

PUBLIC ACCOUNTS COMMITTEE

(1971-72)

(FIFTH LOK SABHA)

THIRTY-SIXTH REPORT

**[Appropriation Accounts (Civil) 1969-70 and Report
of Comptroller and Auditor General of India
for the year 1969-70 Central Government
(Civil) and Audit Report (Civil) 1970
relating to the Ministry of
Shipping and Transport.]**



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1972/Chaitra 1894 (Saka)

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PUBLIC ACCOUNTS COMMITTEE
(1971-72)

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Shri Avtar Singh Rikhy—Joint Secretary.
Shri B. B. Tewari—*Deputy Secretary*.
Shri T. R. Krishnamachari—*Under Secretary*.

*Ceased to be Member of the Committee w. e. from 2-4-72

INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Thirty-sixth Report (Fifth Lok Sabha) on Appropriation Accounts (Civil) 1969-70 and Paragraphs relating to the Ministry of Shipping and Transport included in the Report of the Comptroller and Auditor General of India for the year 1969-70, Central Government (Civil) and the Audit Report (Civil), 1970.

2. Appropriation Accounts (Civil) 1969-70 and Report of the Comptroller and Auditor General of India for the year 1969-70, Central Government (Civil) were laid on the Table of the House on the 22nd June, 1971. Audit Report (Civil) 1970 was laid on the Table of the House on the 14th April, 1970. The Committee examined paragraphs relating to the Ministry of Shipping and Transport at their sitting held on the 23rd August, 1971 (AN) and the 24th August, 1971 (FN). The Committee considered and finalised this Report at their sitting held on the 12th April, 1972. Minutes of the sittings form Part II* of the Report.

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

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

5. The Committee would also like to express their thanks to the officers of the Ministry of Shipping and Transport for the cooperation extended by them in giving information to the Committee.

ERA SEZHIYAN,

Chairman,

Public Accounts Committee.

NEW DELHI:

April 12, 1972.

Chaitra 23, 1894 (S)

*Not printed (One cyclosty copy laid on the Table of the House and five copies placed in Parliament Library).

MINISTRY OF SHIPPING AND TRANSPORT

(Department of Transport)

Working of Dredger at Kandla Port

Audit Paragraph

1.1. In paragraph 73 of the Audit Report (Civil) 1966 mention was made of non-recovery of liquidated damages for delay in delivery (by the builders) of dredger 'S. D. Kandla' costing Rs. 98.91 lakhs. The dredger was received in the port in July, 1962.

1.2. The agreement with the builders of the dredger provided *inter alia* that

- (i) dredging trials will be carried out at Kandla to demonstrate that the output of the dredger under local conditions shall not be less than

| | |
|--|--------------------------------|
| (a) in fine sand and in cutter dredging in hard clay | 500-600 cu. mt. per hour. |
| (b) in coarse free-running sand | 800-1000 cu. mt. per hour. |
| (c) in soft mud. | 2500-3000 cu. mt. per hour. |

- (ii) In the event of any defect being discovered in any part of the dredger during twelve calendar months from the date of acceptance of the dredger at Kandla after satisfactory trials, the builders shall rectify the defects; if not so rectified within a reasonable time, and the consulting engineers were of the opinion that the defects could not be satisfactorily rectified and that they rendered the vessel unsuitable for or incapable of performing the specific service, Government could determine the contract upon which all moneys paid to the contractor shall be repaid to Government.

1.3. Dredging trials conducted between July, 1962 and September, 1962 disclosed knocking sound in the low pressure cylinder of star-board engines, imbalance in the engine due to cylinders taking unequal load and higher fuel consumption. The piston rod was found bent, and even after its renewal performance of the engine did not improve. Super-heaters were installed (at the cost of the builders) in June,

1963 (on the advice of Senior Surveyor of Lloyds) in spite of which knocking sound continued and indicator diagrams showed unsatisfactory results. The consulting engineers observed in July, 1963 that in view of the troubles experienced the contractor should at least extend the guarantee period to seven years from the date of acceptance of the dredger. The seven year guarantee was not acceptable to the manufacturer. Government accepted the dredger at Kandla in September, 1963, the guarantee period being extended to four years for propulsion and pump engines (covering Rs. 6.93 lakhs, 10 per cent of the contract price) with a bank guarantee which was agreed to by the manufacturer. During the extended guarantee period the engines were to be stripped down in Bombay after six months, twelve months, two years and four years in the presence of the representatives of the contractor and the consulting engineers. A supplementary agreement was entered into in August, 1963 with the builders according to which if the defects found were due to defective design or defective workmanship etc., the four year guarantee period would be reassessed. After each stripdown trials of main, pump and auxiliary engines, the defects noticed were reported to the manufacturers. They attempted a few alterations but could not solve the problem permanently before expiry of the extended guarantee period. The extended guarantee period expired in December, 1967. The four year guarantee period could not be reassessed as the fourth and final strip down report was not given by consulting engineers due to non-payment of their pending bills (on the advice of the Ministry of Finance) on the ground that they did not perform their duties properly.

1.4. The performance of the dredger was much less than that specified, being only 250 cu. mt. per hour. From October 1963 to June 1967 the dredger could work only one shift a day instead of the normal three shifts and from July 1967 to December 1969 for only two shifts a day except during the quarter April, 1968 to June, 1968 when it worked for three shifts a day. (From January, 1970 to April, 1970 the dredger was at dry dock in Bombay). This worked out to an average of 25 hours a week.

1.5. In May 1968 the Port Engineer listed various defects in auxiliary machinery, viz., steam dynamo engine, lubricating oil pumps, forced draught fan engine, steering gear engine, circular pump engine, hydraulic engine, water ends of Duplex pumps, colorograph lubricating system, tachometers etc., and stated that since the main and pump engines had not given the required performance those engines had to be stopped frequently due to failure of the auxiliary engines. He, therefore, suggested that the guarantee

period for all these engines should be further extended for a period of twelve months trouble-free service after all the defects were rectified.

1.6. The Central Water and Power Research Station, on a study of the siltation problem of the Kandla channel, observed in November 1968 that, as against the siltation of the order of 37 mcft. from November 1967 to November 1968, the dredger was able to dredge to the extent of only 18 mcft. leaving a back-log of about 19 mcft. of silt which should be removed in order to keep the channel alive. There was a back-log of dredging to the extent of 16 million cft. over the 5 years from September, 1963 to September, 1968 and the port had to incur expenditure on repairs and replacements of the dredger to the extent of Rs. 23.58 lakhs (including Rs. 19.04 lakhs on stripdowns of engine and special surveys to the vessel) (up to August, 1970) apart from Rs. 1.87 lakhs recoverable on this account from the contractor. In order to meet the additional dredging requirement, further necessitated by heavy siltation due to the breach of Kaladara Shoal in 1968, a dredger was hired by the Port Trust from the Shipping Corporation of India from October, 1968 to May, 1969. Against the claim of the Shipping Corporation of India for Rs. 52.23 lakhs as hire charges of its dredged, payment of Rs. 15.43 lakhs was made by the Port Trust (March, 1970); settlement of the claim for the remaining amount is under correspondence (December, 1970).

[Paragraph 36, Report of the Comptroller and Auditor General of India for the year 1969-70].

(i) *Acceptance of the dredger*

1.7. The dredger "S.D. Kandla" was to be delivered at Kandla by 26th July, 1962 at the latest. It was actually accepted on 11th September, 1963, the guarantee period being extended to four years for propulsion and pump engines (covering Rs. 6.83 lakhs, 10 per cent of the contract price). Asked during evidence how the defective dredger was accepted, the Secretary, Ministry of Transport and Shipping, stated that "apparently we have been let down by the consultants. All these defects were noticed when the dredger came down to India on time." He added that the dredger should not have been allowed to leave Holland in that condition and explained: "The Rendel Palmer & Tritton (consultants) gave a wrong certificate on the completion of the dredger in Holland. It was completed in time by the manufacturer in Holland according to the contract and M/s. R.P.T. issued the certificate of acceptance which they say, was issued in good faith vide the following:—

'Our certificate of acceptance after trials was issued in good'

faith on the results obtained. The high fuel consumption was attributed at that time to the loss of water through the main engine glands. As you are aware with metallic packing there is invariably a leakage through the glands, which normally improves with running as the packing beds itself to the rod. Trouble has been experienced at the commencement of trials, due to the boilers' priming and investigation revealed that this was caused by leakage of condenser tubes. These leakages were remedied and the boilers appeared satisfactory. It now transpires that the combination of these circumstances masked the fact that the leakage at the glands was due to an inherent design defect resulting in condensation within the engine which occurs only over the high speed range. Had the leakage through the glands been considered excessive during trials after the condenser trouble was cured, we would have suspected 'carryover' and insisted on remedial action being taken before the vessel left Holland on her delivery voyage. It was, however, confidently anticipated that leakage would automatically be remedied early on the delivery voyage'."

1.8. Clarifying the issue of certificate of acceptance at the port of construction, the Ministry of Transport and Shipping, stated in a note submitted at the instance of the Committee: "In accordance with Clause II of the contract dated 23.11.1960, the Consulting Engineers were to issue the certificate of acceptance after the trials were conducted by them at the port of construction. Such certificates were issued by the Consulting Engineers on 17.5.1962 and 31.5.1962. The first certificate dated 17.5.1962 given after the normal inspection and trials was provisional subject to rectification of listed defects and even after remedial action was taken by IHC to reduce the main defects, the second certificate of 31.5.1962 was also provisional subject to satisfactory trials at Kandla. The Consulting Engineers had stated that 'they did not consider it justifiable to hold up the delivery for what was considered to be a minor defect which would rectify itself after a few days' steaming'."

1.9. A Committee constituted in March 1971 to consider the question of responsibility of M/s. Rendel, Palmer and Tritton in connection with the issues pertaining to purchase of the dredger held the view that some of the defects which were noticed by the consultants during trials should have been properly investigated by them before allowing the dredger to sail for voyage. The Committee further held that M/s. R.P.T. were well aware of the major defects and the

gravity of the defects and that in spite of this they issued the acceptance certificate. The Committee found the consultants responsible to this extent.

1.10. Asked to state why the dredger was not rejected at the end of the trial period since the trials conducted after receipt of the dredger at Kandla disclosed defects and why was it accepted in September, 1963 with the extended guarantee period of 4 years for propulsion and pump engines only, the Ministry intimated as follows:

"The trials conducted during July, 1963 disclosed that the imbalance of power between each cylinder of the propelling engines shown by the indicator cards was considerably more than 10 per cent under actual service conditions viz. between 240—270 RPM and that there was knock in the main engines. Llyods who had investigated the cause of knock had concluded that it was due to passage of steam and was not harmful to the machinery. The Consulting Engineers agreed with the conclusion of the Llyods. It was based on this technical opinion that it was decided to accept the dredger with the extended guarantee period of 4 years on the conditions as stipulated in the supplemental agreement on 20.8.1963. As the defects related to the main engines the extended guarantee period of 4 years was accepted for propulsion and pump engines only whose cost was 10 per cent of the contract price of the dredger. As the defects observed during the trials were not considered harmful as per the opinion of the experts, there was no reason at the time for Government rejecting the dredger."

(ii) *Performance of the dredger*

1.11. The guarantee on all the machinery except the propulsion and pump engines would normally expire after satisfactory performance for a period of 12 months. This was not the case according to the Committee constituted by Government referred to earlier, who had the following to say.

"Auxiliary machinery had not given satisfactory performance for continuous period of 12 months at any stage from the date of acceptance. This fact had been brought by Kandla Port Trust to the notice of the Builders as well as the Engineers before expiry of the guarantee period vide letter No. 6-E(21)/64 dated 9th July, 1964 and followed by cable of 7th September, 1964. As per clause 18, the

Builders were to rectify the defects within a period of 12 months. The defects were pointed out to them by Kandla Port Trust before the expiry of the guarantee period of 12 months and from time to time. The Builders had attempted to rectify the defects but could not succeed in their efforts."

1.12. The extended guarantee period of 48 months was agreed upon for the propulsion and pump engine. According to the supplementary agreement entered into in August, 1963 with the builders, if the defects found during the stripdown trials were due to defective design or defective workmanship etc., the extended guarantee period would be reassessed. The Committee wanted to know how the guarantee period was not reassessed on the basis of the earlier three reports of the Consulting Engineers although the fourth and final stripdown reports was not given. The Ministry explained: "Clause 2(v) of the supplemental agreement dated 20.8.1963, stipulates: 'If it is found that the defects are due to defective design or defective workmanship or incorrect type of material the extent of the guarantee period of 48 calendar months shall be reassessed by the Engineers as regards further extension of guarantee and the decision of the engineers shall be final and binding on both the parties. In view of this stipulation the question of further guarantee was to be assessed only by the Consulting Engineers after all the stripdown inspections were completed taking into account the type of defects which persisted'."

1.13. The Secretary, Ministry of Transport and Shipping informed the Committee during evidence that the crucial document was that the consulting engineers had to certify and give their comments. They refused to give their report because their payment had been stopped on the ground that they did not perform their duties properly when the dredger was under construction. He further stated: "If the Engineers' report was available after the fourth strip down that everything has not been set right yet, probably we would have been in a strong position to fight with IHC to get a further period of guarantee. Unfortunately, we were dissatisfied with the Engineers. We decided that we would pay them no more. They did not give the report. And now the IHC is taking advantage of it because lot of things are technical matters and in the absence of the Engineers' report they would not accept the responsibility."

1.14. The Ministry of Finance in their note dated 7.2.1969 opined: "Under the contract with I.H.C., the Government had liberty to appoint any other engineer to give the stripdown report and it should be considered whether this may not be done now. It appears to us

that in view of the past history of this case and the defects noticed from time to time and the expertise available with the Kandla Port Trust engineers, it may be appropriate to negotiate the further remedial measures directly with the I.H.C. and to arrive at a satisfactory solution. M/s. I.H.C. have been quoting against various tenders for dredgers etc. floated by the Government of India and it may be presumed that they would be interested in keeping their good name and settling the Kandla Dredger matter satisfactorily. It is understood that M/s. R.P.T. have either already closed down or are going to wind up their business in India very shortly and they would, therefore, be hardly interested in giving any satisfactory service in this rather old and unfortunate case."

1.15. Under the agreement of 23rd November, 1960, executed with the builders, the expression 'Engineers' was defined as:--

"Rendel, Palmer and Tritton or other Engineers for the time being duly appointed to act as the Consulting Engineers of the Government for the purpose of this contract."

1.16. According to the Audit Para, the performance of the dredger was much less than that specified in the contract, being only 250 cu. mt. hour. The output should not have been less than 500—600 cu. mt. per hour in fine sand, 800—1000 cu. mt. in coarse free running sand and 2500—3000 cu. mt. in soft mud. The material to be dredged at Kandla, according to the Ministry, is compact fine sand. The Committee pointed out that the output of the dredger 'S.D. Kandla' was only 50 per cent of the rated capacity. The Chairman, Kandla Port Trust, deposed: "500 to 600 cu. mt. per hour is the rated capacity and this has more or less been achieved. 250 cu. mt. per hour is on the basis of retention of material in the hopper. The material being very light, large portion overflows before it settles in the hopper, and that is why the actual quantity retained is less than the rated capacity of the pumps."

1.17. As per the evidence tendered by the Secretary, however, the performance was originally much less than that specified.

1.18. The Committee *inter alia* desired to know what the actual performance of the dredger was in the light of the report given by the Central Water and Power Research Station, Poona. The Ministry intimated that the actual output was 955 tonnes per day of 8 hours during 1971 working for about 3 months from 10.5.1971 to 15.8.1971 as against 910 tonnes mentioned in the Central Water and Power Research Station Report (Ref. Table III for 1968).

1.19. From the statement showing the work done by the dredger since 1963-64 to 1970-71 furnished by the Ministry, the following position emerges:

| Period | No. of shift worked | No. of days | Qty. dredged in cum. (including 50 % overflow.) | Output per hour in cum. (in- cluding 50% over- flow losses) |
|----------|----------------------------------|-------------|---|--|
| 1963-64* | One shift of 8 hours | 136 | 2,83,123 | 260.2 |
| 1966-67 | One shift of 8 hours | 220 | 4,36,522 | 284 |
| 1969-70 | Two shifts of 8 hours per day | 164 | 4,18,970 | 159.7 |

1.20. As regards working of the dredger, the Secretary stated during evidence: "From October, 1963 to June, 1967 the dredger has worked one shift a day as needed to keep up the draught and from July, 1967 to December, 1969 for two shifts a day except during the quarter April, 1968 to June, 1968 when it worked upto three shifts a day but it cope with the load of three shifts. Since July, 1970 it is working three shifts without giving any further trouble. This stage has been arrived at only after the last repairs in 1970."

1.21. To another question the witness replied: "Even in 1968-69 it was not working to full capacity. When it was working for two shifts it was not giving major trouble but when the need arose to try three shifts, they found that it was over-loaded and various defects arose. They could not work it satisfactorily for three shifts until the repairs were done in 1970." He further clarified: I must say that the dredger work in Kandla Port had not been heavy earlier to 1968. That year there was very heavy siltation and it was necessary to run the dredger in three shifts but to do intensive work it was found that the dredger could not take the load and it required repairs and replacements." According to his information the dredger had been working round the clock since July, 1970.

*The information for 1963-64 is for about 6½ months only as the dredger was commissioned only on 11-9-63 after acceptance from the builders.

1.22. The table below indicates the cost of work done by the dredger during the years 1963-64 to 1970-71:—

| Year | Quantity dredged in tonnes (including 50% overflow losses) | Expenditure (including cost of spares, depreciation and interest on capital cost on dredger etc.) | Cost per tonne | |
|---------|--|---|----------------|--------|
| | | | Rs. | Rs. P. |
| 1963-64 | 3,96,372 | 5,85,589.33 | | 1.40 |
| 1964-65 | 6,58,918 | 13,26,575.44 | | 2.10 |
| 1965-66 | 6,31,281 | 15,51,396.80 | | 2.40 |
| 1966-67 | 6,11,393 | 15,87,212.34 | | 2.50 |
| 1967-68 | 6,67,973 | 22,54,724.37 | | 2.90 |
| 1968-69 | 9,04,393 | 23,88,949.97 | | 2.60 |
| 1969-70 | 5,86,558 | 36,85,671.10 | | 6.30 |
| 1970-71 | 7,54,674 | 30,62,861.17 | | 4.10 |

(iii) *Expenditure on repairs and replacements of the dredger*

1.23. According to the Audit paragraph, the Port Trust had to incur expenditure on repairs and replacements of the dredger to the extent of Rs. 23.58 lakhs (including Rs. 19.04 lakhs on strip down of engine and special surveys to the vessel) upto August, 1970 apart from Rs. 1.87 lakhs recoverable on this account from the contractor. During evidence the Secretary, Ministry of Transport and Shipping, explained that bulk of the expenditure related to normal maintenance and repair costs during 7 years, which in any case had to be incurred even "if the dredger was in first-class condition". He further stated that Rs. 5 lakhs were spent during the last repairs which put the dredger absolutely right. This, according to him, could be attributed to certain defective items, particularly, the lubricating system which had to be changed. The cost of strip down was stated to be Rs. 1.87 lakhs.

1.24. The break-up of the total expenditure of Rs. 23.58 lakhs incurred by Kandla Port Trust on maintenance, repairs and replacements from September, 1963 to March, 1970 as furnished by the Ministry subsequently is indicated below:—

| Year | Labour | Stores | W/shop mills | Other Misc. exp. | Total main. exp. | Repairs at Bombay | Total |
|---|--------|----------|-----------------|------------------------|------------------------|-------------------------|---------------------|
| 1963-64 | 175 | 1,45,066 | 3,700 | 467 | 1,49,408 | 16,537 | 1,65,945 |
| 1964-65 | 2206 | 12,365 | 13,943 | .. | 28,514 | 57,420 | 85,934 |
| 1965-66 | .. | 23,110 | 9,231 | .. | 32,341 | .. | 32,341 |
| 1966-67 | .. | 97,350 | 32,623 | .. | 1,29,973 | 92,681 | 2,22,654 |
| 1967-68 | .. | 73,621 | 56,008 | .. | 1,29,629 | 1,03,918 | 2,33,547 |
| 1968-69 | 63 | 24,240 | 55,855 | 2158 | 82,316 | 2,70,155 | 3,52,471 |
| 1969-70 | .. | .. | .. | .. | .. | 12,64,623 | 12,64,623 |
| Pending bills for repairs at Bombay from 1/70 to 4/70 and not settled till 1970 | .. | .. | .. | .. | .. | 12,64,623 | 12,64,623 |
| | 2444 | 3,75,752 | 1,71,360 | 2623 | 5,52,181 | 18,05,334 | 23,57,516 |
| | | | | | | | Say Rs. 23.58 lakhs |

1.25. The details of the amount spent year-wise on the stripdown and on repairs to remove the defects in the dredger as furnished by the Ministry are as under:—

| Period | Cost of repairs incurred by Port | Cost of strip- down and repairs to remove the defects chargeable to M/S. I. H. C. Holland |
|---------------------------------|--|--|
| | Rs. | Rs. |
| 1. March, 1964 six months | .. | 170.05 |
| 2. September, 1964 12 monthly | 21,927.01 | 20,829.01 |
| 3. November, 1965 2 yearly | 64,433.02 | 35,118.34 |
| 4. November, 1967 4 yearly | 1,24,966.30 | 59,400.00 |
| 5. October, 1966 Special Survey | 1,83,983.63 | 72,151.74 |
| 6. February, 1969 | 3,42,699.00 | 30,825.00 |
| 7. April, 1970 | 7,10,889.96 | 5,00,016.87 |

(iv) *Liability of the supplier*(a) *Liquidated damages:*

1.26. There was a delay in delivery of the dredger after trials at Kandla of 59 weeks i.e. from 26th July, 1962 to 10th September, 1963. The Builders were called upon to pay a sum of D.Gld 4,09,097 (Rs. 8.52 lakhs) being the liquidated damages at the rate of one-eighth of one per cent of the contract price per week or part thereof, for not having delivered the dredger on the due date. The Builders have not so far paid the amount.

(b) *Other recoveries*

1.27. According to the witness, the stripdown costs amounted to Rs. 1.87 lakhs. It is seen from the report of the Committee constituted by Government "when the firm was asked to pay the stripdown charges, they contended that the supplemental agreement does not provide for the same. Kandla Port Trust had pointed out that the stripdowns would not have been necessary but for the defects in the dredger. The periodical stripdowns were carried out as suggested by the builders in August, 1963 and as stipulated in the supplemental agreement."

1.28. According to the Committee referred to above, the cost of modification which had to be borne by the builders due to defective design, construction and workmanship worked out to Rs. 7.34,016.87 as detailed below:—

| | Rs. |
|--|-------------|
| 1. Repairs to circulating pump engine | 20,210.00 |
| 2. Repairs to steering engine | 1,500.00 |
| 3. Repairs to main and dredge pump engine | 31,050.00 |
| 4. Replacement of 4 Nos. gun-metal chambers for duplex pumps. . . | 1,52,426.00 |
| 5. Repairs to tachometers and rudders and synchronising & aligning the same | 38,538.40 |
| 6. Additional evaporator | 1,34,161.80 |
| 7. Change of the lubricating system (i.e. from Collgraph system to cylinder oil) | 1,22,128.67 |
| TOTAL | 5,00,016.87 |
| 8. Installation of additional Generator (This work of installing additional generator will be done by K.P.T. in 1972 as per the quotation of M/s. Mazagon Dock Ltd., Bombay) | 2,37,000.00 |
| TOTAL | 7,37,016.87 |

1.29. Further a sum of Rs. 41,724.62 being the customs duty paid on the spare parts supplied by the builders along with the dredger and certain parts shipped separately, claimed by the Port Trust had not been settled by the builders. According to clause 13 of the contract the builders had to deliver the spare parts at Kandla at the expenses of contractor.

1.30. In view of the delay in delivery of the dredger the services of consultants had to be continued. The Port Trust had asked the builders to reimburse the proportionate cost on the consultants for the period from July, 1962 to September, 1963 amounting to Rs. 62,798.72. Further payment of Rs. 36,351.15 for the period from October, 1963 to September, 1964 had been paid by the Port Trust to the consultants and bills amounting to Rs. 1,28,842.03 for the subsequent period October, 1964 to November, 1967 for payment to the consultants are pending. But the builders had not agreed to the payment of the consultancy charges and contended that it was purely an arrangement between the Port and consultants and in no way they were responsible towards reimbursement of this cost. The total of other recoveries thus amount to Rs. 11.93 lakhs.

1.31. During evidence the Committee desired to know the position of recovery of liquidated damages etc. The Secretary deposed: "First of all, the Kandla Port Trust made a claim in August, 1966 and then this was followed up by the Ministry. The Company has been delaying it on various pretexts. First of all, they wanted to make a detailed study. Then there was some discussion which was inconclusive. Then it was linked up by the firm with the question of extension of the guarantee period. The Port Trust pointed out that this was a separate issue. Then they mentioned that this delay was beyond their control. But we persisted in our claim. Then they stated that they would like to have private discussion with the Engineers (R.P.T.) because the Engineers had a vital role according to contract to certify if the delay was beyond the manufacturer's control, etc. In the meantime, we got into difficulty with the RPT. The RPT were firstly responsible for most of the trouble by certifying that the dredger in Holland was complete in all respects and fit to travel to India instead of saying that there has been defect and all that. Then the Ministry decided with the advice of the Finance to stop further payment to the RPT. So, it was felt that the discussion with the RPT may be very prejudicial to us. So, we reiterated our claim by saying that there is a case of the late delivery of the dredger and the liquidated damage should be paid. Then they said they would come and discuss. Ultimately, they sent a rather stiff

letter saying that they could discuss if three important conditions were fulfilled: (1) Term of the guarantee should be deemed as satisfied by manufacturers in every technical respect; (2) Manufacturers should be deemed as released from their obligation with regard to any technical matters under terms of guarantee from 9-12-67; and (3) IHC's comment and observations should be acceptable by the Kandla Port and our Ministry as regards the specific list of points proposed by the RPT for discussion. Now to discuss under these conditions means we would not be getting anything. There has been further correspondence and also the guarantee period and technical matters were raised; defects were also found during the extended period. There were four stripdown and some repairs carried out." He continued: "We could proceed further. Then again there was an informal discussion. In that they (IHC) agreed that they would come and discuss across the table to decide upon the list of items that could be discussed with them. So, the whole issue had really got mixed up." He further stated: "We have all along been pressing our demand for liquidated damages. The firm have been raising one excuse or another and finally they have neither totally repudiated nor have they said that they would not discuss it. So, we are trying to get them across the table with a high powered team to discuss and negotiate with IHC and it seems that we might probably arrive at some sort of compromise."

1.32. The Committee constituted by Government to go into the various issues have *inter alia* recommended that "the various issues be discussed across the table without delay to come to a speedy solution of this protracted question of liquidated damages and recovery of the amounts which have been spent by the Kandla Port Trust. Further delay in coming to a quick solution is likely to be prejudicial to the interest of the Government." As regards progress made in this regard, the Ministry intimated that the Kandla Port Trust have been asked to formulate basic points for discussion. On receipt of these points IHC Holland would be suitably addressed and further action taken.

(v) *Payments to the consultants*

1.33. It is seen that the Government of India's approval was communicated in March, 1960 to the appointment of M/s. Rendel, Palmer & Tritton (R.P.T.) as Consulting Engineers and to the payment of a sum not exceeding Rs. one lakh for the work required to be done

by them in connection with the purchase of the dredger. The Kandla Port Trust have, however, so far made the following payments to the consultants as per the sanction of Government communicated from time to time:

Payment made

| | |
|---|--------------------|
| (a) February, 1960 to June, 1962 (i.e.) from the date of engagement to the date of arrival of the dredger in India) | Rs. 1,25,694.68 |
| (b) July, 1962 to September, 1963 (from the date of arrival of the dredger in India to the date of acceptance) | 62,798.72 |
| (c) October, 1963 to September, 1964 (Extended guarantee period) | 36,251.15 |

Payment yet to be made

| | |
|---------------------------------|-------------|
| October, 1964 to November, 1967 | 1,28,842.03 |
|---------------------------------|-------------|

1.34. The Committee were informed during evidence that as the consulting firm was responsible for most of the trouble by certifying dredger that was fit to travel to India complete in all respects, the Ministry decided with the advice of Finance to stop further payments to them. The Ministry intimated further in a note as follows:

"The question as to how M/s. RPT had accepted a dredger which had defects resulting in the need to carry out modifications to the dredger and also periodical stripdowns was taken up with M/s. RPT. M/s. RPT stated that the acceptance certificate was provisional, subject to rectifications of listed defects and their second certificate was also provisional subject to satisfactory trials at Kandla and that it was on M/s. RPT's recommendations that the guarantee period in respect of engines was got extended. This aspect was examined and it was seen that Clause 11 of the contract indicated that the contractors were to be given the certificate after completion of the vessels in accordance with provision of specifications and satisfactory completion of trials. If M/s. RPT gave a provisional certificate, their action was not as per provisions of the contract. The Consultants had stated that 'they did not consider it justifiable to hold up the delivery for what was considered to be a minor defect which would rectify itself after a few days steaming'. This did not quite prove to be the case. M/s. RPT had, however, stated that 'the use of hindsight should not be allowed to obscure the situation as it appeared at the time'. It was against this background that it was stated during the evidence that the Consulting Firm was responsible for most of the trouble by certifying that the dredger is fit to travel to India complete in all respects.

"In view of this position the Ministry of Law was again approached for advice whether, on the basis of facts, M/s. RPT can be proceeded against for breach of contract or negligent performance of the contract. The Solicitor General stated that it was not possible to come to any conclusion whether the Consulting Engineers were negligent in the performance of their duties and it was a question on which expert opinion had to be obtained before any decision could be taken. In view of this legal opinion, a committee consisting of the Development Adviser, Ministry of Shipping and Transport and the Solicitor of the Ministry of Law, representatives of the Ministry of Finance and Kandla Port Trust was constituted on 16-3-71 to consider the question of the responsibility of M/s. RPT in the light of delayed delivery of the dredger and connected issues."

1.35. The Committee constituted by Government have recommended that "payment withheld should not be released to M/s. Rendel, Palmer & Tritton before final settlement regarding recovery of the liquidated damages."

(vi) *Problem of dredging at Kandla*

1.36. Asked to state the total quantity of silt which was expected to be dredged from September, 1963 onwards, the Ministry intimated that "the total quantity of silt to be dredged from September, 1963 to March, 1971 works out to 5.693 million cubic metres (7.97 million tonnes). However, this could not be foreseen as the changes which took place in the regime were unpredictable." The quantity actually dredged by the dredger 'S. D. Kandla' during this period was stated to be 3.793 million cubic metres (5.31 million tonnes) inclusive of 50 per cent overflow losses.

1.37. As regards the dredger hired from the Shipping Corporation of India, the Ministry intimated: "MOT Dredge I was hired from the Shipping Corporation of India for dredging the Bunder. While this dredge was in Kandla Port it was found that she could be spared for sometime to dredge the Breach Channel and it was decided to utilise her, as 'S. D. Kandla' could not cope with the heavy rate of siltation in the Breach Channel, due to which the channel lost depth and the permissible draught was reduced by 0.4 m (1.2 ft.) MOT Dredge I worked in the Breach Channel with effect from 16-11-68 to 13-3-69 during the period when 'S.D. Kandla' had gone to Bombay for annual dry docking, surveys and repairs from 9-2-69 to 4-5-69. MOT Dredge I could be utilised only for agitational dredging as this dredger was not having a hopper. The agitational dredging

was resorted to in consultation with the Central Water and Power Research Station. However, as the dredger did not have a hopper the quantities dredged cannot be assessed." Hence the cost of dredging per tonne could not be given by the Ministry as desired by the Committee.

1.38. The Committee desired to know whether the balance claim of Rs. 36.80 lakhs of the Shipping Corporation of India towards the hire charges had been settled. The Ministry stated: "The matter has been discussed between the Kandla Port Trust and Shipping Corporation of India in September, 1971 and the Shipping Corporation of India have agreed to revise and submit a fresh bill in the light of discussion that it had with them. The revised bill is awaited."

1.39. The Chairman, Kandla Port Trust, informed the Committee during evidence that for about 2 months during the period January, 1971 to March, 1971, when the dredger 'S. D. Kandla' was dry docked, a dredger (S. D. 'Maitena') was obtained on loan from Calcutta Port Commissioner.

1.40. Asked to indicate the necessity for hiring dredger from the distant Port of Calcutta and whether any extra charges were paid on account of voyage charges, the Ministry stated as follows:—

"Heavy siltation was being experienced in the Breach Channel which could not be fully cleared by the port's only dredger 'S. D. Kandla'. The position got aggravated when S. D. Kandla had to be unavoidably sent to Bombay for annual dry docking, surveys and repairs. When 'S. D. Kandla' was sent to Bombay from 9-1-71 to 2-4-71 it was considered necessary to hire a dredger to be employed in the Breach Channel to avoid undue deterioration in the depths of the Channel. Enquiries were made from Port Trusts and only Calcutta Port could be persuaded to spare their dredger 'S. D. Maitena' on hire. The voyage charges paid to Calcutta Port Commissioners were Rs. 1.60 lakhs approximately."

1.41. The hire charges paid for and the quantity dredged by the dredger 'S. D. Maitena' were stated to be as follows:—

"The charges to be paid for having hired 'S. D. Maitena' are approximately Rs. 19,60,000 (including voyage cost of Rs. 1,60,000) out of which Rs. 14.52 lakhs have been paid. The period of hiring—25-12-70 to 4-4-71 (including voyage period). Quantity dredged equal to 94,568 cu. m. (1,32,396 tonnes including 50 per cent overflow losses).

The calculations are based on the presumption that the overflow losses would be 1.5 against 1 unit of hopped quantity as against the ratio of 1: 2.12 taken for 'S. D. Kandla'."

1.42. In reply to another question the Ministry intimated subsequently that the dredging cost per tonne for hiring the dredger worked to Rs. 13.59 excluding the cost of voyage from Calcutta as compared to the cost of Rs. 4.06 per tonne in respect of 'S. D. Kandla'.

1.43. The Committee wanted to know the extent of expenditure which may be necessary to clear the backing of dredging in respect of the period September 1963 to March, 1971. The Ministry stated in reply: "with the experience of dredging by 'S. D. Maitena' for which cost of dredging per tonne came to approximately Rs. 13.00 it is felt that it would not be possible to hire a dredger of adequate capacity at a cost of less than Rs. 13.00 per tonne. Assuming the cost of dredging by hiring a suitable dredger at Rs. 13.00 per tonne, the total cost of dredging the backlog of 1.9 million cubic metres (2.663 million tonnes) will work out to approximately Rs. 346 lakhs, exclusive of voyage charges to and from Kandla."

1.44. The Ministry had the following to say regarding the future plan of the dredging at Kandla Port—

"With the resources available with Kandla Port Trust, namely, only one 800 cu. m. Trailing Suction Hopper Dredger, the Port Trust is not able to cope fully with the extent of siltation. Therefore, acquisition of a trailing suction hopper dredged of 2500 cu. m. capacity has been agreed to, in consultation with the Ministry of Finance. Procurement action is in hand. After this bigger dredger is procured, she will be utilised in addition to the dredger 'Kandla' for restoring original depth of 4.27 meters (14 ft.) in the Breach Channel, for maintaining the requisite depth and also progressively to improve the depth so that delay to ships is minimised by increasing the available time for crossing the bar (which is restricted at present to high water only for deeper draughted ships) and to cater to ships of deeper draught than as at present.

1.45. After examining the purchase of the dredger 'S.D. Kandla' costing Rs. 89.91 lakhs, the Committee could not but come to the conclusion that as a result of series of mistakes the Kandla Port Trust had to accept a defective dredger with attendant unnecessary complications. The Committee desire that responsibility of the officials concerned for the delay/failure in taking appropriate action as dealt with below, should also be fixed and action taken against them.

1.46. The Committee had occasion to examine the case earlier in September, 1966 and it was only after this that the failure of the consultants was examined by Government. The Consulting Engineers gave a certificate of fitness at the port of construction in May, 1962 despite the fact that the major defects and the gravity thereof were known to them. The certificate, however, is stated to have been issued provisionally contrary to the provisions of the contract. It is not clear how these irregularities on the part of the Engineers were not noticed earlier and appropriate action taken. To this extent the purchase was not processed with care by the Port Trust authorities.

1.47. The dredger was accepted after trials at Kandla on 11th September, 1963. The Committee were informed that as the defects observed during the trials were not considered harmful as per the opinion of the experts, there was no reason at that time for Government rejecting the dredger. The Committee would in particular like to know whether trials to demonstrate the output of the dredger in more than one shift were specifically carried out, as the output of the dredger during 1969-70 long after acceptance was only 159.7 cum./hour when it worked for two shifts as against the minimum output of 250 cum./hour taking into account the overflow losses according to the Ministry.

1.48. The Committee find that the dredger was accepted with an extended guarantee period of four years for only the propulsion and pump engines cost of which was 10 per cent of the contract price of the dredger. The guarantee period in respect of auxiliary machinery would normally expire after satisfactory performance for a period of 12 months. The Committee would like to point out that the auxiliary machinery had not given satisfactory performance for continuous period of 12 months at any stage from the date of acceptance. The Builders had attempted to rectify the defects but could not succeed in their efforts. The Committee would like to know, in the light of the foregoing, why the guarantee period for the auxiliary machinery could not be reassessed and got suitably extended.

1.49. According to the supplementary agreement entered into with the builders in August, 1963, the extended guarantee period in respect of propulsion and pump engine could be reassessed in case the defects found during the strip down trials were due to defective design or workmanship. The Committee were informed that in the absence of the consultants' report as required in this behalf after the

fourth and final stripdown, the matter could not be taken up with the builders. As the extended guarantee period expired only in December, 1967 and further payment to the consultants was stopped in September, 1966, the Committee would like to know why alternative "Consulting Engineers" were not appointed in time under the provisions of the contract to enable an assessment of the defects and further extension of guarantee period.

1.50. The Committee note with concern the delay in recovering the liquidated damages and other dues from the builders amounting to about Rs. 20.45 lakhs as per the assessment of the Committee constituted by the Government in March, 1971 to go into the various issues connected with this case. The Kandla Port Trust is stated to have been asked to formulate basic points for discussion with the builders the Committee would urge Government to settle the issue with builders expeditiously and intimate the recoveries effected.

1.51. Incidentally the Committee learn that the Port Trust preferred a claim for the liquidated damages (Rs. 8.52 lakhs) for the first time only in August, 1966 just before the Committee examined the case earlier. The Committee would like to be informed of the reasons for the delay in preferring the claim which was independent of other liabilities of the firm.

1.52. The Consulting Engineers were to be paid a sum not exceeding Rs. 1.00 lakh for the work required to be done by them in connection with the purchase of the dredger. However, payments aggregating Rs. 2.25 lakhs have been made to them and Rs. 1.29 lakhs withheld. The increased payments due to them were mainly on account of the necessity of continuing their services beyond the stipulated date of delivery of the dredger (July, 1962). The Committee would like to know whether the builders have borne this extra liability. The Committee, however, note that it has been decided not to release to the consultants the payment of Rs. 1.29 lakhs withheld, before the final settlement regarding recovery of the liquidated damages etc. from the builders.

1.53. The experience with the foreign consultants and experts in this case has been unfortunately quite disappointing. The Committee trust that as dredgers are now being manufactured indigenously, sufficient expertise in the matter of consultancy services should also be available within the country. They accordingly desire to suggest that Government should look to available expertise in the country

thereby eliminating their dependence on foreign experts which besides reducing foreign exchange expenditure, would give a fillip to further development of indigenous talents. This suggestion would apply to other fields as well where indigenous technology has improved to the extent where foreign consultancy service is neither desirable nor necessary. It should, however, be the endeavour of Government to develop progressively sufficient expertise within the country wherever it is not available at present.

1.54. In the opinion of the Committee, the problem of dredging at Kandla has assumed serious proportions inasmuch as there was a backlog of dredging to the extent of 1.9 million cubic metres as at the end of March, 1971 as the dredger 'S.D. Kandla' could not cope with the siltation. Despite poor performance of the dredger no serious attempts appear to have been made to tackle the problem except hiring two additional dredgers for brief periods when the dredger 'S.D. Kandla' was sent for dry-docking and repairs. The Committee, however, note that it has been decided to procure a new dredger of 2500 cum. capacity. In view of the importance of restoring the original depth in the Breach Channel and to improve the depth so that the Port could be better utilised, the Committee trust that the new dredger would be procured early. The Committee need hardly stress that learning from their experience of dredger S.D. Kandla Government should take adequate care to ensure that the dredger that they now order is of the requisite capacity and performance to suit the requirements of Kandla Port, that it is delivered in good condition in all respects, that it has fool-proof guarantee about performance and that the cost of dredging would be economic and competitive.

1.55. The Committee note that in respect of a dredger hired from the Shipping Corporation of India for a brief period in 1968-69 the quantities dredged and cost of dredging could not be assessed. The Committee are unable to agree with this, as the reasonableness of the hire charges cannot be determined without knowing the performance. Further the Committee desire to know whether the remaining claim of the Shipping Corporation of India had been settled and the basis thereof.

1.56. In respect of a dredger hired from the Calcutta Port Commissioners for the period from January to March 1971, the Committee observe that cost of dredging worked out to Rs. 13.59 per tonne as against Rs. 4.06 per tonne of 'S.D. Kandla'. This shows that the output of the dredger was not commensurate with the hire charges

paid. The Committee, therefore, desire that there should be rational and realistic basis for determining rate of hire charges atleast as between two Port Trusts. Further there should be an effective cost control over the dredging operations to put the dredgers to optimum use.

Purchase of high tensile steel wire

Audit Paragraph

1.57. Technical approval for construction of the bridge on the Quilon-Alleppey national highway, execution of which was done by the State Public Works Department as the agent of the Central Government, was accorded by Government of India in September 1964 for Rs. 39.28 lakhs. Technical comments of the Government of India on the design of the super-structure were received by the State Public Works Department in August, 1968 and thereafter tenders for supply of 90 tonnes of high tensile steel wire were invited by the State Chief Engineer in September, 1968. Of the two valid tenders, the lower offer (Rs. 2.193 per tonne ex-factory Kundara) of firm 'A' an aluminium cable manufacturing company, was accepted and supply order issued in February, 1969.

1.58. The firm had not previous experience in manufacture of this wire. The contract provided for payment of 80 per cent as soon as the wire was ready for delivery. Supply was to be completed by June, 1969 but the firm failed to supply any wire by then. In August, 1969, the firm offered to supply 14 tonnes out of which samples were taken for testing. Eighty per cent payment (Rs. 0.27 lakh) was made in October, 1969 before receipt of the results of the testing of the samples. On testing the wire was found to be sub-standard and was not accepted by the department.

1.59. Since firm 'A' failed to supply the wire in time, the department made enquiries from the other tenderer 'B' who agreed in May, 1969 to supply the required quantity of steel wire from ready stock at its original quoted rate of Rs. 2.535 per tonne F.O.R. Quilon. Twenty-five tonnes were purchased from that firm in June, 1969. On the expectation that firm 'A' would supply, the purchase was then limited to 25 tonnes only. Having further seen the performance of firm 'A' one more order was placed with firm 'B' in November, 1969 for supply of 66 tonnes of wire at the original rate (Rs. 2,535 per tonne F.O.R. Quilon) but the firm did not accept it on the ground of general increase in prices of steel.

1.60. For purchasing the wire from ready stockists the State Deputy Chief Engineer (in order to avoid delay) visited Bombay and

in January 1970 the department placed an order, without inviting tenders and after negotiation, with another firm 'C' (of Bombay) for supply of 66 tonnes of the wire at Rs. 2,930 per tonne F.O.R. Bombay. No regular contract has been executed by that firm. The supply order was placed through a letter which stated that 23.25 tonnes would be despatched (by that firm) in the second week of February 1970 and the balance in two approximately equal lots in March and April 1970. This firm supplied only 18 tonnes upto June 1970. By November 1970 supply of the wire by this firm was nearing completion.

1.61. The extra cost in purchasing 90 tonnes of wire (for which orders were originally placed with firm 'A') outside the original contract was Rs. 82,605 (difference in price plus extra freight charges and additional charges for transport by lorry). Delay in supply of steel wire also caused delay in the progress of the bridge work and the contractor who was executing the work demanded (November 1969 and March 1970) compensation of Rs. 1.29 lakhs for delay. The claim of the contractor was rejected by the department in September, 1970; the decision has not been accepted by the contractor (October 1970) who has informed the department that he is putting up the issue for arbitration. Further developments are awaited (November 1970). The advance payment of Rs. 0.27 lakh was refunded by firm 'A' in November 1970; action has not been taken (December 1970) for recovering from firm 'A' the extra cost of Rs. 82,605 on repurchase.

1.62. The State Government intimated (December 1970) that the question of instituting recovery proceedings against firm 'A' for recovery of the extra proceedings against firm 'A' for recovery of the extra expenditure is being considered in consultation with the Law Department.

[Paragraph 48, Report of the Comptroller and Auditor General of India for the year 1969-70].

1.63. At the outset the Committee referred to the delay of about 4 years in furnishing technical comments of the Government of India on the design of the Super-structure. The Director General (Road Development) stated: "It was a lumpsum tender on the basis of which the contract was settled and the contractors were required to furnish details of the designs, broad outlines of the designs on which the contracts are finalised in the lumpsum tender. After the contracts have been settled with them, they started sending the designs of the various components—foundations etc. and they

started sending designs for the intermediate spans which came some time in July, 1966 and certain portion of it came in October, 1966. Now, till then foundation work and the structural work has not progressed and there were certain difficulties and certain problems in the approval of the work of the foundation structure itself. The super-structure design which naturally comes later on was not cleared then. Actually, it was forwarded to us here and it appears that the comments were given some time in the month of August, 1968."

1.64. The witness further explained the nature of technical approval and stated: "Technical approval in respect of bridges was limited to outline designs only because of the need to encourage contractors to give alternative designs and because of the need to encourage the bridge-building industry and thereby encourage cheaper contracts. So, in the case of bridges, detailed designs were not prepared. Detailed designs mean complete details of every component; the calculations would probably run to about 200 or 400 or 500 pages depending upon each of the structures. That was not prepared because that might mean that in case the design was completely changed, it would result in infructuous work. So, at that stage, with the advice of the technical staff, it was decided to call for alternative tenders on the basis of technical design and the technical approval was given in the case of bridges on the basis of the outline designs which were quite enough for putting the designs for tender."

1.65. Asked whether the inordinate delay in furnishing technical comments after according technical approval was because of the delay on the part of the Roads Wing of the Ministry of Transport and Shipping or on the part of the State Government, the witness stated: "There has been a lot of correspondence which has gone on as to the extent to which the officers of the Ministry were responsible for delay in approving it and to what extent the State PWD and the contractors were responsible."

1.66. The Ministry subsequently intimated to the Committee that the agreement for the bridge work was executed on 30th July, 1965 and that the work was to be completed by 29th July, 1967. The due date of completion was, however, periodically extended unto the end of June, 1971. The work was actually completed in December, 1971.

1.67. During evidence the Committee enquired why the State Government undertook to purchase high tensile wires and supply to the contractor who was entrusted with the construction of the bridge.

The witness deposed: "When the contractor was asked his reply was that he can supply the indigenous make. He said 'we will ascertain the rates from our suppliers and will let you know shortly our quotations, which will be inclusive of all taxes, plus transport charges and we do not expect any margin at all'. Actually, the State Government did not get any information from them and the State Government decided that it will be in the interest of the economy to get the tender floated by which the contractor will also be prepared to quote and the lowest tenderer can get the contract."

1.68. The Committee desired to know the provisions of the contract regarding supply of high tensile steel wires for the bridge work. The Ministry furnished the following extracts of the notice inviting tenders:—

'Extracts of item 11 of Schedule 'E' of Notice inviting tenders

11. As far as possible the department will try to supply the required quantity of high tensile steel at the rate given in clause 3.9.2 of notice inviting tenders. However, if called for by the Department the contractor will supply the required quantity of high tensile steel at the prevailing supply rates inclusive of all taxes and the minimum transport charges. No margin of profit is allowable to the contractor on this account."

"Extract of clause 4.19 of the Notice Inviting Tenders

4.19. Assistance in procurement of priorities, permits etc. The Engineer on request by the contractor, will, if in his opinion the request is reasonable and in the interest of work and its progress, assist the contractor in the procurement of the necessary plant, machinery or material not locally available. He will also assist the contractor in securing the priorities for deliveries, transport etc. where such are needed. The Department will not, however, be responsible for the non-availability of any of the facilities or delay in this behalf and on claims either in cost or time on account of such failure or delays shall lie against the Department."

1.69. According to the information given by the Ministry, two tenders were received for the supply of high tensile steel wires, the details of which are indicated below:

| | Rate (f.o.r. works) Rs. |
|--------------------|----------------------------|
| firm 'A' | 2277.29 |
| firm 'B'. | 2518.90* |
| | 2533.90@ |

*Tar packed paper
@Hessian packing

1.70. The Committee drew attention of the witness to the statement in the Audit paragraph that firm 'A' had no previous experience in manufacture of the wire and asked why order was placed for the entire quantity instead of an educational order. The witness clarified: "At the initial stage when the work was awarded to them, there was no reason to believe that they would not be able to supply because the firm by themselves were a big firm and the production of high tensile wire technically was not a matter which called for a large amount of skill and if there was a big firm which had the capacity to do this type of work, there was no reason for the State Government to think that they would not be able to do this type of work. I am speaking from the point of view of what the State Governments might have been thinking then, because these matters were not referred to us. I do not think that the State Government had any reason to believe that the firm would not be able to supply this wire."

1.71. Firm 'A' in their letter dated 19/28th January, 1970 addressed to the State PWD authorities had *inter alia* the following to say:

".... due to the encouragement given by your Department, we agreed, as a special case, to develop this product in our plant, where we have all facilities for the processes like patenting, pickling, wire drawing etc. You are also aware of the discussions the Departmental Engineers had with our representatives during September, 1968, regarding development of this line. All of you were also aware that although we have the facilities, we had to develop manufacture of this product, as we had not manufactured this item in the past. We ventured for this only to assist the Department because of the scarcity prevalent at that time."

1.72. The Ministry stated in reply to a question that there was no approved list of firms for the supply of high tensile steel wires.

1.73. Dealing with the provisions of the contract entered into with firm 'A' regarding risk purchase, the witness informed the Committee during evidence: "...there is one clause which has come to our notice that when the contractor defaults, the Government are at liberty to procure the same from elsewhere without cancelling the contract as a whole, and if the Government incurred in thus procuring materials a higher cost, then the agreed rate, such excess cost may be deducted from the contractor's bill or adjusted or otherwise realised from his security deposit or be recovered from him by other means. This is a clause which is there in the contract. There is

also another clause which says that it shall be lawful for the Government from and out of any moneys for the time being payable or due to the contractor from the Government under this contract or otherwise to set off any loss or expense caused or damage sustained or incurred by Government by reason of the cancellation of the contract."

1.74. Asked as to why only 25 tonnes of the material was purchased from firm 'B' when firm 'A' failed to supply in time, the witness stated: "Firm 'A' did not at that stage say that they would not supply and there was every chance of their supplying it. So, paying more to firm 'B' more than what was inevitable was not considered necessary by the State Government. That is why they went in for this amount of the order. It may be an error of judgment on their part, but this is what they considered right."

1.75. As regards recovery of extra cost on repurchase, the Ministry intimated that a notice had been issued on 16th July, 1971 to the effect that firm 'A' should remit Rs. 76,138.50 within 20 days of the receipt of the notice failing which action would be instituted to recover the amount under the Revenue Recovery Act. The amount of Rs. 76,138.50 was stated to be based on actual quantity of steel wires that was to be supplied by the firm. It was clarified that no legal advice was obtained by the State Government before issuing the notice to the firm.

1.76. The Ministry subsequently furnished a copy of the reply of the firm dated 10th August, 1971 to the notice issued to them. The firm rejected the claim of Government stating: "From the very outset you brought about vital changes in the nature and scope of the contract from time to time in the matter of the delivery schedule, in the quality of the goods to be supplied, in the nature of the tests to be performed etc. And, in more ways than one, you rendered impossible the proper fulfilment of the order." They further pointed out that although their tender was valid till 28th January, 1969, the purchase order was issued only on 28th February, 1969. According to them, there was no commitment for any firm supply position. Dealing with the repurchase from firm 'B' they stated: "There is no knowing about any competitive tenders having been invited in that behalf and the price at any rate appears to be very much on the high side. We unhesitatingly repudiate all liability in connection with such purchase" and "If at all you were satisfied that any alternate purchase at the time was warranted and justified we are at a loss to know why you deferred buying the balance quantity as well for which, according to your own showing, you

took a considerably long time and paid an unconscionably high price." They also repudiated the claim in regard to repurchase from firm 'C' stating: "Even assuming that you had to make alternate purchase, it does not mean that you can do so at any time and for any price." They further alleged that inordinate delay in arranging tests and communicating the results as well as in lifting the consignment offered completely upset their schedule.

1.77. Dealing with the compensation of Rs. 1.29 lakhs claimed by the contractor executing the bridge work, the witness gave the following break-up during evidence:

Salary of idle staff and workers, hire charges for idle machinery, over-head charges, head office staff etc.—Rs. 67,160. Possible increase in cost of material and labour on the balance work costing Rs. 5/- lakhs at the rate of 10 per cent—Rs. 50,000. Interest on security deposit amounting to Rs. 2.3 lakhs at the rate of 10 per cent for six months—Rs. 11,500. Total—Rs. 1,28,660.

1.78. The Ministry informed in advance of evidence that the notice issued to firm 'A' on 16-7-1971 also mentioned that they were liable for such losses as the State P.W.D. might suffer due to the Award that might be passed by the Arbitrator on the bridge contractors claim of Rs. 67,160 as compensation on account of the delay in supply of wires. The claim was rejected by the firm. However, during evidence the witness stated that the State Government had agreed to amend the notice to include the entire claim of Rs. 1,28,660. It was subsequently intimated by the Ministry that the arbitrator had awarded a sum of Rs. 29,205 to the contractor.

1.79. In a note explaining the procedure followed in regard to the execution of work through State Governments and the nature of financial and technical control exercised by the Government of India, the Ministry stated: "Construction of National Highways is a Central subject under the Constitution. The Government of India in the Ministry of Shipping and Transport (Road Wing) are administratively and financially responsible for the construction, development and maintenance and repairs of roads classified as National Highways in the various States."

"However, the State Governments execute the work as agents of the Central Government after obtaining technical and financial approval of the Government of India. As authorities in charge of

actual execution, the State Governments are primarily responsible in executing the works not only according to the approval designs and technical specifications, but also in accordance with the relevant financial rules and regulations. The responsibilities of the executive agencies are defined in the National Highway Rules, 1957 framed under the National Highways Act, 1956. The State P.W.D. are expected to submit periodically progress reports not only in respect of physical progress of the work but also in respect of financial progress to the Government of India."

1.80. When it was pointed out during evidence that there should be some procedure by which the Centre might have control and be in continuous contact with what was going on so that no avoidable loss was incurred by the executing agencies, Secretary, Ministry of Transport & Shipping stated: "It has been continuously worrying us and it is in our thought. One line we are thinking of is, giving them complete responsibility upto a certain monetary limit. If you go into the whole question—because of the other suggestions made here—you will find there are thousands of jobs for which contracts or tenders are invited. The Roads Wing is overloaded as it is to have the technical scrutiny and process the case and get the administrative approval."

"The second thing is, we have a very small nucleus of liaison officers but they are of a very low level and the Chief Engineers naturally do not like their interference much. We have been trying other methods of giving complete, detailed guidelines as to how estimates are to be prepared, how they are to be sent, how the monthly expenditure statements have to be sent, how the periodical returns are to be sent and so on, but invariably there is interminable correspondence to get these details. A lot of things do not really come to our notice unless something serious happens. So, we are at it. The most drastic solution would be for the Central Government to set up its own executive agency and that opens up a lot of questions. Historically and traditionally, from the days of Independence, when the National Highways were taken over, the agency has been given to the States. So, the Centre-State relationship comes in. But how to have an effective technical and financial control has been our continuous worry. We really do not know from day to day, from month to month, what expenditure is being incurred. There is always a backlog of information. We have been urging upon the State Governments to improve their organisation, to set up a separate highways wing for the Central sector alone with a Chief Engineer and adequate staff and things. We are in difficulties. Honestly speaking, we have not been able to find a really satisfactory solution

which will enable us to have the execution done well. At the same time, we are striving to discharge our responsibility as effectively as possible as you and Parliament know. We are at it."

"We have a study made by the Administrative Reforms Commission. They have given a report. One of the recommendations is that we should only concentrate on work which involves a certain high level of expenditure, because the studies already show that many States have a very highly organised public works department and they are executing the work of almost the same quantum in the State Sector as in the Central Sector, because in the Fourth Plan, the amount is Rs. 418 crores for the Central Sector and about Rs. 439 crores for the State Sector. We shall have to consider the study made by the Administrative Reforms Commission and consult the Finance Ministry."

1.81. A note indicating the deficiencies in the working of the existing agency system furnished by the Ministry is reproduced at Appendix I.

1.82. The Department of Administrative Reforms, Ministry of Home Affairs in their report (July, 1970) on the reorganisation of the Roads Wing, Ministry of Shipping and Transport, have *inter-alia* recommended delegation and decentralisation of powers and simplification of procedures. Dealing with progressing and evaluation of work, they have stated: "The other neglected activities are progressing and evaluation. The present system of watching progress of the sanctioned schemes is not very satisfactory. The State Governments are at present required to furnish quarterly progress reports regarding execution of works and completion report after the project is implemented. They are also required to submit monthly expenditure returns. These reports are not being generally submitted in time and the reports which are received are not systematically analysed. It may be desirable to have a meaningful and comprehensive reporting system through which it will be possible to have effective control over the execution of work." The recommendations of the Department of Administrative Reforms are stated to be under consideration of Government.

1.83. The delays and deficiencies noticed in this case connected with the construction of a bridge on the Quilon-Alleppey National Highway are typical of the manner in which the Central works are executed through the State Governments without effective coordination. The work which was scheduled to be completed by July, 1967 was actually completed in December, 1971. To what extent

was this due to the delay in furnishing technical comments for the various items of work is not known. The Committee desire that the relative responsibility of the Roads Wing of the Ministry of Transport and Shipping and the State Government for the delay in clearing the designs should be determined.

1.84. It is not clear to the Committee as to why the State Government thought it necessary to provide for the departmental supply of high tensile steel wires only, for the bridge work. In respect of other requisite materials to be procured by the Contractor himself the Government did not make themselves responsible for either delay in procurement or increase in cost thereof in any manner. As the entire bridge work was awarded on lumpsum basis, the Committee do not consider that the action of the State Government in agreeing to supply one of the items was justified. In view of the fact that this resulted in needless claims for compensation by the contractor on account of delay in supplies and other complications, the Committee feel that the matter requires investigation. Further they would like to know the practice in this regard in other bridge works on National Highways executed through various State Governments.

1.85. The Committee regret to find that orders for supply of high tensile steel wires were placed on firm 'A' for the entire quantity of 90 tonnes despite the fact that the firm is stated to have apprised the Department of their lack of experience in manufacturing this product and of the need to develop it as a special case "to assist the Department". As there was another valid tender, the Committee feel that the authorities need not have sought the assistance of or shown any indulgence to a local firm. The correct course in such circumstances would have been to place an educational order to test the capacity of the firm.

1.86. Incidentally, the Committee note that there was no approved list of firms maintained by the Central Government for the supply of high tensile wires. In view of the experience in this case, the Commission consider it desirable to have approved lists of firms for supply of main items for the guidance of State Governments executing Central works.

1.87. A lapse in regard to repurchase of high tensile steel wires on failure of firm 'A', noticed by the Committee is that the State Government took recourse to it without inviting tenders and without taking any legal opinion. Firm 'A' have repudiated the claims of Rs. 76,138 in this behalf and have pointed out inter-alia absence of

firm commitment on their part to any specific delivery schedule from the beginning and delay in arranging test and communicating the results by the Department. In the opinion of the Committee, the various commissions and omissions in this case require investigation with a view to fixing responsibility.

1.88. The Committee note that the arbitrator has awarded a sum of Rs. 29, 205 in favour of the contractor executing the bridge work against his claims of compensation for the delay in supply of the steel wires. The Committee would like to know what further steps are proposed to be taken to recover from firm 'A' this amount and the extra expenditure on repurchase amounting to Rs. 76,138 and the results thereof.

1.89. Arising out of the above case is the general question of satisfactory execution of Central works through the State Governments. The Committee have been pointing out from time to time the inadequacies in this regard which resulted in avoidable losses on the one hand and tardy execution of works on the other. They have also pointed out lack of control over spending through the works executing agencies resulting in considerable recurring excesses/savings under grants voted by Parliament. That there is thus need for effective control—technical and financial—need hardly any further emphasis. Various measures such as delegation of powers to the State Governments and earmarking staff for Central Sector Road works by all the State Governments, are stated to be under consideration. The Committee wish to observe that it is high time that the procedure for execution of road works on agency basis is streamlined in consultation with the Ministry of Finance. They would, however, like to caution Government that any scheme of delegation would work satisfactorily only if there is a system to assess effectively the proper discharge of delegated responsibilities.

1.90. The Committee find from the report of the Department of Administrative Reforms that progressing and evaluation of work though important, is one of the neglected activities of the Roads Wing of the Ministry of Transport and Shipping. The Committee regret to learn that the progress reports relating to works are not submitted by State Governments in time and the reports which are received are not systematically analysed. In order to have an effective execution of work, this situation has to be remedied and a better coordination through the regional offices established.

Failure of road crust

Audit Paragraph

1.91. The work "formation of right approach road to Vasista Bridge" (on national highway) was originally proposed to be executed under the conventional method (i.e., using soling stone etc.). After the earthwork formation was completed, the Deputy Director Central Road Research Institute, who visited the site suggested in May 1966 that, as the road was to be formed on black cotton soil which often tended to sink under heavy traffic, the "soil stabilisation" method (i.e., using soil mixed with lime) be tried for the crust portion. The new method was adopted in December 1966 on an experimental basis for a reach of about half-a-mile under the direct supervision of the Central Road Research Institute officials and the work was completed in two months. In February 1967 it was ordered by the State Chief Engineer that the entire reach of 5 miles and 2 furlongs should be constructed under the new method and the work completed by 20 April 1967, the date on which the bridge across Vasista was to be thrown open for traffic. Work was done round the clock (under the supervision of the Central Road Research Institute) by employing extra staff and the road thrown open for traffic on 27th May 1967 but it had to be closed on 11th September 1967 due to yielding of the soil and consequent failure of the surface under heavy traffic during the rainy season in July and August 1967. The department had to undertake extensive repairs costing Rs. 2.27 lakhs for strengthening the crust of the damaged portions. The failure of the road crust was held as mainly due to:—

- (i) opening the road for traffic just before the monsoon even though the top layer of 3 inches consolidated granite had not been provided and the surface not sealed with bituminous surfacing;
- (ii) the total thickness of the consolidated granite being short of the designed thickness by about 5 inches even ignoring the top layer of 3 inches thickness which was not provided;
- (iii) using sand as sub-base though murrum had been suggested by the Central Road Research Institute. (In fact murrum treated with lime was used in the experimental reach of half-a-mile taken up in the first instance and the crust did not fail in this portion); and
- (iv) exposure to rains of the top layer.

[Paragraph 49, Report of the Comptroller & Auditor General of India for the year 1969-70].

1.92. The Committee desired to know the reason for the deficiencies in the work when it was supervised by the Central Road Research Institute. The Director General (Road Development) stated: "Except for the limited number of furlongs which were done directly and specifically under the direction and supervision of the Central Road Research Institute, the rest of the work was carried out in about three months and was open to traffic before the last layer of the work was completed and before the sealing was done." He continued: "The Central Road Research Institute came into this because the design of the crust was to be done and, while approving the estimate, it was mentioned therein that the investigation in connection with the strength of the soil should be carried out and the crust design should be looked into. Obviously, the State Government carried out this work after discussion with the Central Road Research Institute."

1.93. The Director, Central Road Research Institute added: "As far as the role played by the Central Road Research Institute (CRRI) for this particular problematic stretch of road is concerned, the CRRI, as a result of research work carried out, suggested a new technique, a bit different from the conventional technique to economise on the cost of construction. We in the CRRI evolved this technique in the past few years as a result of both research in the laboratory as well as trials in the field. Based on this we gave a design for the construction of this stretch of road. This technique was meant to have wide adoption in the country and with this object in view, the Deputy Director of CRRI visited the site to render necessary advice to the State P.W.D." According to him the use of sand-base instead of moorum had the approval of the Central Road Research Institute. It was because their attempt was always to use the locally available material to the maximum extent. In this particular case, moorum was not locally available with the result that the use of moorum would have increased substantially the cost of construction. Hence they agreed for the sand layer which was ultimately adopted by the State P.W.D. The failure was on account of the "non-implementation of the total design over and above the stabilised layer which is the basis of the new technique" and "leaving the road open to traffic specially in the rainy season" as per his own assessment although a committee had been constituted to go into the reasons.

1.94. In a note the Ministry stated: "The Central Assessment Committee of the Government of India, which draws up programmes for constructing roads according to specifications developed based on new techniques and recommends reimbursement of expenditure

on failures, if any, incurred against such approved schemes, appointed a sub-committee to investigate the case of failure of the pavement on the right approach road to Vasista Bridge. The sub-committee met at site on the 6th August, 1971, for preliminary discussions. The committee had further deliberations in New Delhi and its report is under finalisation. After the Committee submits its report and after it has been considered by the Government, the Public Accounts Committee will be informed further in the matter."

1.95. During evidence the Committee were informed that the advice of the Central Roads Research Institute was confined to the middle layer, leaving the top layer which consisted of the normal type of work to the State P.W.D.

1.96. The Committee desired to know why the total thickness of consolidated granite was short of the designed thickness by 5". The Ministry in a note explained: "The State Government have stated that originally the road crust was designed by the CRRI assuming a CBR value of 2.5 for black cotton soil and according to this the total crust to be provided is 25½" only. The road crust was constructed to this thickness except for the top granite layer of 2¾" thickness (compacted) in a length of 4½ miles before traffic was allowed on the road. The crust thickness in this 4½ miles stretch alone was thus less by 2¾". Subsequently the State authorities had in consultation with the scientist (Deputy Director of the CRRI) decided to increase the thickness from 25½" to 27½" as in their opinion a CBR value of 2 only should be adopted for such a soil and consequently while rectifying the damage to the road an additional layer of 3" (loose) granite metal was added by them."

1.97. During evidence the Committee desired to know whether the new method recommended by the CRRI was referred to the Ministry and their approval obtained before adoption. The Director General (Road Development) stated: "Approval was not given by us. The information was supposed to have come to us earlier, but actually when we knew of it officially, they said the work had already been done. They referred us to a letter which was supposed to have been received in the Ministry, but was not traceable with us. They did not want any approval from us..." He admitted that as per the normal procedure the State Government should take the approval of Government of India for any change in specification.

1.98. The Committee enquired whether Government had come to any final conclusion about the effectiveness and economy of the

new design and if so, whether it was being extended to other roads. The Ministry submitted in a note: "It has generally been considered appropriate by the Ministry of Transport (Roads Wing) to take advantage of the information collected on such new techniques, by the Central Assessment Committee, set up by it, before adopting these for routine construction. The performance of such lengths of road has to be studied by the Central Assessment Committee over a period of years before the Ministry can take any decision regarding effectiveness or otherwise of any new techniques. In this particular case the Central Assessment Committee has not yet come to any definite conclusion, as the Committee has to first study the report of the Sub-Committee constituted to go into the causes of the failure of the road and then consider the service records of other lengths of roads constructed with this technique. The case study of one single length may not be considered adequate to take a decision about the technical feasibility or otherwise of the technique. So far no decision has been taken by the Ministry regarding the effectiveness or otherwise of the techniques."

1.99. According to the evidence tendered by the Director of the Central Road Research Institute the failure of the crust of the right approach road to Vasista bridge on National Highway necessitating repairs at the expense of Rs. 2.27 lakhs was due to "non-implementation of the total design over and above the stabilised layer" and leaving the road open to traffic prematurely especially in the rainy season. The Committee, however, note that a Sub-Committee of the Central Assessment Committee is investigating into the reasons for the failure. The Committee would, therefore, like to await their findings and the action taken thereon. The Committee further note that total crust to be provided was increased subsequently from 25" to 27½" in consultation with the CRRI. Therefore, it should also be investigated as to why the design which was done by CRRI did not originally provide for the required thickness.

1.100. The adoption of the new "soil stabilisation" method by the State Government as suggested by the CRRI did not have the specific approval of the Ministry of Transport and Shipping (Roads Wing). The Committee understand that the Central Assessment Committee has yet to come to a decision regarding the technical feasibility or otherwise of the method. The Committee may be apprised of the decision in this regard in due course.

Unnecessary procurements of Spares due to gross over-estimation of requirement.

Audit Paragraph

1.101. Five items of spares valued at Rs. 5.32 lakhs (including foreign exchange element of Rs. 3.83) were indented for by the Director General, Border Roads, in November, 1962 for maintenance and overhaul of a certain type of tractors. These were received in July, 1963—September, 1965 in a workshop. Further purchase of one of the items costing Rs. 0.76 lakh was also made in January, 1967 and this was received by September, 1968. The actual utilisation of the spares so far has, however, been negligible and the entire quantity purchases in respect of four items (valued at Rs. 5.11 lakhs) is still lying in stock (December, 1968) as shown in the table below:

| Item | Quantity (numbers) | | | | | Remarks |
|-------------|--------------------|-----------|----------------|--------|---------|---|
| | Initial stock | Purchased | Other receipts | Issued | Balance | |
| A | 481 | 10,400 | 84 | 119 | 10,846 | *40,180 had been purchased in January 1967 and hence the issues were from the stock held and purchases made earlier |
| B | 532 | 7,450 | 96 | 142 | 7,936 | |
| C | 91 | 242 | .. | 33 | 300 | |
| D | 33 | .. | 130 | 14 | 149 | |
| E | 2,304 | *50,220 | 7,292 | 7,292 | 49,082 | |

1.102. 54 out of 70 tractors of the type held by the organisation have already been overhauled once and it has been decided in July, 1967 that these tractors would be discarded at the second overhaul stage. The possibility of utilisation of most of the spares lying in stock is therefore remote.

1.103. According to the Director General, Border Roads, these items were procured on the basis of the manufacturer's recommendations and life expectancy of the tractors but due to the extremely severe working conditions, the tractors came up for overhaul earlier than expected resulting in a lower rate of consumption of spares for maintenance; and also some parts of the tractors were allowed to be used till condemned without replacement of any component. The Border Roads Development Board have stated that a census of all surplus spares in the organisation is in progress and is expected to be completed by April, 1970. A further probe is also proposed to be carried out if the surplus is found to be large.

[Para 50, Audit Report (Civil), 1970].

1.104. At the outset, the Additional Secretary, Ministry of Defence explained the background of acquisition of the spares for tractors dealt with in the Audit para: "The point you are dealing with in this Audit para relates to Crawler Tractor which is made by International Harvester of United States. The Crawler Tractor. TD-20 to be precise, that is how it had been described—it has got a number of models and the one which is the subject matter of the Audit para is 200 series. We call it TD-20-200 series. I am saying all this because later on we purchased the same TD-20 but of a different series. It is the misfortune of the Border Roads as the user that the firm goes on changing these series and the commonality of the spare parts gets reduced; in fact, sometimes it is hardly 5 or 20 per cent so that we get a multiplicity of problems on account of different models. Now, these 200 series we purchased 70 numbers in 1960 or 1961 when the Border Roads got going. We got a World Bank Aid. It was advertised widely and everybody, including Caterpillar, had applied and our ISM, Washington purchased or selected International Harvester. It is a good tractor and it has done well. But for the fact that our collaboration at that time was with Komatsu we could have had these tractors in large numbers. When we purchased this tractor, we also purchased from Komatsu XD-80. TD-20 corresponds to size II of Caterpillar. D-40 and D-50 of Komatsu you can use on a smaller period. You can start working with those tractors. When the road gets a little more widened you can start using a bigger tractor. When we purchased these tractors we had no experience. The Border Roads Organisation started as such with men taken from the Indian Army and in the Indian Army they had full experience only of Caterpillar tractors. They had practically no experience of International Harvester tractors.

"This tractor has 1,051 items of spares. This is not particular to this tractor. It applies to all the variegated models and series that we have got. When the tractor has 1,051 items of spares the Director General, Border Roads has to make up his mind as to what spares he should order. We had no experience. There was no experience in the Indian Army of constructing roads in the Himalayas except some bits on the foothills. This is an area where it is very difficult to work. We do not really know how the tractors behave against slippery rock and hard rock because sometimes we have a mixture of good and bad rocks. So the Director General, Border Roads got the recommendation of the suppliers, because the suppliers or manufacturers' recommendation is based on their knowledge of which are the items which are weak and likely to go off and which are likely to last long. So, on the recommendation of

the manufacturer, 1,051 items including 4 were ordered by the Director General, Border Roads. The manufacturers did indicate what number is required for maintenance for a period of two to three years. But in the case of plow bolts, the last one which has been mentioned in the Audit para, there was no indication by the manufacturers for the simple reason that it is nothing but a bolt which holds the cutting edge of the tractor which costs Rs. 1.85 each. A certain number of these bolts, 10,040 to be precise, were ordered in the expectation that these cutting edges will give us trouble. I have got some experience of border roads and I can tell you that to start with Komatsu tractors gave a lot of trouble. Even in 1960-61, Border Roads had some difficulty with this type of thing in Gomatsu. In that background this order was placed. I do not feel that the judgment of the EME officers in this regard was really bad.

"The first stock of plow bolts came out of U.S. Aid. I am mentioning this because we did not pay for this item in foreign exchange, as far as I know. The later order which was placed in 1967 was on the indigenous manufacturer. So, we did not spend any foreign exchange. Of course, I am not saying this in mitigation of what has happened. I am only mentioning that for this particular item foreign exchange as such did not come into play. But, nevertheless, we had over-estimated them and in the long run we had a large number of them for which we could not find any use. even though TD-20, other series, could have used these ones which we have got. We did not ask for these bolts for them."

"In regard to these items it is not as if we have placed a number of order. With regard to other items the orders were placed only once, in November, 1962 and this covered two years' maintenance requirements and one overhaul, as recommended by the manufacturers. This is the position so far as these items are concerned."

1.105. As regards the possibility of utilisation of the surplus spares, the witness stated: "Out of these five items, plow bolt is of common use and can be used. To the extent that it can be used in the TD-20 series it has been used. In regard to the other four items, I regret to say that in November, 1962 when we were trying to place our first indent, the organisation was so busy that it was impossible for it to find out what are likely to be the commonalities between the different tractors. We have to carry out certain trials which require a lot of experience, documents and staff to find out the commonality. But when we first placed the order, the idea of finding out the commonality did not really occur to us nor was it feasible at that time."

1.106. In advance of oral evidence, the Ministry intimated the stock position of five items of spare parts mentioned in the Audit paragraph and the value thereof as follows:

“The stock position of the five items of spare parts which have been retained for use is as follows:

| Sl. No. | Nomenclature | Quantities under transfer to E-in-C's Br. | Quantities disposed of by DGS&D by auction on 3rd May, 1971 | Quantity retained by the Organisation for use |
|---------|--|---|---|---|
| 1. | Bushing Track Link | 865 | 8,204 | 1,280 |
| 2. | Pink Track Link | .. | 6,155 | 1,280 |
| 3. | Bearing Sprocket Drive Pinion. | 16 | 256 | 20 |
| 4. | Bearing Drive Gear Inner | 15 | 97 | 10 |
| 5. | Plow Bolts | .. | 41,657 | 1,293 |

The estimated value of quantities referred to above, retained for use, is Rs. 0.66 lakh.”

1.107. Asked during evidence about the original cost of the spare parts auctioned and the amount realised, the witness stated: “The five items, which we had declared to the DGS&D, were disposed of on 3rd May, 1971 and the sale value realised, as reported by DGS&D, was Rs. 1.20,000 as against the book value of Rs. 5.04 lakhs for all the items.”

1.108. As desired by the Committee, the Ministry intimated the results of the census of all surplus spares in the organisation: “The census of unwanted spares has been completed by Director General, Border Roads. It has been reported that unwanted spares valued approximately at Rs. 217 lakhs exist in respect of 86 equipment and vehicles. The total cost of spares purchased in respect of these equipment and vehicles is approximately Rs. 1706 lakhs. The assessment of unwanted spares made by DGBR is subject to review to determine actual needs particularly in respect of old models still in use. This review will be undertaken as part of the annual provisioning review introduced as a result of the recommendations of the Committee on Machinery and Equipment.”

1.109. Asked to indicate whether the surplus was found to be large enough to consider a probe, the Ministry stated: “The view has been held by DGBR that on the whole the surpluses are not

large. The matter is, however, under consideration. It is proposed to hold discussions shortly in this regard."

1.110. In reply to a question during evidence, the witness said: "In regard to spare parts we have got a peculiar phenomenon. About a year ago, we told you that we were not able to repair a large number of equipment because we did not have spares. Today, I may tell you that we have got a very large number of spares which I would not say are surplus but which, at the present moment, appear to be unwanted. How this phenomenon arose is a different matter. But the position today is that we have got certain spares which we need in order to balance some of the spares which we have got and in order to complete the overhauling of the equipment which remains half-done. This is the position."

1.111. To an enquiry of the Committee regarding the disposal of the unwanted spares, the witness replied: "We have taken a little time in making up our mind to dispose of these particular items. We do not want to dispose them of in a hurry and then, after a year, we find ourselves in difficulty and buy some items at a much higher cost through another agency. That is the main difficulty.

"We have got other problems also. We have got to standardise equipment also. To the extent the spares refer to an item which we are going to standardise and the model remains the same, it will not be right to dispose of, except some rubber items, which may deteriorate in stock. So, the standardisation, the question of discarding of certain items of equipment at the second overhauling stage and the problem of assessment of our requirements of spares for full life in respect of imported equipment and one life plus over-haul in respect of others are the considerations which have made it difficult for the Director General, Border Roads and the Secretary of the Border Roads Organisation to come to definite conclusions that these are the items to be discarded."

"We have now, more or less, come to a stage where in respect of certain items, specially those where the unwanted spares is a large say, 20-25 per cent, it will be possible to say definitely that these are the items which will not be required. Unfortunately, most of the equipment having high percentage of unwanted spares are imported ones. I was checking up all that. Out of 87 items that we have examined there are 55 items where the value of unwanted spare parts is less than 10 per cent. In their case, there is no problem. We may be able to carry on with them and wait until the last equipment goes away before we dispose of them. In the case of 12 equipments, it varies from 10-15 per cent. But the items which are

giving us some cause of worry are those which vary between 20 per cent and above. There are 33 of them and out of these 13 involving total surplus spares to the tune of Rs. 117.66 lakhs the major surplus pertain only to 4 main items."

"We are now considering those ones where the number of unwanted spares is large and we hope that within a short period we shall be able to take a view which will take care of our foreseeable requirements."

1.112. The Committee concerned to note the lack of effective inventory control in the Border Roads Organisation as is evidenced by the excessive purchase of Rs. 6.08 lakhs worth of spares for Crawler tractors of TD-20-200 series, more than 80 per cent of which had to be disposed of at less than 25 per cent of the original price. It is disturbing to note further that as against total cost of Rs. 1706 lakhs of spares purchased unwanted spares valued approximately at Rs. 217 lakhs exist in respect of 86 equipments and vehicles. In respect of 13 out of these equipments the value of unwanted surplus (Rs. 117.66 lakhs) is over 20 per cent of the total value of their spares held and the major portion of them relate to four main items. That there should have been such a large accumulation of spares in a relatively new organisation such as the Border Roads shows how faulty the system of provisioning was. The Committee would like to know the results of the probe as to how this phenomenon arose. The utilisation/disposal of the surplus spares may also be reported to the Committee.

1.113. The Committee wish to stress that there should be an effective annual provisioning review in future as recommended by the Committee on Machinery and Equipment which should take into account the existing inventory of spares. Further the Organisation should attempt to standardise the vehicles and equipments as far as possible so that the problem of multiplicity of spares is not met with in future.

Avoidable payment to consultancy firm due to defective agreement
Audit Paragraph

1.114. For conducting basic surveys and preparing preliminary designs and project report for the second shipyard project, Cochin, Government concluded in February, 1965 an agreement with a Japanese firm. The basic survey was to be conducted in India and only the fee of Rs. 7 lakhs (\$1,47,000) payable to the firm on that account was liable to payment of Indian income tax.

1.115. Before the agreement was concluded, the firm had quoted Rs. 6 lakhs for soil surveys and Rs. 8 lakhs for preparation of project report, free of taxes. After consulting the Central Board of Revenue, the Ministry added Rs. 1 lakh (towards payment of income tax) to the amount of Rs. 6 lakhs demanded by the firm for soil survey and the gross amount of Rs. 15 lakhs equivalent to \$3,15,000 for both the items of work was specified in the agreement. The understanding was that Rs. 1 lakh represented the amount of income tax on Rs. 6 lakhs to be deducted at source as and when the instalments were paid. The agreement, however, stipulated only the firm figure of \$3,15,000 as payable to the firm subject to deduction of Indian income tax at source and did not specify that Rs. 1 lakh was intended for payment of income tax and that if there was reduction in the tax element the benefit should accrue to Government.

1.116. A total net payment of \$3,12,064 was made to the firm (on various dates between March 1965 and January 1968) after deducting Rs. 22,022 (\$ 2,936) only as income tax assessed in December, 1967. The defect in the agreement with the firm resulted in avoidable payment of Rs. 0.78 lakh in foreign exchange.

[Para No. 48, Audit Report (Civil), 1970.]

1.117. The Committee wanted to know how the element of income-tax leviable was worked out as Rs. 1 lakh and how it went down to Rs. 22,022 subsequently. The Department in a note, have stated "A net sum of US \$ 294,000 [\$ 126,000 (Rs. 6 lakhs) for basic soil survey and \$ 168,000 (Rs. 8 lakhs) for Preliminary Design and Project Report] was quoted by Mitsubishi Heavy Industries on the basis that this sum would be free of India taxes. The Government, however, decided that as a matter of principle we should not agree to the payment free of Indian taxes. As no absolutely accurate pre-assessment of income tax liability was feasible, the Ministry of Finance were consulted at a meeting held on 30-1-1965 and they indicated a figure of Rs. 1 lakh (\$ 21,000). On an *ad hoc* basis, which was accordingly added to \$2,94,000 making the contract amount \$ 315,000, hoping that it would be adequate. The understanding was that Rs. 1 lakh (\$ 21,000) represented the income tax to be deducted at source as and when the instalments were paid. The final income-tax assessment as intimated by the Income-tax Officer, Ernakulam in this case has come to Rs. 22,022."

1.118. In reply to a question if the firm was requested to refund the excess amount paid over its quotation of Rs. 14 lakhs, the Ministry stated "We have recently written to the firm requesting them to refund an amount of US \$ 18,063.66 (i.e. \$ 21,000 minus 2,936.34)

vide our letter No. SY—12(9)/69 dated 20-9-1971. Their reaction is being awaited”.

1.119. The Committee regret that a lacuna in the agreement entered into with the Japanese consultancy firm for conducting basic surveys and preparing preliminary designs and project report for the Second Shipyard Project, Cochin, resulted in a gratuitous payment of Rs. 0.78 lakh. The Committee trust that such legal documents will be drafted with care in future to reflect the understanding reached between the contracting parties.

1.120. The Committee note that the firm has been requested only in September, 1971, (after the representatives of the Ministry appeared before the Committee) to refund the extra payment made to them and that their reaction is awaited. The Committee do not appreciate the delay in taking this action. They, however, wish that the firm should be persuaded to refund the amount and the result intimated to them.

Avoidable expenditure

Audit Paragraph

1.121. Approval for black-topping water bound macadam road in miles 50 to 95 of national highway No. 7 was accorded in June 1966 by Government of India for Rs. 16.08 lakhs. The work consisted of (i) renewal of water bound macadam and (ii) black-topping and seal coat. Water bound macadam renewal was done in 1967. The State Public Works Department did not take up the black-topping work till April 1968. The road, without the black-topping was thrown open to through traffic in June 1968 this resulted in rapid deterioration of the water bound macadam road surface. When black-topping work was taken up in 1968 it was found that the water bound macadam surface was badly damaged and was not fit for receiving black-topping. An estimate for surface renewal (in miles 50 to 32) was then prepared for Rs. 2.87 lakhs and that work completed at the actual cost of Rs. 2.62 lakhs. The delay in executing the black-topping work thus resulted in avoidable expenditure of Rs. 2.62 lakhs.

1.122. Government of India had observed (September 1968) that expenditure on surface renewal could have been avoided had the executive officers maintained the renewed macadam surface to proper camber and profile and laid the black-topped surface immediately after it was approved, and wanted the State Government to investigate the matter for fixing responsibility. The revised estimate for Rs. 2.87 Lakhs has not so far been approved by Government of India.

1.123. The matter was reported to the Ministry in July, 1970; reply is awaited (December, 1970).

[Paragraph 50. Report of the Comptroller & Auditor General of India for the year 1969-70.]

1.124. In a note submitted in advance of oral evidence, the Ministry summed up the view of the State Government on the Audit paragraph and stated their reaction thereto as follows:

"Due to procedure and delays and abnormal excess in tenders, a contract for black-topping surfacing could not be fixed up till April, 1968. In the meantime, the surface of the newly added WBM layer which was in a fairly good condition at the time of inviting tenders for black-topping were out due to considerable increase in traffic on the opening of four bridges in the concerned reach of the road. There was thus no alternative to renewal and the extra expenditure thus involved which was not unjustified. The State Government also, therefore, did not think necessary to conduct any enquiry.

"There are, however, a number of issues arising from the points in the correspondence exchange with which the Ministry has not been satisfied and feels that there is a need for a detailed investigation as suggested already in 1968."

1.125 The Committee desired to know the exact date(s) of completion of initial water bound macadam renewal work. The Ministry had the following to intimate:

"The initial water bound macadam work was completed in reaches between miles 50/0 to 95/0 of N.H. 7 as indicated below:

| Reach | Date of completion |
|--------------|---|
| (a) 50 to 60 | 52 lgs. in 1965 } of these 63 flags. 26 lgs. in 1966 } were completed even before this Ministry 2 lgs. in 2/67 had sanctioned this work |
| (b) 60 to 70 | Work completed by 3/67 |
| (c) 70 to 82 | Work completed by 11/67 |
| (d) 82 to 95 | Work completed by 12/67 |

1.126. Asked as to why black topping work was not taken up immediately after the water bound macadam renewal was done, the Ministry stated: "According to the State Government, the B.T. work in 1969 could not be taken up immediately pending completion of additional coat proposed for increasing the crust and settlement of

tenders for B.T. work. While according technical sanction the Superintending Engineer had been asked to design crust and make provision for another additional WBM coat in selected areas of soft soils and submit a working estimate incorporating the details. The Superintending Engineer suggested that an additional layer of 3" metal coat should be provided where the soil was poor and on unformed approaches to the bridges so that sufficient crust was built up. As such B.T. work could be taken up only after the renewal coat found necessary to increase the crust in the soft reaches was completed and the tenders for B.T. work were settled."

"It is, however, apparent...that the reasons was (a) non-finalisation of tenders for black topping and seal coat till April, 1968, i.e., for over 2 years; and (b) execution of water bound macadam work in 68 furlongs well before the sanction of the estimate in June, 1966. The question of providing additional layer was not raised with the Ministry after sanction of the estimate in 1966 and till the road failure report in July, 1968."

1.127. According to the information given by the Ministry, the additional layers of water bound macadam laid in certain reaches mostly between mile 50.0 and 71.0 were completed in 1969 except in respect of a stretch of 7.6 furlongs between mile 68.0—70.0 and another stretch of 6 furlongs between mile 88.0 to 89.0 which were completed subsequently in June, 1970, March, 1971 respectively.

1.128. The Committee enquired when the State P.W.D. called for tenders for black topping and seal coat. The Ministry replied: "According to the information furnished by the State Government tenders were originally called for the first time on 28-11-1966 for the B.T. portion and seal coat, fixing the date of receipt of tenders as 25-1-67 later postponing it to 7-3-67. First call tenders were thus received on 7-3-67, and were sent to the Government of Andhra Pradesh, in the Chief Engineer's letter No. 12801/1367-3 dated 5-4-1967. The State Government returned the tenders on 3-7-1967. The State Government returned the tenders on 3-7-67 to the Chief Engineer with instructions to split up and re-invite tenders. The Superintending Engineer re-invited tenders in three reaches M. 50 to 65, M. 65 to 80 and 80 to 95 on 15th September, 1967 fixing the last date as 21st November, 1967. The single premium tenders of M's..... were received at 26.55 per cent, 26.69 per cent and 26.93 per cent respectively. The tenders were rejected as they were at high premium: Traders were accordingly called for once again on 5th December, 1967 fixing 18th January, 1968 as last date of receipt of tenders and

finally the negotiated tenders were accepted by the Superintending Engineer and the agreement concluded in April, 1968.

"It may be added that the estimate was sanctioned in June, 1966 when renewal work was already in progress and it took 22 months after sanction of the estimate for the State Government to finalise tenders and got agreement concluded."

1.129. In reply to another question as to why the road was thrown open to traffic without black-topping, the Ministry intimated: "The State Government have now mentioned that on completion of four major bridges at miles 69|2, 69|7, 76|8 and 80|7 of this road in June, 1968 traffic increased substantially as the traffic took to the route in view of reduction in distance. The State Government have also said that the road was not thrown open as such by the Department.

"In this connection it may be mentioned that while reporting to this Ministry in July, 1968 about the need for improvements in the reach between mile 50|0 to 71|0 at an extra cost of Rs. 2 lakhs the State Government had merely mentioned that the surface was badly worn out due to the time-lag in between resurfacing of WBM and settlement of tenders for bitumen surfacing as there was no response from the contractors for the bitumen treatment work. There was no mention in that letter of the bridges having been opened in June, 1968 and the traffic therefore having increased substantially."

1.130. Asked to state if the State Government has since investigated the matter and fixed responsibility for not maintaining the renewed macadam surface to proper camber and profile and not laying the black topped surface immediately after it was approved, the Ministry intimated: "In their letter No. 4004 R2/68-5 dated the 22nd April, 1969, the State stated that while the road surface of newly added WBM layer was fairly in good condition at the time of inviting tenders for B.T. works, subsequently due to considerable increase in traffic on the opening of 4 bridges in this reach there was wearing out in the WBM surface due to normal wear and tear, to rectify which the additional 3 inches renewal coat had been proposed, which expenditure would go to strengthening the existing WBM crust and thereby there was no extra expenditure of Rs. 2 lakhs involved whereas in their latest letter No. 24401/K4/70-25 dated the 5th October, 1971, the Chief Engineer, Andhra Pradesh have stated that the additional renewal was necessitated mainly to build up the crust in certain stretches where the soils were mostly red earth and soft variety.

"As regards the delay in the laying of the blacktopping, the State Government have stated as follows: 'The additional layer of WBM was laid for increasing the crust to strengthen the road to suit the traffic and not due to any defective maintenance of the already laid WBM surface. Hence the question of fixing responsibility for not maintaining the macadam surface to proper camber and profile does not arise. The WBM work was completed between 3/67 and 12/67 mostly and tenders for B.T. were called for in 1/67. Thus it could be seen that no delay was caused in inviting tender for B.T. work, even as the WBM renewals were under progress. But tenders could not be finally decided before 4/68 as they had to be recalled thrice. Hence the question of fixing responsibility for not laying B.T. surface earlier does not arise'."

"It may, however, be stated that the facts as mentioned by State Government subsequently....indicate (a) though the project was sanctioned in June, 1966, WBM work was taken up in 1965 and 68 furlongs were completed even before sanction; (b) it was only in April, 1968 that agreement for B.T. had been executed; and (c) most of the additional layers of WBM had to be laid in reaches between miles 50 to 70 where original WBM was completed by March, 1967."

1.131. An examination of the execution of the work of blacktopping water bound macadam road in miles 50 to 95 of National Highway No. 7 sanctioned in 1966 reveals regrettable lack of coordination between the Roads Wing of the Ministry of Transport and Shipping and the executing agency, viz., Government of Andhra Pradesh. The Committee learn that 63 furlongs of initial water bound macadam work was completed by the State Government even before the Ministry had sanctioned the work. There was a delay of over 2 years in finalising tenders for blacktopping and seal coat. Further the question of providing additional layer of metal work in certain reaches before taking up blacktopping was not raised with the Ministry till the failure of the road was reported in July, 1968 although this was stated to have been considered necessary by the State P.W.D. The Committee also note discrepancies in the reports made by the State Government to the Ministry of Transport and Shipping from time to time in regard to the reasons as to why the blacktopping work could not be taken up in time and how the deterioration of the water bound macadam surface took place. In view of the foregoing, the Committee feel that the liaison that is required to be established through the regional officers was far from satisfactory. They would, therefore, emphasise that Government should

examine as to what further improvements should be made in the system of reporting by the regional officers so as to have an effective control over the progress of work executed through the State Governments.

1.132. The Committee note that most of the additional layers of water bound macadam had to be laid in reaches where original water bound macadam was completed by March, 1967 and that the Ministry are of the opinion that there is a need for detailed investigation. The Committee accordingly desire that an investigation should be carried out into the causes of the failure of the road surface leading to considerable avoidable expenditure and the results intimated to them.

MINISTRY OF SHIPPING & TRANSPORT

Appropriation Accounts (Civil), 1969-70

Page 141—Grant No. 127—Capital Outlay on Road

1.133. There was a saving of Rs. 15.04 crores against the provision of 46.65 crores under this grant. The saving occurred mainly under construction of national highways (Rs. 5.47 crores) and under construction of border roads (Rs. 9.77 crores).

I. Border Roads Development Board

1.134. There was a saving of Rs. 6.54 crores under the head A.1(2)—Construction of Border Roads during 1968-69 also. According to the information furnished by the Ministry the saving of Rs. 9.77 crores during 1969-70 occurred against the provision made in respect of the following items of expenditure:—

| | Rs. in lakhs |
|-------------------------------------|--------------|
| (a) Works on Border Roads | 184.44 |
| (b) Category 'A' Stores | 720.47 |
| (c) Miscellaneous | 71.79 |
| | 975.70 |
| Say | 9.77 crores |

Reasons for the savings are stated to be as follows:

“(i) *Works on Border Roads*—savings of Rs. 184.44 lakhs was

due to the following reasons:

Rs. in lakhs

| | |
|---|------------|
| (a) Reduction in works plan mainly due to reduction in availability of machinery and equipment compared to the anticipations. The majority of machines and vehicles are old and their output is consequently not quite reliable | (—) 165.00 |
| (b) Slow progress of works on bridges by contractors and rethinking on construction of Aerial Ropeway | (—) 59.00 |
| (c) The above reductions were partially offset by excess expenditure on monsoon damages | (+) 39.95 |
| NET SAVING | 184.44 |

(ii) *Category A stores*—Saving of Rs. 720.47 lakhs was mainly due to the following reasons:—

Rs. in lakhs

| | |
|---|-------------|
| (a) The proposals for purchase of tractors and compressors did not materialise | (—) 105.00 |
| (b) Delay in covering indents for 225 3-ton vehicles placed on DG&SD in July, 1969 | (—) 124.00 |
| (c) Delay/Slow materialisation of supplies and delay in the adjustment of cost of items supplied upto 31-3-70 in respect of spares (both indigenous and imported, Bridges and Clothing etc. | (—) 441.47. |
| (d) Ad hoc credit afforded by DGOF in adjustment of prices of Komatsu spares supplied in the past | (—) 50.00 |

(iii) *Miscellaneous*—Saving of Rs. 71.79 lakhs under this head primarily represented the credit taken in the Border Roads account for usage of plant and machinery for works executed by the Border Roads on behalf of other Ministries. It was under discussion whether the usage rate of plant and machinery and capitation rates etc. normally adjusted in the Border Roads Projects should be recovered. No credit on this account was provided in the Budget Estimates. It was finally decided that it would be debited to the respective Governments after contra credit under Major Head 103-A. 1(2). This adjustment caused the savings.”

1.35. Asked to indicate the remedial measures proposed to be taken to avoid similar savings in future, the Ministry intimated the following:—

“(a) As the execution of works in the Border Roads Organisation is machine-based and as majority of machines and

equipment are old, affecting output, it has been decided to induct new equipment in a phased manner and also make good the deficiency of 3-ton vehicles. This, it is hoped, will reduce frequent changes in works plan

- (b) Stricter control will be exercised over the achievements of works entrusted to the contractors.
- (c) Regarding stores, equipment and spares procurement is being planned on a more realistic manner based upon past experience. Regular expediting action is being taken with the suppliers in respect of outstanding supplies. Periodical meetings are held by the Directorate General, Border Roads with DGS&D to expedite coverage of indents. Outstanding payments/adjustments are pursued by the Dte. GBR with the Pay and Accounts Officer and Controller of Defence Accounts.
- (d) Suitable provision is being made in the Budget Estimates in respect of anticipated credits for usage of plant and machinery in regard to agency works thus obviating savings on this account."

II. Ministry of Shipping and Transport (Roads Wing)

1.136. As regards the saving of Rs. 5.27 crores during 1969-70 in sub-head A. 1(1)—Construction of National Highways, the position is stated to be as follows:

| (Rs. in lakhs) | | | | |
|-------------------------|-------------------------------|----------------------------|-----------------------------------|-----------|
| Budget Estimate 1969-70 | Reappropriated during 1969-70 | Final grant during 1969-70 | Actual expenditure during 1969-70 | Variation |
| 1717.00 | 468.89 | 1248.11 | 1170.16 | —177.95 |

1.137. The following reasons for the saving vis-a-vis the budget provision of Rs. 17.17 crores were given by the Ministry:

"The budget provision of Rs. 17.17 crores included *inter-alia* a provision of Rs. 6.00 crores for new normal National Highway works expected to be sanctioned during 1969-70 under the Annual Plan for that year. The Annual Plan for that year included new works of a total cost of Rs. 70 crores and it was expected that the States, who are the

actual executive agencies, would be able to submit detailed plans and estimates for the works required to be sanctioned and that it might not, therefore, be difficult to utilise the provision of Rs. 6.00 crores made for new works during 1969-70. However, due to various reasons, e.g., organisational inadequacies under the State Public Works Departments, their inability to gear up at short notice, time required for investigations and projects preparation, etc. the original expectation did not materialise. Being the first year of the Fourth Five Year Plan, the States naturally took sometime to gear up. Further, in March, 1969 there were series of discussions with the World Bank regarding the likelihood of the provision of some financial assistance by International Development Association for some selected National Highway Projects. As a result of these discussions, which had been prolonged, certain projects under negotiations with the World Bank Authorities, which also originally formed part of 1969-70 programme and projects were getting ready could not be sanctioned during 1969-70 pending a decision of the Bank regarding preliminary selection of those works and this also accounted for a part of the saving out of the provision for new works. Consequently a sum of Rs. 454.50 lakhs was duly surrendered to the Ministry of Finance in two instalments of Rs. 400.00 lakhs and Rs. 54.50 lakhs.

“After having surrendered a sum of Rs. 454.50 lakhs referred above, a further sum of Rs. 14.39 lakhs was re-appropriated from sub-head A. 1(1)—to A. 1(3) Tools and Plants whereunder excess expenditure had been incurred. This accounts for the item under column 2 of the table given above.

“It was expected that with the surrender of Rs. 454.50 lakhs and the re-appropriation of Rs. 14.39 lakhs for Tools and Plants, the balance will be utilised fully as estimated on the basis of the revised requirements of the States. However, the actual expenditure figures revealed another saving of Rs. 77.95 lakhs which was, of course, spread over a number of States covering Andhra Pradesh, Manipur, Nagaland, Bihar, Gujarat, Kerala, Madhya Pradesh, Maharashtra, Mysore, Orissa, Himachal Pradesh, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal. Actually being concerned with 20 States and Union Territories the

saving of Rs. 77.95 lakhs in the final allotments spread over a number of States and Union Territories is not much considering the fact that there can be a number of marginal unforeseen reasons here and there for small savings. Broadly, the reasons for the savings of Rs. 77.95 lakhs, as indicated by the State Governments concerned, could be classified as under:

- (i) Slow progress of works due to certain unavoidable circumstances such as land acquisition problems, unforeseen calamities like floods, etc.;
- (ii) non-adjustment of expenditure;
- (iii) non-clearance of liabilities;
- (iv) completion of work at less cost;
- (v) non-receipt of debits to the extent originally anticipated;
- (vi) non/late finalisation of tenders;
- (vii) non-settlement of L.A. proceedings;
- (viii) receipt of unexpected credits;
- (ix) non-finalisation of codal formalities;
- (x) non/late commencement of works;
- (xi) non-settlement of contractors' claims; and
- (xii) non-adjustment of agency charges."

1.138. As regards remedial measures, the Ministry had the following to state:

"The Government of India are fully conscious of the need and urgency for stepping up the pace of work and to avoid savings. A number of measures have accordingly been initiated to achieve these objectives. These measures include:

- (a) Constant pursuit with the State Governments for strengthening of State Public Works Organisations including the provision of 'earmarked' staff for Central Sector Road Schemes; Procedural streamlining such as measures for reducing the time-lag between the receipt of sanction and invitation of tenders and their settlement; making the contracts time-bound and enforcing the same; expedition in the acquisition of land; action for proper and speedy procurement of material and machinery; need for timely and regular submission of prescribed periodic progress reports;

- (b) Government of India's agreement to provide to the State Governments as an initial payment a sum equal to 1-3¼ percent out of the 7½ per cent Agency Charges paid to States to enable them to appoint necessary staff required for investigatory works design, etc.;
- (c) Enhanced of powers of the State Accountants General to admit excess expenditure over the sanctioned estimates without the submission of revised detailed plans and estimates to the Government of India upto 10 per cent of the approved cost of Rs. 2.5 lakhs whichever is less as against the upper limit of Rs. 25,000.00 allowed earlier;
- (d) Periodic reviews with the State Public Works Department officers regarding the progress of work, bottlenecks, if any, obstructing the pace of work and measures to solve those problems."

"As indicated above, execution of National Highway works is being done through the State Government on agency basis. The Central Government have, therefore, necessarily to depend on the physical capacity of the States for the progress of expenditure. It is gratifying to mention that as a result of the constant pursuit of this Ministry, several States have since appointed exclusive 'earmarked' staff for Central Sector Road Projects and the progress is now expected to be much better. A close watch on the pace of progress is also being kept through periodic reviews and discussions with the State Public Works Department authorities to ensure timely action for avoiding unnecessary saving."

1.139. Although savings should be looked upon primarily as indicative of defect in budgeting no less than excesses, the Committee are concerned at the reduction in the planned programme of work, slow progress of work taken up and delay in materialisation of supplies through the DGS & D and adjustment of debits which were mainly responsible for a saving of Rs. 9.77 crores under the head "A.1(2)—Construction of Border Roads". The reduction in the works plan is attributed to reduction in availability of machinery and equipment compared to anticipation and the output of majority of machines and vehicles which are old, not being reliable. In this connection the Committee find from the reply of the Ministry to a recommendation contained in the Eighteenth Report (Fourth Lok Sabha) that measures to ensure maximum/optimum utilisation of

plant, machinery, equipment etc. in the Border Roads Organisation was under consideration of Government. The Committee hope that measures including streamlining of procedures for improving the efficiency of the Organisation would be taken expeditiously.

1.140. The Committee note that there was also a saving of Rs. 5.47 crores amounting to about one-third of the budget provision of Rs. 17.17 crores under the head "A.1(1)—Construction of National Highways", which was mainly due to delay in implementation of the annual plan. The delay is attributed to the organisational inadequacies of the State Public Works Departments executing the work. Part of the savings was also due to non-adjustment of expenditure, non-clearance of liabilities, non/late finalisation of tenders etc. The Committee have earlier in this report stressed the need to streamline the procedure for execution of works through State Governments ensuring adequate organisational machinery therefor and the necessity for effective control over the progress of work. These assume urgency in view of such serious delays in implementation of plan schemes as is disclosed by the huge savings under the grant.

Page 143—Grant No. 129—Other Capital Outlay on the Ministry of Shipping and Transport.

Group Head A.2(1)—Investment in Government Commercial and Industrial Undertakings—Hindustan Shipyard Ltd.

1.141. Against the original provision of Rs. 150 lakhs, Rs. 110.00 lakhs remained unutilised. In 1967-68 and 1968-69 also against the original provisions of Rs. 75 lakhs and Rs. 100 lakhs respectively, Rs. 45.93 lakhs and Rs. 82.55 lakhs remained unutilised.

1.142. The Ministry explained the savings under the head as follows:

"A provision of Rs. 150 lakhs was made in the Budget Estimate for 1969-70 for investment in the Hindustan Shipyard Ltd. to enable it to meet capital expenditure on Development Works of the Shipyard. This provision was on the basis that the tempo of expenditure on development programme of the Shipyard would increase considerably following the approval by the Board of Directors of the Integrated Development Programme of the Shipyard and the Managing Director being authorised to take up urgent items for sanction as and when required.

"The provision of Rs. 150 lakhs was reduced to Rs. 110 lakhs in the Revised Estimates for 1969-70. The actual expenditure, however, amounts to only Rs. 39.98 lakhs resulting in saving of Rs. 110.02 lakhs against the Budget provision of Rs. 150 lakhs.

"The saving was mainly due to non-completion of development works of the Hindustan Shipyard Ltd. for the following reasons:—

- (i) Delay in delivery and installation of cranes and other machinery ordered with indigenous suppliers. There was enormous delay in the manufacture of the three cranes ordered with M/s. . . . in early 1968 and scheduled for delivery in 1969-70. The cranes have not so far been delivered and installed.
- (ii) Delay in placing orders abroad due to import procedural difficulties *viz.* getting clearance from DGTD, foreign exchange allocation etc.
- (iii) Time-lag in according administrative approval to the Integrated Development Programme as a whole estimated to cost Rs. 7.66 crores. Although sanction for a number of items had been given earlier, the administrative approval for the Integrated Development Programme was given only in October, 1969."

1.143. Asked as to why timely action was not taken to complete procedural import formalities and whether orders had been placed, the Ministry intimated as follows:

"The important machinery items, in the import of which there was considerable delay, are:—

- (i) Plate Bending Rolls Machine of an estimated cost of Rs. 50 lakhs.
- (ii) Electric Tracer Type Gas Cutting Machine of an estimated cost of Rs. 11 lakhs.
- (iii) Drawing Office Equipment of an estimated cost of Rs. 29,000.
- (iv) 2 Nos. Semi-Automatic Welding Equipment of an estimated cost of Rs. 1 lakh.

"In all these cases action was taken as early as in September, 1968/February, 1969 for obtaining indigenous clearance

from D.G.T.D. which could be obtained after a considerable period of time. This was due to insistence on the part of D.G.T.D. to make efforts to obtain the items from some indigenous firms who expressed their inability only after the lapse of a good deal of time. The Plate Bending Rolls Machine is expected to be delivered by December, 1971 while the other items were received and commissioned in July/August, 1971."

1.144 The Committee desired to know how the delayed supplies adversely affected the performance and efficiency of the shipyard. The Ministry stated: "Because of the delay in the delivery of the five heavy cranes, ordered with indigenous manufacturers and the delay in the receipt of imported items like Plate Bending Rolls Machine and Electronic Tracer Type Gas Cutting Machine, no step-up in production activities could be achieved in 1970-71. The heavy cranes are essential to increase erection and pre-fabrication facilities and it may be mentioned here that though the Hindustan Shipyard were in favour of importing the cranes, Government decided that orders should be placed with indigenous manufacturers in accordance with the policy to promote indigenous industries. Two cranes, which were ordered on 15th February, 1968 and were to be delivered in June, 1969 have not yet been delivered."

1.145. The Committee are unable to appreciate the recurring savings under the head "A.2 (1)—Investment in Government and Industrial Undertakings—Hindustan Shipyard Ltd." The savings against the budget provisions were of the order of over 73 per cent in recent years. The delay in receipt of machinery from indigenous sources was stated to be mainly responsible for the savings during the years 1968-69 and 1969-70 besides delay in getting clearance from DGTD, foreign exchange allocation etc. for import of certain items and delay in according administrative approval to the Integrated Development Programme of the Shipyard. As these delays have admittedly affected the performance and efficiency of the Shipyard, the Committee would urge Government to investigate the procedural bottlenecks and take appropriate remedial measures so that the work may progress according to schedule and the available resources are put to optimum use.

NEW DELHI;

April 12, 1972

Chaitra 23, 1894 (S).

ERA SEZHIYAN.

Chairman.

Public Accounts Committee.

APPENDIX I

(Reference: Paragraph No. 1.81 of the Report)

Note indicating the deficiencies in the working of the existing agency system

All the National Highway works are executed by the Public Works Departments on an agency basis. Although being primarily responsible for the development and maintenance of National Highways, the Government of India accord their technical approval and financial sanction to the estimates and provide necessary funds. Under the agency arrangement, the entire field work covering investigations, project preparation including formulation of detailed plans and estimates, award of work, execution of the projects, supervision during construction, submission of various periodical physical and financial progress returns, preparation of revised estimates where the costs have gone up, future maintenance and up-keep of roads etc. is carried out by the State Public Works Departments. Since the Government of India do not have any direct over-seeing of the work the performance of the States in all these aspects is frequently far from satisfactory in spite of repeated instructions. For example, to begin with, the project preparation work itself is very often faulty and estimates are not prepared after adequate investigations in spite of instructions issued by the Ministry which result in the production of unrealistic estimates necessitating subsequent revision and resulting in loss of time in modifications, revision etc. Even after a work has been sanctioned, experience has shown that it takes in some cases an inordinately long (9—12 months) time in the award of the work itself. Even when a work gets started, instances are not wanting to show that in several cases the actual work done lacks proper supervision and control and at times the work is not even upto the required specifications; completion of work many a time lingers on and takes unduly long time and observance of time schedules is a casualty. There is also considerable time lag in the submission of periodical physical and financial progress reports due to which the Government of India are considerably handicapped in maintaining an up-to-date progress chart of the project. Submission of revised estimates where the cost has gone up, is delayed and affects proper financial control over expenditure. Instances are also not wanting to show that in the case of maintenance grants, there is:

invariably an excess over the voted grant. Preparation and submission of completion reports of projects are also generally delayed. Although detailed instructions have been issued to the States from time to time, *vide* letter No. B-29(17) 69, dated the 5th June, 1970—Annexure VIII, the response is not adequate.

The reasons for most of the problems referred to above are that the hands of the State Public Works Departments are full with their own work and they hardly get enough time to pay exclusive attention to Central Sector Road Projects. In order to overcome this difficulty, the Government of India have been pressing the State Governments to provide separate "earmarked" staff for Central Sector Road Works. As a result of lot of efforts, recently some States have since sanctioned/appointed separate earmarked staff for Central Sector Road works. Other are being persuaded to follow suit and it is hoped that as a result of this move, the position may perhaps improve to some extent. However, as the nature of work is of agency by State Govt. the officials of the State Govt. not being under the disciplinary control of the Central Govt., there is an obvious limitation to the enforcement of their accountability to the Centre.

APPENDIX II

Summary of main conclusions|recommendations.

| Sl. No. | Para No. | Ministry/Dept. concerned | Recommendation/Conclusion |
|---------|----------|----------------------------------|--|
| (1) | (2) | (3) | (4) |
| 1 | I.45 | Ministry of Shipping & Transport | After examining the purchase of the dredger 'S.D. Kandla' costing Rs. 89.91 lakhs, the Committee could not but come to the conclusion that as a result of series of mistakes the Kandla Port Trust had to accept a defective dredger with attendant unnecessary complications. The Committee desire that responsibility of the officials concerned for the delay/failure in taking appropriate action as dealt with below, should also be fixed and action taken against them. |
| 2 | I.46 | -do- | The Committee had occasion to examine the case earlier in September, 1966 and it was only after this that the failure of the consultants was examined by Government. (The Consulting Engineers gave a certificate of fitness at the port of construction in May, 1962 despite the fact that the major defects and the gravity thereof were known to them. The certificate, however, is stated to have been issued provisionally contrary to the provisions of the contract. |

| (1) | (2) | (3) | (4) |
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| | | | <p>It is not clear how these irregularities on the part of the Engineers were not noticed earlier and appropriate action taken. To this extent the purchase was not processed with care by the Port Trust authorities.</p> |
| 3. | I.47 | Ministry of Shipping & Transport | <p>The dredger was accepted after trials at Kandla on 11th September, 1963. The Committee were informed that as the defects observed during the trials were not considered harmful as per the opinion of the experts, there was no reason at that time for Government rejecting the dredger. The Committee would in particular like to know whether trials to demonstrate the output of the dredger in more than one shift were specifically carried out, as the output of the dredger during 1969-70 long after acceptance was only 159.7 cum./hour when it worked for two shifts as against the minimum output of 250 cum./hour taking into account the overflow losses according to the Ministry.</p> |
| 4. | I.48 | -do- | <p>The Committee find that the dredger was accepted with an extended guarantee period of four years for only the propulsion and pump engines cost of which was 10 per cent of the contract price of the dredger. The guarantee period in respect of auxiliary machinery would normally expire after satisfactory performance for a period of 12 months. The Committee would like to point out that the auxiliary machinery had not given satisfactory performance for</p> |

continuous period of 12 months at any stage from the date of acceptance. The Builders had attempted to rectify the defects but could not succeed in their efforts. The Committee would like to know, in the light of the foregoing, why the guarantee period for the auxiliary machinery could not be reassessed and got suitably extended.

5 I.49

-do-

According to the supplementary agreement entered into with the builders in August, 1963, the extended guarantee period in respect of propulsion and pump engine could be reassessed in case the defects found during the stripdown trials were due to defective design or workmanship. The Committee were informed that in the absence of the consultants' report as required in this behalf after the fourth and final stripdown, the matter could not be taken up with the builders. As the extended guarantee period expired only in December, 1967 and further payment to the consultants was stopped in September, 1966, the Committee would like to know why alternative "Consulting Engineers" were not appointed in time under the provisions of the contract to enable an assessment of the defects and further extension of guarantee period.

61

6 I 50

-do-

The Committee note with concern the delay in recovering the liquidated damages and other dues from the builders amounting to about Rs. 20.45 lakhs as per the assessment of the Committee constituted by the Government in March, 1971 to go into the various issues connected with this case. The Kandla Port Trust is stated to have been asked to formulate basic points for discussion with the builders. The Committee would urge Government to settle the issue with the builders expeditiously and intimate the recoveries effected.

| (1) | (2) | (3) | (4) |
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| 7 | I. 51 | Ministry of Shipping & Transport | Incidentally the Committee learn that the Port Trust preferred a claim for the liquidated damages (Rs. 8.52 lakhs) for the first time only in August, 1966 just before the Committee examined the case earlier. The Committee would like to be informed of the reasons for the delay in preferring the claim which was independent of other liabilities of the firm. |
| 8 | I. 52 | -do- | The Consulting Engineers were to be paid a sum not exceeding Rs. 1.00 lakh for the work required to be done by them in connection with the purchase of the dredger. However, payments aggregating Rs. 2.25 lakhs have been made to them and Rs. 1.29 lakhs withheld. The increased payments due to them were mainly on account of the necessity of continuing their services beyond the stipulated date of delivery of the dredger (July, 1962). The Committee would like to know whether the builders have borne this extra liability. The Committee, however, note that it has been decided not to release to the consultants the payment of Rs. 1.29 lakhs withheld, before the final settlement regarding recovery of the liquidated damages etc. from the builders. |
| 9 | I. 53 | -do- | The experience with the foreign consultants and experts in this case has been unfortunately quite disappointing. The Commit- |

tee trust that as dredgers are now being manufactured indigenously, sufficient expertise in the matter of consultancy services should also be available within the country. They accordingly desire to suggest that Government should look to available expertise in the country thereby eliminating their dependence on foreign experts which besides reducing foreign exchange expenditure, would give a fillip to further development of indigenous talents. This suggestion would apply to other fields as well where indigenous technology has improved to the extent where foreign consultancy service is neither desirable nor necessary. It should, however, be the endeavour of Government to develop progressively sufficient expertise within the country wherever it is not available at present.

10

I. 54

-do-

In the opinion of the Committee, the problem of dredging at Kandla has assumed serious proportions in-as-much as there was a backlog of dredging to the extent of 1.9 million cubic meters as at the end of March, 1971 as the dredger 'S.D. Kandla' could not cope with the siltation. Despite poor performance of the dredger no serious attempts appear to have been made to tackle the problem except hiring two additional dredgers for brief periods when the dredger 'S.D. Kandla' was sent for dry-docking and repairs. The Committee, however, note that it has been decided to procure a new dredger of 2500 cum. capacity. In view of the importance of restoring the original depth in the Branch Channel and to improve the depth so that the Port could be better utilised, the Committee trust that the new

| (1) | (2) | (3) | (4) |
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| | | | dredger would be procured early. The Committee need hardly stress that learning from their experience of dredger S.D. Kandla Government should take adequate care to ensure that the dredger that they now order is of the requisite capacity and performance to suit the requirements of Kandla Port, that it is delivered in good condition in all respects, that it has fool-proof guarantee about performance and that the cost of dredging would be economic and competitive. |
| 11 | I. 55 | Ministry of Shipping & Transport | The Committee note that in respect of a dredger hired from the Shipping Corporation of India for a brief period in 1968-69 the quantities dredged and cost of dredging could not be assessed. The Committee are unable to agree with this, as the reasonableness of the hire charges cannot be determined without knowing the performance. Further the Committee desire to know whether the remaining claim of the Shipping Corporation of India had been settled and the basis thereof. |
| 12 | I. 56 | -do- | In respect of a dredger hired from the Calcutta Port Commissioners for the period from January to March 1971, the Committee observe that cost of dredging worked out to Rs. 13.59 per tonne as against Rs. 4.06 per tonne of 'S.D. Kandla'. This shows that the output of the dredger was not commensurate with the hire charges |

paid. The Committee, therefore, desire that there should be rational and realistic basis for determining rate of hire charges at least as between two Port Trusts. Further there should be an effective cost control over the dredging operations to put the dredgers to optimum use.

13 I. 83

-do-

The delays and deficiencies noticed in this case connected with the construction of a bridge on the Quilon-Alleppey National Highway are typical of the manner in which the Central works are executed through the State Governments without effective coordination. The work which was scheduled to be completed by July, 1967 was actually completed in December, 1971. To what extent was this due to the delay in furnishing technical comments for the various items of work is not known. The Committee desire that the relative responsibility of the Roads Wing of the Ministry of Transport and Shipping and the State Government for the delay in clearing the designs should be determined. 2

14 I. 84

-do-

It is not clear to the Committee as to why the State Government thought it necessary to provide for the departmental supply of high tensile steel wires only, for the bridge work. In respect of other requisite materials to be procured by the Contractor himself the Government did not make themselves responsible for either delay in procurement or increase in cost thereof in any manner. As the entire bridge work was awarded on lumpsum basis, the Committee do not consider that the action of the State Government in agreeing

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| | | | <p>to supply one of the items was justified. In view of the fact that this resulted in needless claims for compensation by the contractor on account of delay in supplies and other complications, the Committee feel that the matter requires investigation. Further they would like to know the practice in this regard in other bridge works on National Highways executed through various State Governments.</p> |
| 15 | I. 85 | Ministry of Shipping & Transport | <p>The Committee regret to find that orders for supply of high tensile steel wires were placed on firm 'A' for the entire quantity of 90 tonnes despite the fact that the firm is stated to have apprised the Department of their lack of experience in manufacturing this product and of the need to develop it as a special case "to assist the Department". As there was another valid tender, the Committee feel that the authorities need not have sought the assistance of or shown any indulgence to a local firm. The correct course in such circumstances would have been to place an educational order to test the capacity of the firm.</p> |
| 16 | I. 86 | -do- | <p>Incidentally, the Committee note that there was no approved list of firms maintained by the Central Government for the supply of high tensile wires. In view of the experience in this case, the Committee consider it desirable to have approved lists of firms for supply of main items for the guidance of State Governments executing Central works.</p> |

17 1.87

-do-

A lapse in regard to repurchase of high tensile steel wires on failure of firm 'A', noticed by the Committee is that the State Government took recourse to it without inviting tenders and without taking any legal opinion. Firm 'A' have repudiated the claims of Rs. 76,138 in this behalf and have pointed out *inter-alia* absence of firm commitment on their part to any specific delivery schedule from the beginning and delay in arranging test and communicating the results by the Department. In the opinion of the Committee, the various commissions and omissions in this case require investigation with a view to fixing responsibility.

18 1.88

-do-

The Committee note that the arbitrator has awarded a sum of Rs. 29,205 in favour of the contractor executing the bridge work against his claims of compensation for the delay in supply of the steel wires. The Committee would like to know what further steps are proposed to be taken to recover from firm 'A' this amount and the extra expenditure on repurchase amounting to Rs. 76,138 and the results thereof.

19 1.89

-do-

Arising out of the above case is the general question of satisfactory execution of Central works through the State Governments. The Committee have been pointing out from time to time the inadequacies in this regard which resulted in avoidable losses on the one hand and tardy execution of works on the other. They have also pointed out lack of control over spending through the works executing agencies resulting in considerable recurring excesses/ savings under grants voted by Parliament. That there is thus need

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| | | | for effective control—technical and financial—needs hardly any further emphasis. Various measures such as delegation of powers to the State Governments and earmarking staff for Central Sector Road works by all the State Governments, are stated to be under consideration. The Committee wish to observe that it is high time that the procedure for execution of road works on agency basis is streamlined in consultation with the Ministry of Finance. They would, however, like to caution Government that any scheme of delegation would work satisfactorily only if there is a system to assess effectively the proper discharge of delegated responsibilities. |
| 20 | 1.90 | Ministry of Shipping & Transport | The Committee find from the report of the Department of Administrative Reforms that progressing and evaluation of work though important, is one of the neglected activities of the Roads Wing of the Ministry of Transport and Shipping. The Committee regret to learn that the progress reports relating to works are not submitted by State Governments in time and the reports which are received are not systematically analysed. In order to have an effective execution of work, this situation has to be remedied and a better coordination through the regional offices established. |
| 21 | 1.99 | -do- | According to the evidence tendered by the Director of the Central Road Research Institute the failure of the crust of the right approach road to Vasista bridge on National Highway necessitating |

repairs at the expense of Rs. 2.27 lakhs was due to "non-implementation of the total design over and above the stabilised layer" and leaving the road open to traffic prematurely especially in the rainy season. The Committee, however, note that a Sub-Committee of the Central Assessment Committee is investigating into the reasons for the failure. The Committee would, therefore, like to await their findings and the action taken thereon. The Committee further note that total crust to be provided was increased subsequently from 25" to 27½" in consultation with the CRRI. Therefore, it should also be investigated as to why the design which was done by CRRI did not originally provide for the required thickness.

22 I 100

-do-

The adoption of the new "soil stabilisation" method by the State Government as suggested by the CRRI did not have the specific approval of the Ministry of Transport and Shipping (Roads Wing). The Committee understand that the Central Assessment Committee has yet to come to a decision regarding the technical feasibility or otherwise of the method. The Committee may be apprised of the decision in this regard in due course.

89

23 I. 112

-do-

The Committee are concerned to note the lack of effective inventory control in the Border Roads Organisation as is evidenced by the excessive purchase of Rs. 6.08 lakhs worth of spares for Crawler tractors of (TD-22-200) series, more than 80 per cent of which had to be disposed of at less than 25 per cent of the original price. It is disturbing to note further that as against total cost of Rs. 1706

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| | | | <p>lakhs of spares purchased unwanted spares valued approximately at Rs. 217 lakhs exist in respect of 86 equipments and vehicles. In respect of 13 out of these equipments the value of unwanted surplus (Rs. 117.66 lakhs) is over 20 per cent of the total value of their spares held and the major portion of them relate to four main items. That there should have been such a large accumulation of spares in a relatively new organisation such as the Border Roads shows how faulty the system of provisioning was. The Committee would like to know the results of the probe as to how this phenomenon arose. The utilisation/disposal of the surplus spares may also be reported to the Committee.</p> |
| 24 | I. 113 | Ministry of Shipping & Transport | <p>The Committee wish to stress that there should be an effective annual provisioning review in future as recommended by the Committee on Machinery and Equipment which should take into account the existing inventory of spares. Further the Organisation should attempt to standardise the vehicles and equipments as far as possible so that the problem of multiplicity of spares is not met within future.</p> |
| 25 | I. 119 | -do- | <p>The Committee regret that a lacuna in the agreement entered into with the Japanese consultancy firm for conducting basic surveys and preparing preliminary designs and project report for the Second Shipyard Project, Cochin, resulted in a gratuitous pay-</p> |

ment of Rs. 0.78 lakh. The Committee trust that such legal documents will be drafted with care in future to reflect the understanding reached between the contracting parties.

26 I. 120

-do-

The Committee note that the firm has been requested only in September, 1971 (after the representatives of the Ministry appeared before the Committee) to refund the extra payment made to them and that their reaction is awaited. The Committee do not appreciate the delay in taking this action. They, however, wish that the firm should be persuaded to refund the amount and the result intimated to them.

27 I. 131

-do-

An examination of the execution of the work of black topping water bound macadam road in miles 50 to 95 of National Highway No. 7 sanctioned in 1966 reveals regrettable lack of coordination between the Roads Wing of the Ministry of Transport and Shipping and the executing agency, viz., Government of Andhra Pradesh. The Committee learn that 63 furlongs of initial water bound macadam work was completed by the State Government even before the Ministry had sanctioned the work. There was a delay of over 2 years in finalising tenders for black topping and seal coat. Further the question of providing additional layer of metal work in certain reaches before taking up black topping was not raised with the Ministry till the failure of the road was reported in July, 1968 although this was stated to have been considered necessary by the State P.W.D. The Committee also note discrepancies in the reports

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(2)

(3)

(4)

made by the State Government to the Ministry of Transport and Shipping from time to time in regard to the reasons as to why the black topping work could not be taken up in time and how the deterioration of the water bound macadam surface took place. In view of the foregoing, the Committee feel that the liaison that is required to be established through the regional officers was far from satisfactory. They would, therefore, emphasise that Government should examine as to what further improvements should be made in the system of reporting by the regional officers so as to have an effective control over the progress of work executed through the State Governments.

72

28

I. 132

-do-

The Committee note that most of the additional layers of water bound macadam had to be laid in reaches where original water bound macadam was completed by March, 1967 and that the Ministry are of the opinion that there is a need for detailed investigation. The Committee accordingly desire that an investigation should be carried out into the causes of the failure of the road surface leading to considerable avoidable expenditure and the results intimated to them.

29

I. 139

-do-

Although savings should be looked upon primarily as indicative of defect in budgeting no less than excesses, the Committee are concerned at the reduction in the planned programme of work, slow progress of work taken up and delay in materialisation of sup-

plies through the DGS & D and adjustment of debits which were mainly responsible for a saving of Rs. 9.77 crores under the head "A.1(2)—Construction of Border Roads". The reduction in the works plan is attributed to reduction in availability of machinery and equipment compared to anticipation and the output of majority of machines and vehicles which are old, not being reliable. In this connection the Committee find from the reply of the Ministry to a recommendation contained in the Eighteenth Report (Fourth Lok Sabha) that measures to ensure maximum/optimum utilisation of plant, machinery, equipment etc. in the Border Roads Organisation was under consideration of Government. The Committee hope that measures including streamlining of procedures for improving the efficiency of the Organisation would be taken expeditiously.

73

30 I. 140

-do-

The Committee note that there was also a saving of Rs. 5.47 crores amounting to about one-third of the budget provision of Rs. 17.17 crores under the head "A.1(1)—Construction of National Highways", which was mainly due to delay in implementation of the annual plan. The delay is attributed to the organisational inadequacies of the State Public Works Departments executing the work. Part of the savings was also due to non-adjustment of expenditure, non-clearance of liabilities, non/late finalisation of tenders etc. The Committee have earlier in this report stressed the need to streamline the procedure for execution of works through State Governments ensuring adequate organisational machinery therefor and the necessity for effective control over the progress of work. These assume

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urgency in view of such serious delays in implementation of plan schemes as is disclosed by the huge savings under the grant.

31 I. 145 -do-

The Committee are unable to appreciate the recurring savings under the head "A.2(1)—Investment in Government and Industrial Undertakings—Hindustan Shipyard Ltd." The savings against the budget provisions were of the order of over 73 per cent in recent years. The delay in receipt of machinery from indigenous sources was stated to be mainly responsible for the savings during the years 1968-69 and 1969-70 besides delay in getting clearance from DGTD, foreign exchange allocation etc. for import of certain items and delay in according administrative approval to the Integrated Development Programme of the Shipyard. As these delays have admittedly affected the performance and efficiency of the Shipyard, the Committee would urge Government to investigate the procedural bottlenecks and take appropriate remedial measures so that the work may progress according to schedule and the available resources are put to optimum use.

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