of the Board regarding lack of proper maintenance had been examined, no specific reply was given.

*Crane lying idle in stock—Para 9—pp. 10-11*

160. A crane of ten ton capacity was purchased by the Master General of Ordnance in 1954, at a cost of Rs. 1.05 lakhs. It was lying unused at an Ordnance Depot, till September, 1955. Later it was despatched to a Central Ordnance Depot where it had not been installed and put to use (September, 1960).

161. The Committee were informed that at the time of ordering the crane, the lay-out of the depot, i.e., width of the roads, was not taken into consideration. The crane was first put to use in January 1958 but it was put out of commission owing to difficulty in using the roads in the depot. After constructing a track, the depot authorities had started using it towards the end of December, 1960.

**Quarter Master General's Branch**

*Delay in rent recovery—Para 12—p. 12*

162. Upto April, 1952, the rent for Government buildings let out to private parties used to be calculated on the capital cost exclusive of the departmental charges for establishment, tools and plants, etc. In April, 1952, by an amendment to the rules, it was prescribed that full departmental charges should be taken into account for the purpose of arriving at the capital cost of such buildings. Re-assessment of rent under the revised rules was not made in most of the garrisons in one Command until 1958 and as a result, an amount of Rs. 1.53 lakhs was outstanding for recovery on 30th November, 1958 representing the difference between the revised rents from April, 1952 and the rents already recovered.

163. It was urged before the Committee that the amendment to the rules had been circulated in 1952 by the Manager of Publications in the form of a correction slip. In the Command in question, the authorities concerned denied having received the correction slips. The unit accountants attached to the garrisons concerned, who had not been supplied with separate copies of the rules and who had to depend on the volumes kept by the garrison engineers, had also no knowledge about the amendment. The receipt of the correction slips circulated by the Controller of Defence Accounts to the various Inspection Officers in the Command could also not be traced except in two cases. Later, when the amendment came to notice, action was taken to reassess the rent under the revised rules. Out of the total

amount of Rs. 1,53,000 outstanding as on 30th November, 1958 a sum of Rs. 89,000 had been recovered by the end of September 1961. As some of the private parties affected had already vacated the accommodation, it might not be possible to effect recoveries from them.

164. By way of remedial measures instructions had been issued on the 26th September, 1961, that Government decisions having financial implications or modifying the basic regulations should be published in Service Instructions or Service Orders. Asked if any inquiry was made to ascertain whether the correction slip was not in fact received in the office of the Chief Engineer concerned, the Secretary, Ministry of Defence stated that although according to the Manager of Publications, the correction slips were circulated to all the then existing units and formations he was unable to confirm this due to lapse of time, no acknowledgements having been asked from the addressees.

*Irregular retention of Government accommodation—Para 13, pp. 12-13*

165. A Junior Commissioned Officer transferred in November, 1955 to a station which was not an operational area, applied for permission to retain his quarter at his old station on the ground that he was proceeding to an operational area. This misrepresentation of facts was endorsed by his Commanding Officer while forwarding the application. The mistake came to light in June, 1956, but even then no action was taken against him for pre-variation or to get the quarter vacated or rent realised at market rate, as required by the rules. The first action to realise rent at market rate was taken in September 1958. The officer continued to retain the quarter and he was reposted to his old station in December, 1959. The rent recoverable from November, 1955 to December, 1959 was Rs. 13,433 out of which only Rs. 5,563 was recovered till June 1960. Thereafter further recovery of the arrears was suspended under the orders of Government on the ground that it was causing financial hardship to the officer. It was mentioned before the Committee that the Officer Commanding who endorsed the misrepresentation of facts by the JCO, has been conveyed severe displeasure of the Army Commander. Under an order issued in November, 1961 it was decided to charge 50 per cent. of market rent plus water charges from the JCO. It was not possible to take administrative action against the JCO before he retired on 23rd July, 1961. According to Audit the Ministry of Defence had explained in extenuation that even if action had been initiated against the JCO while he was in service, dismissal or premature termination of service would have been too drastic a punishment and the only punishment could have been a censure; and such a punishment was

pointless because it could only affect future promotions for the officer. In reply to a question, the Secretary, Ministry of Defence replied that he was not satisfied with the handling of the case.

*Uneconomic acquisition of land—Para 10—p. 11*

166. In November, 1959, Government sanctioned the acquisition of 770 acres of land at a station, at a cost of Rs. 7.02 lakhs. This land had been originally requisitioned in 1941, and had ever since been in occupation of the Army Authorities, on an annual rent of Rs. 2,920. According to Audit there was no compelling necessity for acquiring the land and it was not clear why the *status quo* could not have been continued, as the life of the "Requisitioning and Acquisition of Immovable Property Act", under which this land was requisitioned, extended upto 1964.

167. The Committee were informed that the land had been actually acquired at a cost of Rs. 1.4 lakhs, much below the market price. The original sanction of Rs. 7.02 lakhs issued in November, 1959 was based on the estimate given by the Collector and was subject to variation in accordance with the final award of the Collector. In justification of the delay in the acquisition of land, it was stated that in some cases, attempt to acquire land at below market rates took some time.

*Avoidable expenditure incurred on storage of petrol and aviation fuel—Para 11—pp. 11-12*

168. In 1956, Government decided to utilise two existing bulk storage tanks of petrol for holding reserve stocks of aviation fuel. Accordingly, the two tanks were emptied during January and June, 1957 of their contents and an approximate amount of Rs. 1,90,500 was paid to three Oil Companies to whom the stocks were handed over for storage as storage and handling charges. In June, 1957, aviation fuel costing about Rs. 18.40 lakhs was purchased and stored in one of the tanks without examining the suitability of the tank for its storage. The fuel got contaminated in the tank within a short period. In September, 1957, it was found that the tank was unsuitable for storage of aviation fuel, and that the stock of fuel would become unfit for use if it continued to be stored in the tank. The filled tank, was, therefore, emptied of its contents by April, 1958 and the stock of aviation fuel handed over to one Oil Company for storage. In August, 1958, modifications were carried out in the two tanks to make them suitable for storage of aviation fuel at a cost of Rs. 62,000. According to Audit the entire expenditure totalling over Rs. 2,52,000 incurred in emptying the two tanks of ordinary petrol,

storage and handling charges paid to the Oil Companies, and refitting them for storage of aviation fuel should be regarded as infructuous. Further, the non-utilisation of the Defence stocks of aviation fuel had resulted in locking up of Government funds to the extent of Rs. 18.4 lakhs. Fresh purchases of aviation fuel continued to be made from the oil company.

169. The Committee were informed that in 1956, Government had decided to reduce the reserve stock of petrol in view of increasing indigenous production and to increase the reserves of aviation fuel which used to be imported. The two bulk storage tanks which were emptied and utilised for storage of aviation fuel were due for normal cleaning in June, 1957 and September, 1956, respectively. In view of this, it was urged, the expenditure incurred on the cleaning and overhaul of the tanks (*i.e.*, Rs. 2,270 according to Audit) was not infructuous. In June, 1957, when one of the tanks was filled with aviation turbine fuel, it was fit for that purpose under the then existing specifications. But subsequently on periodical tests, some sulphate deposit was detected, and the tank was not considered fit for long storage of aviation fuel, the specifications of which had been upgraded. It was accordingly decided to hand over the reserve stock to a private oil company to be returned to the Defence Services as soon as required. When Audit pointed out that the technical Development Establishment had stated in October, 1956, that the tanks were unsuitable for long storage of fuel, the representative of the Ministry of Defence denied having knowledge of this. He added that according to the oil companies which were consulted at that time, the tanks were fit for the storage of aviation fuel. The representative of the Ministry of Defence also denied the statement contained in the Audit para that the aviation fuel stored in the tank had contaminated. The stock was actually taken over by the private oil company as on specification under a liability to return it as immediately on demand. So there was no loss to Government on this account

170. The Committee were informed that the tanks as modified had been leased to the Indian Oil Company (a Government company) from the 18th May, 1960. The expenditure incurred on the modifications of the tanks had been included in their capital cost and had been taken into account while assessing the hire charges recoverable from the Indian Oil Company. It was proposed to sell the tanks ultimately to the Company, after the price of the land on which they stood had been settled with the local authorities concerned. In view of this, it was urged, there would be no loss to Government on account of the modifications carried out in the tanks. Asked whether any checks

were being made to ensure that the private oil companies were keeping the requisite reserve for the Defence Services, the representative of the Ministry of Defence stated that no inspection of stocks with the companies was being done, as they also held large quantities for other civilian users, such as Indian Air Lines Corporation and Air India International. Some surprise checks were, however, recently made through the Ministry of Steel, Mines and Fuel who were satisfied about the position. The Committee were assured that the policy regarding the keeping of fuel reserves for the Defence Services with the private companies was kept under constant review. The Ministry of Steel, Mines and Fuel exercised a careful check in the matter. To a question whether the two tanks leased to the Indian Oil Company were actually being used for the storage of aviation fuel, the witness replied that according to the agreement with the Company, it was required to maintain a certain stock of aviation turbine fuel on behalf of the Defence Services in one of the tanks, while the other tank would be used for storage of its own fuel. The Company was gradually building up stocks.

171. Before the Committee adjourned, the Chairman thanked the witnesses. The Committee then adjourned *sine die*.

**Proceedings of the 44th sitting of the Public Accounts Committee  
held on the 26th March, 1962.**

172. The Committee sat from 15·00 to 17·00 hrs.

PRESENT

Shri C. R. Pattabhi Raman—*Chairman*

MEMBERS

2. Shri Aurobindo Ghosal
3. Shri Purushottamdas R. Patel
4. Shri K. K. Warior
5. Dr. Shrimati Seeta Parmanand
6. Shri Lalji Pendse
7. Shri Rajeshwar Prasad Narain Sinha
8. Shri Jai Narain Vyas

Shri G. Swaminathan—*Addl. Deputy Comptroller & Auditor  
General.*

Shri P. D. Seth—*Director of Audit, Defence Services.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

173. The Committee took up consideration of their draft Forty-third Report on the Appropriation Accounts (Defence Services) 1959-60 and Audit Report, 1961 and approved it, subject to some modifications and additions.

174. The Committee authorised the Chairman to present the Report to Lok Sabha on their behalf.

They also authorised Shri R. P. N. Sinha/Jai Narain Vyas to lay a copy of the Report on the Table of Rajya Sabha.

175. Before the Committee adjourned, the Chairman and some Members of the Committee made appreciative references to the assistance rendered to them by the C & A.G. and the Lok Sabha Secretariat in their work.

176. The Committee then adjourned *sine die*.

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**APPENDICES**

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## APPENDIX I

### MINISTRY OF DEFENCE

#### D (AIR. I)

Information desired by the Public Accounts Committee at their sitting held from 8th to 10th January 1962 regarding para 32 (Infructuous expenditure on uncompleted, overhaul of aircraft) Audit Report (Defence Services) 1961.

*Question 1*—On what dates did the accidents involving the aircraft take place which led to the decisions to have the aircraft undergoing overhaul in the HAL reduced to spares:

*Answer*—The following aircraft were involved in flying accidents on the dates shown against them:—

Aircraft S. No.*	Date of accident
(i) (FATAL)	5th July 1955
(ii) (Completely wrecked)	5th February 1958

In addition to the above, there were six other minor accidents the details of which are given below:—

Aircraft No.*	Date of Accident	Nature of Accident
(i)	17-11-1955	Severe vibration on No. 2 engine.
(ii)	7-10-1955	Vibration on No. 3 engine.
(iii)	3-3-1956	Severe vibration on No. 2 engine.
(iv)	7-3-1956	Vibrations on No. 1 engine.
(v)	12-10-1957	No. 1 engine vibration and power surge.
(vi)	29-12-1957	Strange noise was coming all along with severe vibrations in the tail unit.

\*Aircraft Nos. have been omitted.

**Question II.** On what date was the Board of Survey appointed and when did it make a report?

**Answer**—Orders regarding the setting up of a Board for surveying all the aircraft for determining their flying characteristics and their airworthiness were issued on 16th September 1957. The Board submitted its report on 26th September 1957.

The Director of Audit Defence Services has seen.

Joint Secretary (A)

13 March, 1962.

## APPENDIX II

### *Summary of main Conclusions/Recommendations*

Serial No.	Para No.	Ministries/ Departments concerned	Conclusions/Recommendations
1	2	3	4
1	3(Intro)	Defence	<p>(i) The working of the Ordnance Factories in certain respects has still not been found to be satisfactory. The Committee noted considerable delay in completion of work orders or 'warrants' placed on the factories, which according to the prescribed procedure are normally to be closed within a period of three months. Certain 'Warrants' which were opened during and prior to 1953-54 remained uncompleted on the 31st March, 1959. The total value of semi-finished articles produced as per the 'warrants' outstanding as on 31st March, 1960 was Rs. 10.48 crores. The need for better planning and periodic review of outstanding orders in the Ordnance Factories has been repeatedly pointed out by the earlier Committees. It is regrettable that the position continues to be very much the same.</p> <p>(ii) Rejections in a particular Ordnance Factory have continued to be heavy for about 12 years. The Committees of 1953-54 and 1959-60 had expressed their concern over heavy rejections in the Factory. The Director General, Ordnance Factories has apparently failed to assess all the causes for heavy rejections during the last several years and take remedial measures.</p> <p>(iii) The financial results of the working of the Machine Tool-<i>cum</i>-Prototype</p>

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Factory, Ambarnath are disappointing. It was urged before the Committee that the factory had been originally planned for designing prototypes, and the machine tool production was a subsidiary function of the factory. Accordingly, certain fixed and variable charges could not be absorbed in the machine tool production. In the opinion of the Committee if the factory is to run as an economic unit, it is time Government take a firm decision regarding its precise role in the manufacture of machine tools required by the country and ensure that the factory works upto that target. Without concerted efforts, the high overheads would tend to stifle production.

(iv) There were also set-backs in the Ordnance Factories, which resulted in failure to achieve the indigenous content and foreign exchange saving targets envisaged.

2	4(Intro)	<u>Defence</u> Rehabilitation	The Committee desire that the further information required from the Ministries of Rehabilitation and Defence arising from the case referred to in para 57 of Audit Report 1960, should be submitted without further delay.
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3	5	<u>Defence</u> Finance Defence	While the Committee note that the overall percentage of savings under voted grants during the year under report indicates an improvement over the previous year, they feel that closer liaison with the supplying Department will lead to a higher standard of budgeting and reduce the gap between the estimates and the actual expenditure. The Committee would in this connection reiterate their recommendation in paras 6 and 4 of the Sixth and Thirty-fifth Reports (Second Lok Sabha), respectively.
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Government should also exercise utmost care at the time of obtaining

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supplementary grants so that Parliament is not asked to vote for additional supplies which may not be actually needed.

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Defence

The normal rate fixed in 1945 for hire of a car was 94 nP. per mile almost double the current taxi fare. Apparently the rates of hire were fixed in the light of the then prevailing costs and it is not clear to the Committee why the Ministry are averse to revise the rates in relation to the present day cost of maintenance. In any case the Committee deplore the inordinate delay in coming to a final decision in the matter, in spite of the suggestion made from time to time by the Ministry of Finance (Defence) for revision of the hire rates since 1947. They would urge that there should be a quick decision on this matter.

5 10

Defence j].

(i) It is for Government to decide as a matter of policy what concessions should be extended to the Canteen Stores Department in operational areas. In the present case, however, it is not clear to the Committee whether free transport facilities were provided to the Canteen Stores Department in Jammu and Kashmir on consideration of security or long road haulage. As the Canteen Stores Department is being run on commercial lines, the Committee consider, that it should legitimately have its share of transport charges. In their opinion, to provide such concessions will amount to a grant of a concealed subsidy which lacks justification.

(ii) The Committee desire that a decision on the question of the future status of the Canteen Stores Department which has been pending for years should be finalised early.

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Defence

The Committee consider that the case referred to in paras 11 and 12 of the

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Report (regarding illegal discharge of Havaldar Clerks), reflects on the working of the Record Offices and the Adjutant General's Branch. There was also unconscionable delay on the part of the Ministry in coming to a decision. The explanation given does not mitigate the failure of the Officers concerned at the various stages of the case. The Committee desire that necessary instructions should be issued to prevent recurrence of such cases.

7 15

Defence .

(i) The Committee regret to find that there had been grave lapses in the proper pre-storage maintenance of vehicles according to the findings of the Board of Enquiry ; needless to state that the existing regulations had not been observed. They are perturbed to learn that the records about the periodical maintenance of the vehicles are not reliable. They strongly urge that serious attention should be paid to the maintenance of the vehicles and the shortcomings pointed out by the Board of Enquiry should be removed, both from the point of view of operational efficiency and the financial stakes involved. The Committee would like to know the action taken on the observations of the Board.

(ii) As regards the paucity of covered accommodation, the Committee have already in their previous Reports impressed upon the Ministry the need for increasing the provision of such accommodation in the ordnance Depots where the stores are lying in the open. The Committee trust that the Ministry of Defence are on schedule in the building of covered storage accommodation.

8 16

Defence .

The Committee suggest that the Ministry might consider the desirability of sinking tubewells in the depot to tide over the scarcity of water.

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9	18	Defence	The Committee regret to observe that the case referred to in paras 17 and 18 of the Report indicates lack of foresight and proper planning. There was also delay of several years in utilising the crane.
10	20	Do.	The Committee do not see why the Ministry had chosen to be so mild to the Junior Commissioned Officer who misrepresented facts and the Commander who acquiesced in them. They desire that in such cases where officers are found guilty of culpable misconduct, Government should mete out deterrent punishment.
11	22	Do.	(i) The Committee were given to understand by Audit that the Technical Development Establishment had pointed out in October, 1956 itself, the likelihood of the fuel developing corrosivity if stored for a long period in these tanks. (The representative of the Ministry of Defence denied having knowledge of this.) If so, the Committee feel that filling of one of the tanks with aviation fuel was ill-conceived. The Committee do not understand why the advice of the Technical Development Establishment was not heeded.
23		Do.	(ii) The Committee do not understand why after modification of the tanks in August, 1958, the Ministry of Defence did not withdraw their reserve stock of aviation fuel from the private oil company and store it in the modified tanks. They would like to know how the tanks were being used after the modification till they were leased to the Indian Oil Company in May, 1960.
12	25	Do.	The Committee feel that the possibility of converting the weighbridge for wagons for dual purpose should have been

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considered carefully before making the purchase. Even after the purchase had been made, all the weighbridges need not have been kept unutilised pending the result of experiments to make them suitable for the dual purpose of weighing lorries and Railway wagons ; one of the weighbridges could have been used for these experiments while the others could have been utilised without delay for weighing of Railway wagons in which 95 percent of the goods were carried.

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Defence . It was urged before the Committee of 1959-60 that the heavy rejections in the Ordnance Factory were mainly due to non-availability of proper quality of sand in the country. In reply to a question, the present Committee were informed that the problem of sand had been satisfactorily solved. The Committee are concerned that even when the requisite quality of sand is assured, the percentage of rejections continues to be very high. Apparently, the Director General of Ordnance Factories had failed to assess all the causes for the heavy rejections during the last several years. The Committee desire that greater attention should be paid to this matter. They would like to know as shortly as possible the steps taken to reduce the percentage of rejections;

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Do. . (i) The Committee desired to be furnished with a detailed break-up of the value of semi-finished stores in the Ordnance factories which is still awaited. In the absence of the information, the Committee are handicapped in formulating their conclusions.

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Do. . (ii) The need for better planning and periodic review of the outstanding orders in the Ordnance factories has been repeatedly pointed out by the earlier Committees. They were assured

that with the reorganisation of the ordnance factories on the recommendations of the Baldev Singh Committee in 1957, the factories would give a better account of themselves. The Committee regret to find that the position continues to be almost the same. Accumulation of the semi-finished articles over a number of years tends to show that these are still being manufactured in an unplanned and uncoordinated manner. There is every risk of their being rendered obsolete and surplus involving Government in heavy losses. The Committee are concerned at the large accumulation of semi-finished articles (Rs. 10.48 crores at the end of 1959-60) and would stress the imperative need for review of the outstanding warrants.

15 39

Defence . (i) The financial results of the working of the Machine Tool-cum-Prototype Factory, Ambarnath are far from satisfactory. Even if it were conceded that machine tool production is a subsidiary function of the Factory (as urged by the D.G.O.F. ) and some allowance is made for the fact that the Factory had to abandon production/development of a few types of machine tools on the recommendation of the Machine Tool Committee, the performance of the Factory has been disappointing. In para 93 of their 17th Report (Second Lok Sabha) the Committee of 1958-59 had expressed concern over the shortfall in production of machine tools by this factory. The Committee were given to understand through a note in September, 1959 that negotiations were under way for purchase of designs of machine tools from foreign manufacturers. Again in September, 1960 the Committee were informed that the factory had been allotted gear cutting work for trucks and tractors manufactured by the Ordnance Factories in collaboration with foreign

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firms. While the Committee note that attempts are being made to utilise the capacity of this factory to the maximum extent, they deplore that the production in the Factory has continued to be uncertain ever since its inception. In their opinion, if the factory is to run as an economic unit, it is time Government take firm decision regarding its precise role in the manufacture of machine tools required by the country and ensure that the factory works upto that target. Without concerted efforts, the high overheads will tend to stifle production.

- (ii) The Committee were given to understand by Audit that orders have been issued in December, 1960 for writing off of the expenditure of Rs. 96.28 lakhs representing the total amount of preliminary expenses accumulated upto 31st March, 1954 and unabsorbed overheads upto 31st March, 1956 but these were cancelled in February, 1961 and the whole question was being re-considered. The Committee would like to have a detailed note when a final decision is taken.

16 40

Defence

The Committee trust that the question of retaining a larger number of skilled personnel trained in the Artisan Training School would be kept under constant review to ensure that production does not suffer for lack of trained personnel.

17 44

Do.

- (i) The Committee deplore the delay that had occurred in the settling of the disputes. The timber purchased at substantial cost was lying unused for 9 years with consequent deterioration. Resort to arbitration is to facilitate quicker settlement of disputes. It is, regrettable that the present case has been dragging on for an unduly long time. The Committee feel that the responsibility for the delay in the settlement of the cases because of contributory negligence of Government office should be fixed.

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(ii) The Committee would also like to be apprised of the final outcome of the arbitration in the second case and the settlement with the third firm.

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Defence

The Committee were given to understand by Audit that, upto January, 1961, only 30,036 units of ammunition had been supplied to the M.G.O. Branch against the total order of 69,000 units. The Committee would like to know whether the entire quantity on order has been supplied and utilised. The responsibility for the inordinate delay in this case is that of the D.G.O.F. The Committee do not really understand why the order for manufacturing the empties was farmed out by the Director General of Ordnance Factories when the indenter factory had itself the capacity to do it. Such cases cast a reflection on the working of the Directorate.

19 49

Do.

(i) While the Committee note the increase in the value of civil trade orders executed by Ordnance Factories during the year 1960-61, they trust that steps will continue to be taken to keep the prices competitive and to attract more orders from trade and Civil Departments. The Committee would also like to know whether a Sales Organisation had been set up as recommended by the Ordnance Factories Re-organisation Committee (Baldev Singh Committee).

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Do.

(ii) The Committee would like to be assured (a) that defence production does not in any way suffer because of the civil order and (b) the costing of articles produced for civil trade is done strictly in accordance with sound commercial principles.

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Do.

The Committee are disappointed at the set-back in the production programme of tractors, by the Ordnance Factories

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They trust that every effort will be made by Government to make this venture a success and to achieve the contemplated targets without any further delay.

- 21 54            Defence . (i) The Committee consider it regrettable that the arrangement entered into with the foreign Government for the acquisition of the mine sweeper overlooked the important requirement regarding the delivery date and the guarantee period. They trust that Government will take necessary steps to avoid such lapses in future.
- 55                Do. . (ii) Another disturbing feature of the case is that on opening the engine, the makers found that a number of parts had been removed from the engine before its shipment to the makers for repairs, without knowledge of Government. The Defence Secretary stated that these parts had been removed and used in repairing other engines already in service. If so, the Committee feel that, in fairness, an inventory of such parts should have been kept and given to the makers at the time the engine was sent for repairs.
- 22 57            Do. . (i) The Committee deprecate the delay of six years in placing the contract for building the hulls.
- 60                Do. . (ii) In all the three cases referred to in paras 56 to 59 of the Report, costly equipment ordered and received could not be installed for want of proper site. The Committee are astonished to see such bad planning. In their opinion, it is no consolation to be assured that the equipment is in good condition and will be installed soon. The reasons that led to the same error being repeated in all these cases require investigation.
- 23 63            Do. . The Committee are sorry to note that even eight years after they recommended certain preparatory steps.

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to be taken for framing estimates of costs of such jobs with a view to having stricter control, both administratively and financially no effective action has been taken thereon. Accordingly in respect of an expenditure of Rs. 14.77 crores out of Rs. 15.05 crores spent on repairs etc. during 1950—59, no estimates were prepared. The Committee are aware that it will not always be possible to forecast accurately expenses on repair and refit work. But that cannot be a plea to do away with the preparation of estimates. On the other hand, such estimates will serve as an instrument of control over costs. The Committee would, therefore, reiterate that a beginning in this direction should be made without any further delay as non-preparation of estimates coupled with absence of adequate administrative control might lead to various malpractices.

24 66

**Defence** . If the aircraft were to be dismantled on the recommendation of the Board of Survey, the Committee fail to understand why Government waited till November, 1958 before passing orders in respect of 5 air craft and till May, 1959 in respect of the remaining 4 aircraft. It is obvious that the infructuous expenditure on overhaul could have been avoided at least to some extent had timely action been taken on the report of the Board of Survey.

25 69

**Do.** . The reports of the Air Force Officers about the operational limitations of the launch raise doubts in the mind of the Committee about the wisdom of the purchase. The Committee cannot but dismiss the plea that the reports about the operational limitations of the launch were given in connection with a proposal for purchase of a new craft as it is patently illogical. The Committee are a little surprised that the psychological effects of the presence of the launch on

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the pilots should have weighed with the officials who were fully aware that the launch could not have served any purpose in case of accidents. They, therefore, do not see the justification for retaining the launch in service with recurring expenditure on its crew.

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Defence . In the opinion of the Committee, it was not correct on the part of the Air Headquarters to withhold the recovery of overpayments ordered by the Controller of Defence Accounts (Air Force). Apparently the inordinate delay in referring the case to Government for orders had to a large extent been responsible for the decision to waive the recovery. The Committee suggest that it should be impressed upon the three Service Headquarters, that disregard on the part of units and other Defence establishments of instructions issued by the Accounts authorities in the matter of recovery of overpayments should be seriously viewed. In this connection they would invite attention to their earlier recommendation that every payment of money to a public servant was to be regarded as a debt owed to the public and all possible action should be taken to recover it with dispatch.

43. The S. S. Book Emporium, 'Mount-Joy' Road, Basavangudi, Bangalore-4.
61. Mittal & Company, 85-C, New Mandi, Muzaffarnagar.
78. Hind Book House, 2, Janpath, New Delhi.

#### ORISSA

44. The Cuttack Law Times Office, Cuttack-2.
- 44a. Ekzara Vidyababan, Eastern Tower Room No.3, Bhuvaneshwar-3, Orissa.
62. Shalig Ram & Sons, Booksellers, Madar Gate, Aligarh.
63. Universal Book Company, 20, Mahatma Gandhi Marg, Allahabad.
80. Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.

#### PUNJAB

5. The English Book Depot, 78, Jhoke Road, Ferozepore Cantt.
46. The Krishna Book Depot, Publishers, Booksellers, Stationery and News Agents, Main Bazar, Pathankot.
47. Minerva Book Shop, The Mall, Simla-1.
48. The New Book Depot, 76, The Mall, Simla-1.
49. (Vacant).
64. Firma K. L. Mukhopadhyay, 6/1A, Ban-chharam Akur Lane, Calcutta-12.
65. M. C. Sarkar & Sons (Private) Limited, 14, Bankim Chatterjee Street, Calcutta-12.
66. Thacker Spink & Company (1933) Private Ltd., 3, Esplanade East, Calcutta-1.
67. W. Newman & Company Limited, 3, Old Court House Street, Calcutta.
81. Jain Book Agency, Connaught Place, New Delhi.
2. J. M. Jaina & Brothers, Mori Gate, Delhi-6.
83. Lakshmi Book Stores, 42, M. M. Janpath, New Delhi.
84. Mehra Brothers, 50-G, Kalkaji, New Delhi-19.
85. M. Gulab Singh & Sons, Private Limited, Press Area, Mathura Road, New Delhi.
86. The New Book Depot, P.O. Box No. 96, Connaught Place, New Delhi.

#### WEST BENGAL

#### RAJASTHAN

50. "Bookland", 663, Madar Gate, Ajmer (Rajasthan).
51. K. M. Agarwal & Sons, Railway Book Stall, Udaipur.
- 51a. Information Centre, Govt. of Rajasthan, Tripolia, Jaipur City, Rajasthan.
379. Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.
88. People's Publishing House, Rani Jhansi Road, New Delhi-1.
89. Rama Krishna & Sons, 16-B, Connaught Place, New Delhi.
90. Sikh Publishing House Private Limited, 7-C, Connaught Place, New Delhi.
91. The United Book Agency, 48, Anra Kaur Market, Paharganj, New Delhi.

#### JAMMU & KASHMIR

#### UTTAR PRADESH

52. A. H. Wheeler & Company Private Limited, 15, Elgin Road, Allahabad.
53. British Book Depot, 84, Hazratganj, Lucknow.
54. B. S. Jain & Company, 71, Abupura, Muzaffarnagar.
55. Friends Book House, M.U., Aligarh.
56. Goel Traders, 100-C, New Mandi, Muzaffarnagar.
57. Kitabistan, 17-A, Kamla Nehru Road, Allahabad.
58. Law Book Company, Sardar Patel Marg, Allahabad.
59. Laxmi Narain Agarwal, Hospital Road, Agra.
60. The Loyal Book Depot, Chhipi Tank, Meerut.
68. The Kashmir Book Shop, Residency Road, Srinagar, Kashmir.
69. Students Stores, Raghunath Bazar, Jammu-Tawi.
70. Atma Re- & Sons, Kashmire, Delhi-6.
71. Bahri b. ners, 188, Lajpat Rai Market, Delhi-6.
72. Bookwell, 4, Sant Narakari Kingsway, Delhi-9.
73. The Central News Agency, 23/90, Connaught Circus, New Delhi.
74. City Book Sellers, Sohanaganj Street, Delhi.
75. Dhanwantra Medical & Law Book House, 1522-Lajpat Rai Market, Delhi-6.
76. The English Book Shop, 7-L, Connaught Circus, New Delhi.
77. Freeland Publications Private Limited, II-A/16, Lajpat Nagar, New Delhi.
- 91a. Kitab Mahal (W.D.) Private Ltd., 28 Faiz Bazar, Delhi.

#### DELHI

#### MANIPUR

#### AGENTS IN FOREIGN COUNTRIES

#### U.K.

92. Shri N. Chaoba Singh Newspaper Agent, Ramlal Paul High School, Annexe, Imphal, Manipur.
93. The Secretary Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.-2.



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